

**Version 1
Strategy &
Resources**

General Fund Medium-Term Financial Strategy

**October
2018**

2018/19 to 2023/24

Cambridge City Council



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

The annual Medium Term Financial Strategy (MTFS) sets out to predict the finances of Cambridge City Council for the next five years. Assumptions and forecasts are thoroughly reviewed and applied to the years ahead so that we can create and share a good guide to the Council's future finances. This provides a context within which we can then take appropriate decisions to manage our finances and meet our objectives for Cambridge. These are:

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

These objectives need strong finances to be capable of being delivered. To do so we need to provide high quality services including a level of non-statutory services most councils get nowhere near matching. Yet to fund these services we are faced with the possibility of increased costs and reduced income.

Major uncertainty on future income

The Government continues to emphasise austerity in their policies, and a major impact for Cambridge is that our Revenue Support Grant has been reducing year by year and we will receive nothing at all from April 2019. Only five years ago in 2013/14 we received £5,639,000. There has been cumulative damage caused by the Government's austerity programme over the past 8 years. It has hindered the ability of local authorities to provide services and at the same time brought hardship to those who are less well-off, leading to more work being needed from us to assist them.

The Government has a series of overlapping and slow moving local government financial reviews underway, including on Fair Funding, on the future of New Homes Bonus, and on Business Rates. This means we face extensive uncertainty as to our funding from these sources.

Leaving the EU will doubtless put pressure on the UK economy but how seriously is not known. Even a place like Cambridge, with a robust economy, may well suffer a downturn. This may in turn lead to a reduction in important income streams to the city council such as rents from our commercial property and charges in our car parks.

We can anticipate growth in Council Tax with the continued construction of new homes in the city, but this also brings with it increased costs in providing services to those homes, such as refuse bins and collection. The strong growth in provision of student housing is particularly burdensome as we get no Council Tax income from students yet we are required to provide them with services such as taking their rubbish away.

With these pressures on us to provide quality services to more people and businesses and share the prosperity of the city, it has been essential to develop strategy so that it is possible to set balanced budgets each year.

The Challenge

Given the economic and financial uncertainties facing us, this year's assessment of the council's finances into the future, has been especially rigorous in identifying pressures we may encounter. We need to understand the difficulties we may face and plan our response in an organised way rather than have decisions taken out of our control.

For the past few years we have been very effective in saving on costs such as by:

- Sharing services with other councils has enabled savings to be found.
- The Office Accommodation Strategy has concentrated staff into fewer buildings and improved the facilities for staff.
- The energy efficiency of those premises has been greatly improved cutting down on heat and light bills.
- Our digital strategy involves investing in IT equipment and software to enable procedures and systems to run far more efficiently.

And at the same time we have found ways to develop income, notably:

- Releasing underused bank balances for investment to achieve much better returns
- Developing commercial services, such as the vehicle workshop at Waterbeach

In preparing the financial tables and projections in this MTFs, Heads of Service were asked to plan ahead more rigorously than ever, to identify pressures on the cost of providing services into the future, and seek opportunities to develop income. They were also asked to identify capital expenditure requirements up to 10 years ahead so that we can plan to have the funds available to meet those needs.

This exercise added to the review of key assumptions such as on expected levels of general and pay inflation. The resultant overall forecast indicates that the scale of the pressures for the next five years has grown. In responding to this challenge officers will be carrying out further reviews of service budgets. We have also had the officers bring together a long list of possible ways to reduce costs and develop new income streams. These are being assessed for their viability and to ascertain that they fit in with our overall objectives for serving Cambridge.

While we need to find more ways to be less reliant on Government funding, we also hope to benefit from the government's proposal for some form of business rates retention by local councils. While this is primarily geared to retention of only the growth in business rates, it could still be an important source of funds into the future. We are actively working with the other local authorities of the county and Peterborough to apply to be a pilot project for business rates retention next year. Work to release land in the north-east of Cambridge for development of business properties as well as housing could well lead to strong growth in rates so the development of a retention scheme is important to us.

Capital Investment

Through investment in the distant and recent past the council has built up a sizeable portfolio of commercial properties and we have commissioned an external review of this. The review will consider all factors relating to the property not least whether we need to diversify more given the pressures on some sectors, notably retail.

Our investment in commercial property outside of our city has provided a better rate of return than has been possible from buying property in Cambridge, and also enabled us to diversify away from a single area. However we also want to find ways to invest to help develop jobs and the overall economy of Cambridge. The proposed investment in the Allia, Future Business Centre, is a good example of how we can do that. We also want to develop some of the council's existing land holdings in the city where they are suitable for new schemes, and help businesses develop here as well as improving returns.

The project to build 500 council homes will add significantly to the stock of genuinely affordable accommodation in Cambridge. However our strategy is also for the project to help develop other homes in the city with different forms of tenure. The way we have embarked on the 500 home venture means that we are also enabling several hundred additional homes to be constructed. Most of these will be sold on the open market but we are planning for some to be bought by our Housing Company for letting at sub-market rents.

Summary

This Medium Term Financial Strategy identifies the pressures we face in the years ahead. It will enable us to plan finding savings, increase income streams and invest both for the future support of our budget and to help the economic development of Cambridge. The analysis will be used to help draw together the Budget Setting Report for 2019/20 which will be published in January.

By then we cannot expect anything more than marginal change in the uncertainties we will face but the MTFS will help us maintain the core financial objectives of this Council: sound and prudent financial management, the minimisation of the need for cuts to services, investment in more affordable housing, and a fairer and more equal city, a city we are so proud to serve.

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) 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 when 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 has incorporates a review of the current year's budget position and updated projections for five years. However, we have extended the period of the projections underlying this document to ten years (from 2019/20 to 2028/29) to provide a longer term view to allow planning in response to increasing pressures on local government finance. The later years of the projection are not presented, primarily due to the wide range of possible outcomes and the considerable levels of uncertainty in those years. The projections demonstrate the effects of changes in assumptions made and their impact in terms of savings requirements.

The current funding climate is uncertain and in March 2018, the National Audit Office concluded:

The sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since our last study [2014]. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially; so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams. The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium-term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

"Financial sustainability of local authorities" March 2018

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 budget process:
 - o The level of spending reductions required, if any
 - o Resources to be made available for funding the capital plan
 - o The level of GF general reserves

Context and approach

The council has carried out a budget consultation exercise annually since 2002, using a variety of quantitative and qualitative methods.

In October 2018 the council will host events for local businesses and community representatives. The Leader will set out the vision and priorities for the Council within the context of the challenges we are facing. Subsequent questions, comments and discussions will be used to inform members of the nature of the debate and the feelings of the audience, so that these considerations can be taken into account as the council's budget is developed.

There is still a statutory requirement to consult local businesses on the Council's financial expenditure. The nature of this consultation is not specified in the legislation and the current Leader's briefings with business representatives could satisfy this requirement. There is also a requirement to consult under Section 3 of the Local Government Act 1999 (Best Value), which relates

to fulfilling the duty of providing best practice. This has generally been interpreted as a requirement to consult with local people when there is a substantial change to local services, both those affected directly and non-directly.

Timetable

Key dates and decision points are set out below. However, the committee process and dates are currently under review and may change:

Date	Task
2018	
8 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
16 October	Council considers both GF and HRA MTFS reports
2019	
4 January	Budget Setting Report (BSR) published
21 January	BSR considered by Strategy & Resources Scrutiny Committee
24 January	The Executive consider and recommend the BSR and Council Tax level to Council
11 February	Special Strategy & Resources Scrutiny Committee to consider any budget amendment proposals
21 February	Council approves Budget Setting Report and sets the level of Council Tax for 2019/20

Section 2

Policy context, priorities and external factors

Local policy context and priorities

Corporate Plan

The council's Corporate Plan was approved in February 2018 at the same time as the Budget for 2018/19. It sets out the aims and objectives of the council and how these will be achieved. The Leader's Foreword to this MTFS supplements the 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 to bring additional benefits to the people who live, work and study in our area, especially through pooling of resources and skills to achieve a common aim.

The Greater Cambridge Partnership

The City Council is working with Cambridgeshire County Council, South Cambridgeshire District Council, the University of Cambridge and the Cambridgeshire and Peterborough Combined Authority – Business Board (formerly 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 £500m, to be released over a 15 to 20 year period, expected to be matched by up to another £500m from local sources, including through the proceeds of growth.

The City Deal will help Greater Cambridge to maintain and grow its status as a prosperous economic area. The Partnership is working to:

- Accelerate the delivery of 33,500 planned homes
- Enable delivery of 1,000 extra affordable new homes on rural exception sites
- Deliver over 420 new Apprenticeships for young people

- Provide £1bn of local and national public sector investment, enabling an estimated
- £4bn of private sector investment in the Greater Cambridge area
- Create 44,000 new jobs
- Provide a governance arrangement for joint decision making between local councils

The Partnership is currently developing proposals for transport improvements to enable people, goods and ideas to move more quickly, reliably and sustainably between centres of research, innovation and enterprise, and between places of residence, work and study.

One aspect of this is likely to be proposals to tackle congestion, and this may require ways of managing the number of vehicles on the most congested routes at the most congested times of the day. Whatever proposals are ultimately implemented may have impacts on City Council services, including potentially budgetary implications. The service and financial impact of such measures will be factored into the council's financial planning in more detail as the impacts become clearer.

The Partnership is also supporting delivery of affordable housing and a skills system that equips more young, local people with the skills they need to engage in the knowledge-based industries that comprise the Cambridge Cluster.

The Partnership is also bringing together public, private and academic experts to develop and exploit "smart city" technologies to help identify and address the challenges that Greater Cambridge faces.

The council, with the other local authority partners, have agreed to create an investment and delivery fund from a proportion of New Homes Bonus (NHB). As a result of this, the BSR considers the application of funds from NHB, earmarking part of future uncommitted funding in line with the expected levels of contribution to the fund.

Cambridgeshire and Peterborough Combined Authority

In November 2016, eight organisations¹ in Cambridgeshire, including Cambridge City Council, agreed a devolution deal with the government to form the Cambridgeshire and Peterborough Combined Authority (CPCA). The deal gives delegated powers to the Combined Authority and a new elected Mayor and brings funding to the region. Following elections on 5 May 2017, James Palmer

¹ Cambridge City Council; Cambridgeshire County Council; East Cambridgeshire District Council; Fenland District Council; Huntingdonshire District Council; Peterborough City Council; South Cambridgeshire District Council; Greater Cambridge Greater Peterborough Local Enterprise Partnership

was elected as Mayor for the Combined Authority. Councillor Lewis Herbert represents the council on the CPCA.

The CPCA will receive funding and powers from Central Government in a number of areas including:

- £100 million to deliver new homes over a five-year period in Peterborough and Cambridgeshire which includes affordable, rented and shared ownership housing, plus £70m for Cambridge City Council to deliver at least 500 new council homes.
- £20 million a year funding over 30 years to support infrastructure and boost economic growth in the region

The key ambitions for the CA include:

- doubling the size of the local economy
- accelerating house building rates
- improving transport and digital infrastructure.

It has been agreed that the Combined Authority costs will be funded from the gain share grant and therefore there will be no charge to the City Council for this. The Mayor has the power to raise a precept (i.e. a separate additional element of council tax to fund the running costs of the Mayoral office). The earliest this could take effect is from 2019/20.

The Combined Authority (but not the Mayor) can levy constituent councils to make a contribution towards its functions but this would need to be unanimously agreed by those authorities through the budget making process for the CPCA. Each Council could also decide voluntarily to make a financial contribution to the CPCA.

The city's economy should benefit from the additional investment and improved infrastructure in the local area that the CPCA brings. The delivery of the £70m council building programme will bring an income stream to the Housing Revenue account as those houses come on stream.

Shared services

The council shares some services with neighbouring councils and is working to develop other shared services. Benefits include improvements in service delivery, efficiencies and greater resilience. True savings arising from shared working will not be realised until all back office and support functions have been reduced to the same proportionate level as prior to a service being shared.

The following services are delivered in two or three way partnerships with South Cambridgeshire District Council (SCDC) and Huntingdonshire District Council (HDC):

With SCDC and HDC:

- 3C Building Control
- 3C ICT
- 3C Legal
- Home Improvement Agency

With SCDC:

- Greater Cambridge Shared Waste Service
- Greater Cambridge Shared Internal Audit
- Greater Cambridge Shared Planning
- Payroll

With HDC:

- CCTV

External factors

The European Union (EU)

There is still a considerable amount of uncertainty as to the effect of the United Kingdom (UK) leaving the EU with regard to interest rates, inflation and business investment combined with associated business rates generation and retention. Some of the current issues may be clarified following the summit on 18 October 2018, when the 28 leaders of EU countries are expected to agree the outline of future relations between the EU and the UK. As presently understood, the UK will leave the EU on 29 March 2019, with a transition period lasting until midnight on 31 December 2020.

Inflation rates

Inflation used to drive expenditure assumptions in the GF financial planning has been based on the Bank of England and Office of Budget Responsibility (OBR) forecasts. The percentage currently applied in the MTFS is 2.2% reducing to 2% by mid-2021. Previously the base level of inflation included within forecasts was 2% reflecting the Government target for CPI. The Bank of England's

August 2018 forecast shows a return to that rate by late 2020. Rates used will be reviewed again for the BSR in February 2019.

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. Members of the Bank of England Monetary Policy Committee (MPC) unanimously increased the bank rate to 0.75% (previously 0.50%) on 1st August 2018, the previous increase was on 2nd November 2017, when the Committee voted to increase the Bank Rate to 0.50%.

Rates available to investors continue to be exceptionally low. However, through the use of a variety of investments as permitted by our investment strategy, we are maintaining our rates of return above 1%, expected to rise to 1.3% in 2020/21. As a result, our assumption relating to the rates at which we can lend out our cash balances have been maintained, as noted in Section 3.

Interest rates on external borrowing

The council has no GF borrowing or existing plans to borrow. However, the council uses its cash balances to fund capital spending and to lend to the Cambridge City Housing Company (CCHC) and the Cambridge Investment Partnership (CIP). The council has a substantial interest in both these organisations, which provide financial returns to the council and enable the delivery of policy priorities. Use of cash balances in this way is known as 'internal borrowing' and may indicate a need to borrow externally in due course. The council keeps this situation under regular review and seeks advice from its treasury advisors (Link Asset Services) in this regard.

National policy context

Government spending announcements

In his Spring 2018 statement, the Chancellor revised the government's pledge to eliminate the budget deficit from 2025 to "mid-2020s". A budget deficit revision could have considerable impact on the medium-term outlook for local government funding.

Two fiscal reports in July, from the OBR and Treasury, highlighted the pressures on public finances. Pressures on health, pensions and social care dominate long-term projections. When recent public sector pay awards are factored in, the future course of local government funding becomes very challenging.

Whilst reduced contributions to the EU will fund some additional demand, much will be used to maintain existing agricultural, scientific research and infrastructure support, with additional funding for Health also expected from this source.

Despite a fall in median incomes, higher levels of employment which are largely determined by the pace of economic growth, should translate into improvements in income tax revenues.

Local government finance

2019/20 and future years

On 24 July 2018, the Government published a technical consultation on “The 2019/20 Local Government Finance Settlement”. The consultation covers proposals for the 2019/20 Local Government Finance Settlement in the context of the overall Spending Review package announced in 2015.

The Government proposes to allocate funding in 2019/20 in accordance with the agreed methodology announced by the Secretary of State in 2016/17, which ensures that local councils delivering similar services receive a similar percentage change in settlement core funding for those services. The consultation ends on 18 September 2018 and also covers, *inter alia*, the fourth year of the multi-year settlement offer, proposals for the New Homes Bonus threshold, council tax increase caps and dealing with the issue known as ‘Negative Revenue Support Grant’.

The 2016/17 settlement offered councils a four-year settlement, giving greater certainty of funding until the end of the spending period. For the City Council, this settlement gives certainty over Revenue Support Grant (RSG) and Business rates tariff and top-up payments. Effectively, RSG is to be phased out over the 4-year timeframe, with a proposal for negative RSG to be eliminated through the mechanism of the overall business rates settlement.

A further Business Rates pilot has been announced with participants being offered 75% retention of local business rates subject to tariffs and top-ups. The Council is expected to put forward a bid for inclusion in the pilot with partners in the CPCA. As the outcome is uncertain, no additional business rates income as a result of the pilot has been assumed in this MTFS.

The 2019 Spending Review will confirm overall local government resourcing from 2020/21. Therefore, uncertainty remains for that year and beyond.

This MTFs therefore assumes that the level of Settlement Funding Assessment (SFA) will be as indicated in the 2018/19 settlement for 2019/20, as included in the February 2018 BSR. There is considerable uncertainty relating to the SFA for 2020/21 and beyond, as there will be a Spending Review in 2019, which will address local government funding levels. The impacts of the government's Fair Funding Review and the expected implementation of 75% business rates retention are also unknown at this time. Therefore this MTFs uses a funding trajectory derived from a model provided by the council's advisers to provide a view of possible future funding levels, as shown in the table below.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Revenue Support Grant (RSG)	-	-	-	-	-
Business rates baseline	4,240	3,951	3,925	3,897	3,867
Total SFA - per 2018/19 finance settlement and as modelled	4,240	3,951	3,925	3,897	3,867

New Homes Bonus

The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The eligible amount, calculated from housing growth in the year, was then paid each year for a period of 6 years. In December 2016 the scheme was changed so that payments were reduced from 6 to 5 years in 2017/18 and to 4 years from 2018/19 together with the introduction of a national baseline for housing growth of 0.4% of council tax base from 2017/18, below which the Bonus is not paid.

The government has retained the right to adjust the baseline, principally to remain within spending limits each year. In 2018/19 the baseline remained at 0.4%, however, due to the continued upward trend for house building, the government expects to increase the baseline in 2019/20 following a review of housing data when published in November. Any changes intended for the baseline in 2019/20 will be detailed at the time of the provisional settlement.

2019/20 represents the final year of funding agreed through the Spending Review 2015. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. It is considered possible, indeed likely, that NHB will be replaced at that point, although the underlying funding is expected to be redistributed within the local government sector in some way. Government has committed to consult widely on any changes prior

to enactment. As the impact of these changes cannot be foreseen, this MTF5 continues to include the consideration of NHB funding and how it will be used, based on future growth predictions and a 0.4% baseline.

NHB is currently used to fund both revenue and capital spending related principally to growth and place. Along with partners, the Council has committed 40% of NHB funding each year to a GCP Investment and Delivery Fund, with remaining amounts reserved for schemes to mitigate the impacts of the A14 upgrade. As the geographical area of Cambridge City becomes increasingly developed, growth is expected to slow, giving rise to smaller NHB receipts. However, the council's revenue and capital expenditure and the A14 mitigation take priority over the contribution to the GCP Investment and Delivery Fund. It can be seen that from 2022/23 onwards it is no longer possible to set aside 40% to the GCP Fund without creating an unacceptable deficit in this revenue stream. However, as this funding stream is expected to undergo significant change in the next two or three years, a fundamental review of the expenditure funded from it and possible alternative funding sources, will be required.

NHB receipt estimates, based on projections of future growth, are shown below, along with current commitments.

Description / (£'000s)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Confirmed NHB funding at February 2018 BSR	(4,108)	(2,522)	(1,161)	-	-	-
Add	-	-	-	-	-	-
Confirmed NHB receipts for 2018/19	(1,487)	(1,487)	(1,487)	(1,487)	-	-
Estimated NHB receipts for 2019/20	-	(1,106)	(1,106)	(1,106)	(1,106)	-
Estimated NHB receipts for 2020/21	-	-	(1,133)	(1,133)	(1,133)	(1,133)
Estimated NHB receipts for 2021/22	-	-	-	(1,161)	(1,161)	(1,161)
Estimated NHB receipts for 2022/23	-	-	-	-	(482)	(482)
Estimated NHB receipts for 2023/24	-	-	-	-	-	(494)
Potential New Homes Bonus Total	(5,595)	(5,115)	(4,887)	(4,887)	(3,882)	(3,271)
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785

Description / (£'000s)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Public Realm Officer - Growth X3782	35	-	-	-	-	-
Direct revenue funding of capital	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	2,238	2,046	1,955	1,955	1,458	847
A14 mitigation contribution funded from reserved amounts	-	(1,500)	-	-	-	-
Spend from A14 mitigation Fund	-	1,500	-	-	-	-
Contribution to GCP Investment and Delivery Fund	-	-	-	-	-	-
Total commitments against NHB	4,697	4,470	4,379	4,379	3,882	3,270
NHB reserved for A14 mitigation	782	-	-	-	-	-
Cumulative amounts reserved for A14 mitigation	(1,500)	-	-	-	-	-
NHB (uncommitted) / overcommitted	(116)	(645)	(508)	(508)	(0)	(0)

Section 3

Review of key assumptions

Budget forecasts presented in the February 2018 BSR 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 sets out where assumptions have been retained and where changes have been made (**shown in bold**) 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: 2019/20 - 2.0% 2020/21 - 2.0% and 2.0% thereafter (no change)	Latest agreed pay award is 2% with no reduction currently anticipated.
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.

Key area	Assumption	Comment / Sensitivity
General inflation (OBR/BoE)	2019/20 - 2.2% 2020/21 - 2.1% 2021/22 - 2.0% thereafter – 2% (previously 2.6%, 2.2%, 2.3%)	Provisions have been updated in accordance with the Office of Budget Responsibility and Bank of England's latest forecasts. 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.
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.
Investment interest rate assumption	2019/20 – 1.25% 2020/21 – 1.30% thereafter – 1.30% (previously 1.0%)	Based on current projections
Capital funding contributions	£1.8m	Capital funding contributions at base level of £1.8m per annum with feasibility budget of £75,000. £1.075m is funded from New Homes Bonus so is contingent on the continuity and level of that funding stream
Council Tax increase	2019/20 onwards 2.99%	Council Tax for a Band D property in 2019/20 and subsequent years of 2.99%.
Government grant (SFA)	Indicative levels of grant as notified through the final local government finance settlement in early 2019.	Government funding beyond 2019/20 is as yet unknown as the Revenue Support Grant is being phased out to be replaced by Business Rates Retention less a tariff in line with the Fair Funding Review, which is currently on-going.

Section 4

Review of budgets and savings targets

2017/18 outturn

A favourable variance of £642k (2016/17: £1,116k) after approved carry forward requests of £1,330k (2016/17: £914k) was recorded on net service spending in the GF for 2017/18. 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 £992k (2016/17: £1,848k)

The variance on net service spending was spread widely across the council and various categories of income and expenditure. As in previous years, there was an overachievement of some income targets, particularly commercial rental income which overachieved by £668k, although this was offset by an underachievement in planning income of £551k. The largest single variance was for staff and agency workers underspent by £1.4m (5% of budget) [2016/17: £0.9m; 3% of budget]. Other variances were generally small, full details are shown in the outturn overview report to Strategy & Resources scrutiny committee.

2018/19 budgets

Departmental budgets are regularly monitored and reported to the Senior Management Team and the Executive to ensure that the Council and its services spend only what is necessary to deliver its aims and objectives. Where variances are identified, either positive or negative, investigations are undertaken to ensure that there is a reasonable justification and whether the variance has a short or long-term impact.

In-year revenue proposals

There are no new revenue proposals for 2018/19.

Head of Service Engagement

In June and July, Heads of Service were asked to review their medium-term budget pressures and savings opportunities for the ten year period to 2028/29, to provide a basis for longer term financial planning. The resulting total of net budget pressures includes items that are considered to be unavoidable, e.g. as a result of population growth or required to meet legislative requirements, and other items which are subject to policy choices and prioritisation. This MTFS allows for unavoidable net pressures only in calculating the council's savings requirement. Future decisions to include further discretionary items will give rise to compensating savings requirements.

Similarly, a number of indicative capital projects were identified. Whilst all capital schemes require proper planning, prioritisation and approval prior to the assignment of funding and inclusion in the capital programme, visibility of potential capital spending at this time allows the council to assess options and make financial plans. In general, the council funds its capital expenditure from revenue resources, setting aside £1.8m of revenue funding each year for capital purposes. This amount may need to be reduced in future year in response to budgetary pressures. However, the council expects to receive a number of capital receipts that will be available as an alternative for funding capital projects. A small number of possible multi-million pound schemes were identified which will require considerable work to determine their viability and for which specific funding will need to be sought if these are considered to be priorities and this judgement will need to be made alongside all other competing requirements.

Budget pressures

The following table sets out the modelling assumptions selected from a number considered during the development of the MTFS. Together with the indicative net pressures identified from the Head of Service engagement exercise, these provide a working total estimated net budget pressures from which savings requirements can be calculated.

Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24
Eliminate contributions from reserves	220	440	660	883	883
Modelled reduction in Settlement Funding Assessment (SFA)	61	289	315	343	373
Modelled increases in council tax income	(176)	(329)	(368)	(710)	(1,106)
Allowance for risk to income streams due to reductions in economic activity	250	500	750	1,000	1,250
Subtotal modelling assumptions	355	900	1,357	1,516	1,400
Indicative unavoidable net revenue pressures identified by Heads of Service	720	763	926	905	757
Total estimated net budget pressures	1,075	1,663	2,283	2,421	2,157

Savings requirements

Applying these changes to budget assumptions and indicative pressures gives an indication of the minimum net savings requirements by year for the next 5 years, assuming that savings are delivered in the year that the requirement is identified. In previous years, the net savings requirement has been adjusted using GF reserves to create a consistent profile across the period. However, the adjustment has not been made in this MTFS for the following reasons:-

- the financial modelling includes indicative pressures, which may or may not crystallise into budget proposals, so any adjustment of the savings profile could be misleading
- significant uncertainty in relation to funding from government (settlement funding assessment) would similarly impact the saving profile;
- the longer planning trajectory allows use of reserves to be phased out, so that the council no longer relies on the use of reserves.

Following these changes, the net savings requirements considering unavoidable indicative pressures total around £3m for the 5 year period.

Description	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Net savings requirement (BSR Feb 2018)	85	85	85	85	598	938
Assumptions, pressures and savings - unavoidable	1,075	588	620	138	(264)	2,157
Revised (MTFS) net savings requirement	1,160	673	705	223	334	3,095

The level of net savings requirement identified by this MTFS provides a baseline for detailed budget setting work. It is likely that some of the indicative spending pressures will not need to come forward as budget proposals and that others may come forward but will not be supported. Any additional spending pressures that emerge through the BSR process will increase savings requirements accordingly, whilst reductions in overall spending pressures will reduce the savings required.

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 / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Expenditure						
Net service budgets	21,289	19,525	21,324	22,220	21,850	21,667
Pressures and Savings (net of items allocated to relevant lines)	-	970	188	13	(378)	(601)
Capital accounting adjustments	(6,155)	(6,155)	(6,155)	(6,155)	(6,155)	(6,155)
Capital expenditure financed from revenue	3,211	1,786	1,786	1,786	1,786	1,786
Contributions to earmarked funds	4,970	3,691	3,140	3,014	2,424	1,813
Revised net savings requirement	-	(1,160)	(673)	(705)	(223)	(334)
Net spending requirement	23,315	18,657	19,610	20,173	19,305	18,176

Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Funded by:						
Settlement Funding Assessment (SFA)	(4,680)	(4,179)	(3,951)	(3,925)	(3,897)	(3,867)
Locally Retained Business Rates – Growth Element	(800)	(800)	(800)	(800)	(800)	(800)
Other grants from central government	-	-	-	-	-	-
New Homes Bonus (NHB)	(5,595)	(5,115)	(4,887)	(4,887)	(3,882)	(3,271)
Appropriations from earmarked funds	-	-	-	-	-	-
Council Tax	(8,227)	(8,659)	(9,096)	(9,462)	(9,842)	(10,238)
Contributions to / (from) reserves	(4,013)	96	(876)	(1,099)	(883)	-
Total funding	(23,315)	(18,657)	(19,610)	(20,173)	(19,305)	(18,175)

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

Section 6

Capital plan

Capital Strategy

The council is required to publish a capital strategy that outlines the principles and framework that shape the council's capital investment proposals. The principal aim is to deliver an affordable programme of capital investment consistent with the council's financial strategy and that contributes to the achievement of the council's priorities and objectives as set out in the corporate plan. The strategy defines at the highest level how the capital programme is to be formulated and designed; it identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed.

As well as detailing the approved capital investment programme over the forthcoming five years, the document also sets out the Council's ambitions over the medium to longer term.

The Strategy will incorporate, *inter alia*,

- A direct relationship to the Corporate Plan
- A framework for the review and management of existing and future assets
- An investment programme expressed over the medium-term
- A document that indicates the opportunities for partnership working
- A framework that prioritises the use of capital resources
- A consideration of the need to pursue external financing (grants, contributions etc.)
- A direct relationship with the Treasury Management Strategy

The council's capital strategy will be published in February 2019 as part of the Budget Setting Report 2019/20.

Approved capital plan

The capital plan was approved by council in February 2018. Since then the plan has been updated for projects carried forward or rephased from 2017/18 and for S106-funded projects totalling £1,146k.

Approved since BSR / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Approved at BSR Feb 2018:							
Programmes	1,864	-	-	-	-	-	1,864
Projects	11,735	10,831	2,550	-	-	-	25,116
Sub-total	13,599	10,831	2,550	-	-	-	26,980
Provisions	262	96	816	61	-	-	1,235
Total	13,861	10,927	3,366	61	-	-	28,215

Changes approved and adjustments made in year:							
Programmes	4,217	-	-	-	-	-	4,217
Projects	6,885	-	-	-	-	-	6,885
Sub-total	11,102	-	-	-	-	-	11,102
Provisions	780	-	-	-	-	-	780
Total	11,882	-	-	-	-	-	11,882

Current approved plan:							
Programmes	6,081	-	-	-	-	-	6,081
Projects	18,620	10,831	2,550	-	-	-	32,001
Sub-total	24,701	10,831	2,550	-	-	-	38,082
Provisions	1,042	96	816	61	-	-	2,015
Total	25,743	10,927	3,366	61	-	-	40,097

Mid-year capital spending proposals

The tables below list projects that have been approved exceptionally since BSR 2018 and proposals that have been endorsed by the Capital Programme Board. The latter are now put forward for funding approval.

Ref.	Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	Approved since BSR Feb 2018:							
SC662	Shared planning software and implementation	90	-	-	-	-	-	90
SC675	Bateman Street Tree replacement (EIP – Environmental Improvements Programme))	30	-	-	-	-	-	30
	Total Approved since BSR Feb 2018	120	-	-	-	-	-	120

Ref.	Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	Proposals							-
SC676	Jesus Green public conveniences	25	-	-	-	-	-	25
SC680	CCTV equipment upgrade	30	-	-	-	-	-	30
SC633	Grass reinforcement at Parker's Piece (net of existing EIP)	140	-	-	-	-	-	140
SC678	Crematorium - additional car park	25	325	-	-	-	-	350
SC679	Crematorium - cafe facilities	20	310	-	-	-	-	330
Misc	Local bond investment	5,000	-	-	-	-	-	5,000
	Total Proposals	5,240	635	-	-	-	-	5,875

Proposals

Jesus Green public conveniences (£25k): The project will replace and renew all wiring, plumbing, toilet pans, floor tiles, wall tiles and doors internally. The old block is not fit for purpose and requires basic refurbishment. The scheme will be an interim measure, expected to be required for the next

four years, pending wider redevelopment plans. It is proposed that the project be funded from revenue underspend within the service which has been carried forward to 2018/19.

CCTV equipment upgrade (£30k): This proposal is to seek funding for an upgrade to the Council's six redeployable cameras which were installed earlier this year. Currently the cameras use a SIM card system which requires manual data download. This upgrade would replace the SIM system and enable remote and instant access to footage stored on cameras. It is proposed that funding is allocated from available capital funding transferred from 2019/20.

Grass reinforcement at Parker's Piece (£140k): The aim of this project is to reinforce the edges of the grass that runs adjacent to the southwest and westernmost footpaths on Parker's Piece by using a plastic geo cell set on a suitable sub base and covered with turf or grass seed. The works will include resurfacing the adjacent pathways which are within the County Council remit. However, to ensure a consistent appearance of this prominent Cambridge green space, it has been agreed with the County Council that the City team will deliver both parts of project and the County Council will make a financial contribution towards it (£10k). It is proposed that the scheme be partly funded (£50k) from the income received from the University Arms Hotel for their use of a section Parker's Piece during construction work with the balance coming from S106 and existing EIP budgets.

Crematorium – additional car park (£350k) and café (£330k): These projects will improve services at the crematorium. The site has an estimated 300,000 visitors each year, but has insufficient car parking to meet the needs of visitors. Additional car parking space for 100 cars is proposed between the access road and the grounds of the crematorium. The café will provide a suitable area for funeral attendees to meet before and after a service without the need to leave the site. Other crematoria, such as West Suffolk, run their own cafés, therefore this investment will allow the council to offer a competitive level of service as well as create an additional revenue stream with an expected return of 5%. Both projects will be delivered concurrently and will be funded from the Bereavement Investment Fund (earmarked reserve / trading account balance).

Local bond investment: the council's investment strategy, to be considered alongside this MTFS, proposes investment of up to £5m in a local bond from the council's cash resources, subject to appropriate due diligence. The investment will support the development of local businesses and jobs, and provide a higher return to the council than a typical cash deposit. It is likely that this investment will fall to be considered as capital in line with investment guidance, so is presented here for inclusion in the capital programme.

The prioritisation scores for the proposed schemes that require allocation of funding are set out below:

Prioritisation category	SC676 - Jesus Green public conveniences	SC680 - CCTV upgrade	SC633 - Parker's Piece grass reinforcement
Statutory requirement or business critical	Y	Y	Y
Alignment with council objectives (averaged over 7 objectives)	1.7 out of 5	1.9 out of 5	1 out of 5
<ul style="list-style-type: none"> - delivering sustainable prosperity for Cambridge and fair shares for all - tackling the housing crisis - Making Cambridge safer and more equal - Investing in improving transport - Protecting our city's unique quality of life - Tackling climate change and making Cambridge cleaner and greener - Protecting essential services and transforming delivery 			
Financial impact	0	0	0
Delivery risk – project planning	3	4	0
Delivery risk – project complexity	0	1	3
Key – scoring of alignment with council objectives			
0 Scheme does not support this objective in any way			
1 Scheme provides minimal support for this objective			
2 Scheme provides some support and/or indirect support for this objective			
3 Scheme aligned to this objective, either directly or provides necessary facilitation (e.g. a computer system)			
4 Scheme directly aligned to this objective, with some additional benefits for the council			
5 Scheme will deliver this objective in a value added / innovative way with additional benefits for the council			

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.

Approved since BSR including proposals / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
BSR Feb 2018:							
Funding available from revenue and unapplied	-	(1,382)	(1,761)	(1,786)	(1,786)	(1,786)	(8,501)
Changes approved and adjustments made in year:							
Spend:							
Approved	120	-	-	-	-	-	120
Proposed	5,240	635	-	-	-	-	5,875
Funding:							
S106 and EIP	(110)	-	-	-	-	-	(110)
Capital receipts	(60)	-	-	-	-	-	(60)
Internal borrowing	(5,000)	-	-	-	-	-	(5,000)
Earmarked reserves	(45)	(635)	-	-	-	-	(680)
Existing revenue budgets	(105)	-	-	-	-	-	(105)
External funding	(10)	-	-	-	-	-	(10)
Remaining to be funded from capital funding available from revenue	30	-	-	-	-	-	30
Transfer of available funding between years	(30)	30	-	-	-	-	-
Revised capital funding availability	-	(1,352)	(1,761)	(1,786)	(1,786)	(1,786)	(8,471)
Memo: 5% top-slice of 'BSR 2015 funding available' for feasibility budget (revenue)	82	94	94	94	94	94	634

Specific funding has been identified for the majority of the schemes proposed, as shown above.

However £30k is required to be funded from revenue resources, or DRF (Direct Revenue Financing).

As the allocation of DRF for 2018/19 has been fully allocated, it is proposed to bring forward £30k of this funding from 2019/20. This will limit the capital funding available for allocation in 2019/20.

Revised plan

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

MTFS Proposals / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Current approved plan – as above:							
Total	25,743	10,927	3,366	61	-	-	40,097
Changes proposed:							
Programmes	30	-	-	-	-	-	30
Projects	175	635	-	-	-	-	810
Sub-total	205	635	-	-	-	-	840
Provisions	5,000	-	-	-	-	-	5,000
Total	5,205	635	-	-	-	-	5,840
Proposed plan:							
Programmes	6,076	-	-	-	-	-	6,076
Projects	18,831	11,466	2,550	0	-	-	32,847
Sub-total	24,907	11,466	2,550	0	-	-	38,923
Provisions	6,042	96	816	61	-	-	7,015
Total	30,949	11,562	3,366	61	-	-	45,938

Work continues to develop a number of larger schemes to be brought forward for funding approval through the BSR in February 2019 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.

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 (Settlement Funding Assessment, including the outcome of the Fair Funding Review, New Homes Bonus 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 impact of 75% 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 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;
- 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; and
- The council may be impacted by spending cuts implemented by other agencies.

Reserves

General Fund reserve

The GF reserve is held as a buffer against crystallising risks and to deal with timing issues and uneven cash flows. 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 2018 BSR	
- Target level	6.42
- Minimum level	5.35
September 2018 MTFS – Recommended levels	
- Target level	6.60
- PMB	5.50

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

Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Balance as at 1 April (b/fwd)	(13,380)	(9,367)	(9,463)	(8,587)	(7,488)	(6,605)
Contribution (to) / from reserves	4,013	(96)	876	1,099	883	-
Balance as at 31 March (c/fwd)	(9,367)	(9,463)	(8,587)	(7,488)	(6,605)	(6,605)

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 new Fund was approved at Council on 19 July 2018 for a Cambridge Live Development Plan and this report includes a recommendation to approve the following remit:

Earmarked Fund - Cambridge Live Development Fund	
Approved Timescale:	1 April 2018 to 31 March 2020
Lead Officer:	D Kaye
Remit : To support the transformation and ongoing development of Cambridge Live over the next two years subject to a maximum spend of £500,000 with full delegation for management of the Fund assigned to the Chief Executive.	

These funds are subject to annual review as part of the MTFS to ensure that agreed principles are applied:-

- Major policy-led funds, such as the Climate Change Fund, are ongoing
- Selected Repairs and Renewals (R&R) Funds – for vehicles and Bereavement Services are ongoing
- Any other reserves will only be held as required for statutory or accounting purposes, to record balances held by the council for other organisations or partnerships or to reflect ring-fenced appropriations.
- 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 2018 £000
Major policy-led funds	11,287
R&R funds	1,213
Statutory and accounting reserves	4,444
Shared / partnership funds	5,805
Other – to be closed once committed balances are spent	386
Total	23,135

Section 8

Budget strategy

General Fund savings requirements

Description	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Net savings requirement (BSR Feb 2018)	85	85	85	85	598	938
Assumptions, pressures and savings - excluding policy	1,075	588	620	138	(264)	2,157
Revised (MTFS) net savings requirement excluding policy	1,160	673	705	223	334	3,095

General Fund budget strategy

The budget process

The GF budget process for 2019/20 will remain broadly similar to that for previous years, working within an overall cash limit designed to meet known financial pressures. The base model used to prepare this report has driven the recommendations in respect of the 2019/20 budget process and provided indications of the level of savings required to meet both current and anticipated spending needs.

The GF MTFS has highlighted:

- Further economic uncertainty as departure from the European Union approaches;
- A lack of clarity in the future direction of local government funding
- Pressure on payroll costs, due to the city's vibrant and diverse economy

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. However, as in 2018/19, it is expected that the value of new savings found will decrease over time as services become leaner and more cost effective.

As set out in the efficiency plan in Section 8 of the MTFS 2016, the council is continuing with a long term programme of transformation to bring about fundamental changes to the way the council delivers services and interacts with residents, tenants and other parties.

Efficiency plan 2016 to 2020

MTFS 2016 presented the council's efficiency plan in line with government requirements. As a result a guarantee covering certain funding streams from government was received covering the four year period commencing in 2016/17. One year of this guarantee remains.

The efficiency plan took the seven aims or objectives which form the basis of the [Corporate Plan](#) and identified 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 efficiency plan continues to guide the work of the council and provides the structure and mechanisms to deliver on our savings requirements. As such, BSR 2019 will present budget proposals for savings and increased income, and bids for implementation costs arising from efficiency plan initiatives.

Achieving financial sustainability and resilience

Despite continuing pressures and uncertainties, the council's finances remain healthy. However, there is no foreseeable end to scarce funding for local authorities and economic conditions remain challenging. It is important, therefore, to ensure that the council is prepared to manage financial challenges as they arise.

To ensure financial resilience the council must:-

- Maintain healthy levels of reserves
- Implement a ten year financial planning horizon
- Plan and deliver savings in a controlled and sustainable way
- Ensure savings and income plans are firm and robust and that gaps / savings still to be found are minimised, particularly in the next two or three financial years
- Minimise unplanned overspends and/or carrying forward undelivered savings into the following year.

The council maintains a sound system of financial management and control. However, it continues to enhance its planning and monitoring with a view to ensuring that circumstances that might lead to financial stress are identified and acted upon in a timely manner. To this end, all Heads of Service now review financial and performance monitoring reports council-wide, ensuring greater challenge, visibility and ownership. This has been supported by the implementation of a new financial management system which has:-

- Provided better tools for budget holders to monitor their income and expenditure.
- Reinforced the financial management responsibilities of budget holders and their support teams through training on the new system
- Enforced financial procedures and limits through automated workflow processes

Further on-going enhancements include:-

- Improving project management processes and skills, including:-
 - Revising the council's project management toolkit
 - Providing project management training for project managers and sponsors
 - Improving programme and project monitoring by reviewing and enhancing key boards, including the Business Transformation Programme Board.
- Enabling greater financial input and challenge to projects and new ventures, particularly at the business case stage, through increasing the resource and skills in the finance team.
- Undertaking more detailed cash flow and funding projections for large and complex projects to support decision-making at the project, programme and whole council levels.

Appendix A(a): Capital Plan 2018/19 to 2023/24

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
Capital-GF Projects								
PR030e	Cavendish Rd (Mill Rd end) improvements: seating & paving (S)	J Richards	13	0	0	0	0	0
PR030h	Romsey 'town square' public realm improvements (S10)	J Richards	130	0	0	0	0	0
PR030j	The Mill Road Railway Legacy (S106)	A Wilson	21	0	0	0	0	0
PR030o	Coldham's Lane play area improvements for older children	A Wilson	80	0	0	0	0	0
PR030p	Lichfield Rd play area improvements (S106)	A Wilson	45	0	0	0	0	0
PR030r	Brothers' Place landscaping & natural play improvements (S106)	A Wilson	8	0	0	0	0	0
PR031g	Milton Rd Library Community Meeting Space (S106)	J Hanson	100	0	0	0	0	0
PR031n	Grant for 4 tennis courts at North Cambridge Academy (S106)	I Ross	125	0	0	0	0	0
PR031q	Bramblefields nature reserve: improve biodiversity & access	A Wilson	12	0	0	0	0	0
PR031r	Chesterton Rec Ground skate and scooter park (S106)	A Wilson	50	0	0	0	0	0
PR031s	Nun's Way Rec Ground - mini climbing dome (S106)	A Wilson	27	0	0	0	0	0
PR032p	Reilly Way play area improvements (S106)	A Wilson	5	0	0	0	0	0
PR032q	Upgrade Nightingale Avenue play area (S106)	A Wilson	24	0	0	0	0	0
PR032t	Fulbourn Road open space improvements (S106)	A Wilson	10	0	0	0	0	0
PR032u	Tenby Close play area improvements (S106)	A Wilson	50	0	0	0	0	0
PR032v	Gunhild Close play area improvements (S106)	A Wilson	50	0	0	0	0	0
PR032w	Accordia open space improvements (S106)	A Wilson	10	0	0	0	0	0
PR032y	Trumpington Rec Ground skate park (S106)	A Wilson	80	0	0	0	0	0
PR032z	Trumpington Rec Ground trim trail and climbing frame (S106)	A Wilson	70	0	0	0	0	0
PR033m	Benches on Carisbrooke Road green and next to Coton footpath	A Wilson	1	0	0	0	0	0
PR033q	Additional play equipment, benches and landscaping at Christ	A Wilson	1	0	0	0	0	0
PR033r	Improvements to Histon Road Rec Ground football area (S106)	I Ross	31	0	0	0	0	0
PR033s	Histon Rd Rec play area: paths, surfacing & landscaping (S10)	A Wilson	12	0	0	0	0	0
PR033t	St Clement's churchyard open space on Bridge Street (S106)	A Wilson	10	0	0	0	0	0
PR034d	Public Art - 150th and 400th Anniversary (Cambridge Rules) (N Black	12	0	0	0	0	0
PR034n	Cambridge Gymnastics Academy: grant for warehouse conversion	I Ross	65	0	0	0	0	0
PR040i	Public art grant - History Trails (S106)	N Black	5	0	0	0	0	0

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
PR040o	Public art grant - 'The place where we stand' (S106)	N Black	3	0	0	0	0	0
PR040s	Public art grant for Kettle's Yard - Antony Gormley Performa	N Black	10	0	0	0	0	0
PR040t	Public Art Grant for Cambridge Live - Colours in our Communi	N Black	8	0	0	0	0	0
PR040u	Public art grant for University of Cambridge Primary School	N Black	15	0	0	0	0	0
PR040v	Public Art Grant for Pink Festival Group - showcase of queer	N Black	(3)	0	0	0	0	0
PR040w	Public Art Grant for Menagerie Theatre Company - Trumpington	N Black	11	0	0	0	0	0
PR040x	Public Art Grant for Oblique Arts - Mitcham's Moving (s106)	N Black	3	0	0	0	0	0
PR040y	Public Art Grant - Rhyme, Rhythm & Railways (s106)	N Black	5	0	0	0	0	0
PR040z	Public art grant for Historyworks - Michael Rosen Walking Tr	N Black	15	0	0	0	0	0
PR041a	Grant for refurbishment of Memorial Hall and church Hall (S106)	J Hanson	150	0	0	0	0	0
PR041b	Grant to Cambridge Gymnastics Academy for trampoline and Foa	I Ross	75	0	0	0	0	0
PR041g	Netherhall School: supplementary grant for gym and fitness suite facilities (S106)	I Ross	236	0	0	0	0	0
PR042b	Mill Road cemetery access and main footpath improve	A Wilson	175	0	0	0	0	0
PR042g	To the River - artist in residence	N Black	117	0	0	0	0	0
PR050a	Relocation of services to 130 Cowley Road (OAS)	W Barfield	374	0	0	0	0	0
PR050b	Mandela House refurbishment (OAS)	W Barfield	869	0	0	0	0	0
PR050d	Mobile working (OAS)	W Barfield	99	0	0	0	0	0
PR050e	Cowley Road Compound ex-Park and Ride site (OAS)	W Barfield	428	0	0	0	0	0
PR050f	Guildhall Welfare Improvements (OAS)	W Barfield	209	0	0	0	0	0
PR050g	Office optimisation (OAS)	W Barfield	275	0	0	0	0	0
SC548	Southern Connections Public Art Commission (S106)	A Wilson	17	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure	S Saunders	20	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Queen Anne	S Cleary	208	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	34	0	0	0	0	0
SC604	Replacement Financial Management System	C Ryba	50	0	0	0	0	0
SC605	Replacement Building Access Control System	W Barfield	33	0	0	0	0	0
SC611	Grafton East car park essential roof repair	S Cleary	37	0	0	0	0	0

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
SC614	Redeployable CCTV camera stock	J Carre	13	0	0	0	0	0
SC615	Cherry Hinton Grounds Improvements Phase 2 (S106)	A Wilson	160	0	0	0	0	0
SC621	20 Newmarket Road - commercial property	D Prinsep	3	0	0	0	0	0
SC623	Environment and cycling improvements in Water Street and Fen	A Wilson	35	0	0	0	0	0
SC627	Guildhall Large Hall Windows refurbishment	A Muggeridge	101	0	0	0	0	0
SC633	Reinforcing grass edges along paths across Parker's	D Peebles	140	0	0	0	0	0
SC634	Grand Arcade and Queen Anne Terrace car parks sprinkler Syst	S Cleary	382	0	0	0	0	0
SC635	Grand Arcade car park deck coating and drainage	S Cleary	117	0	0	0	0	0
SC636	Management of waste compound - vehicle	D Blair	165	0	0	0	0	0
SC639	Re-roofing the Guildhall	W Barfield	164	0	0	0	0	0
SC644	Acquisition of land adjacent to Huntingdon Road Crematorium	G Theobald	58	0	0	0	0	0
SC645	Electric vehicle charging points	J Dicks	376	176	50	0	0	0
SC648	Local Centres Improvement Programme - Arbury Court	J Richards	138	0	0	0	0	0
SC651	Shared ICT waste management software	J Carre	453	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	315	283	0	0	0	0
SC655	Resealing the roof at Robert Davies Court	A Muggeridge	177	0	0	0	0	0
SC656	Barnwell Business Park remedial works to the roofs	A Muggeridge	90	0	0	0	0	0
SC658	Cambridge City CCTV infrastructure	J Carre	601	0	0	0	0	0
SC659	My Cambridge City online customer portal	J Richards	160	76	0	0	0	0
SC660	Council Anywhere - desktop transformation	F Bryant	400	96	0	0	0	0
SC661	Adaptions to Riverside Railings	A Wilson	100	0	0	0	0	0
SC662	Shared Planning Service Software and Implementation	S Kelly	90	0	0	0	0	0
SC670	Lammas Land Car Parking Infrastructure	A French	27	0	0	0	0	0
SC671	Mill Road depot development - capital contribution	F Bryant	5,760	0	0	0	0	0
SC672	Mill Road Redevelopment - Development Loan to CIP	F Bryant	1,550	9,200	0	0	0	0
SC673	Roller Brake Tester for Waterbeach Garage	D Cox	26	0	0	0	0	0
SC674	Mill Road Redevelopment - Equity Loan to CIP	F Bryant	2,200	1,000	2,500	0	0	0
SC675	Bateman St Tree Replacement	A Wilson	30	0	0	0	0	0

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
SC676	Refurbishment of Jesus Green Public Convenience	A Wilson	25	0	0	0	0	0
SC678	Crematorium - additional car park	G Theobald	25	325	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	20	310	0	0	0	0
SC680	CCTV equipment upgrade	J Carre	30	0	0	0	0	0
SC681	Abbey astroturf floodlighting (S106)	I Ross	66	0	0	0	0	0
tb	Public art grant - NIE Theatre, tales from the Edge of Town	N Black	14	0	0	0	0	0
tb	Public art grant - Cambridge Junction: News News News	N Black	15	0	0	0	0	0
tb	Public art grant - In your way festival: TAAT KHOR II	N Black	15	0	0	0	0	0
tb	Public art grant - Rowan Humberstone: Ecology sculpture S106	N Black	15	0	0	0	0	0
tb	Public art grant - Chesterton village sign (S106)	N Black	10	0	0	0	0	0
tb	Public art grant - HistoryWorks: Travellers and Outsiders	N Black	15	0	0	0	0	0
tb	Public art grant - Faith and Hope (S106)	N Black	30	0	0	0	0	0
Capital-GF Projects			18,831	11,466	2,550	0	0	0
Capital-Programmes								
PR010a	Environmental Improvements Programme - North Area	J Richards	140	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	126	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	147	0	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	169	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	1,781	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	T Nicoll	284	0	0	0	0	0
PR037	Local Centres Improvement Programme	J Richards	7	0	0	0	0	0
PR038	Investment in commercial property portfolio	D Prinsep	2,427	0	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	85	0	0	0	0	0
PR050	Office Accommodation Strategy Phase 2	W Barfield	473	0	0	0	0	0
PR051	Building works at the Guildhall to reduce carbon emissions a	W Barfield	437	0	0	0	0	0
Capital-Programmes			6,076	0	0	0	0	0
Capital-GF Provisions								
PV007	Cycleways	J Richards	408	0	0	0	0	0
PV018	Bus Shelters	J Richards	5	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	2	0	0	61	0	0

Ref.	Description	Lead Officer	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
PV549	City Centre Cycle Parking	J Richards	23	0	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	537	96	816	0	0	0
PV583	Clay Farm Commercial Property Construction Costs	D Prinsep	67	0	0	0	0	0
PV682	Local investment bond	C Ryba	5,000	0	0	0	0	0
Capital-GF Provisions			6,042	96	816	61	0	0
Total GF Capital Plan			30,949	11,562	3,366	61	0	0

Appendix A(b): Capital Funding 2018/19 to 2023/24

Description	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
External Support						
Developer Contributions	(2,553)	0	0	0	0	0
Other Sources	(3,209)	(579)	0	0	0	0
Total - External Support	(5,762)	(579)	0	0	0	0
City Council						
Direct Revenue Financing (DRF) - GF Services	(105)	0	0	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(3,211)	(1,786)	(1,786)	(1,786)	(1,786)	(1,786)
Earmarked Reserve - Capital Contributions	(495)	(151)	(25)	0	0	0
Earmarked Reserve - Climate Change Fund	(300)	0	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(2,156)	0	0	0	0	0
Internal Borrowing - Temporary Use of Balances	(17,149)	(10,296)	(3,316)	0	0	0
Usable Capital Receipts	(1,771)	(102)	0	0	0	0
Total - City Council	(25,187)	(12,335)	(5,127)	(1,786)	(1,786)	(1,786)
Total Available Finance	(30,949)	(12,914)	(5,127)	(1,786)	(1,786)	(1,786)
Capital Plan	30,949	11,562	3,366	61	0	0
Net Funding Available	0	(1,352)	(1,761)	(1,725)	(1,786)	(1,786)

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	27,885,130	55,770
Premises costs	Low	6,425,010	12,850
Transport costs	Low	650,510	2,602
Supplies and services	Low	17,830,540	8,915
Grants and transfers	Low	19,442,700	19,443
Grant income	Low	20,873,870	20,874
Other income	Medium	52,217,680	783,265
Miscellaneous	Low	580,420	871
Total one year operational risk			904,590
Three years operation risk			2,715,000

General and specific risks	Amount (£)	Probability (%)	Risk
Unforeseen events	2,000,000	33%	660,000
Legal action - counsel's fees	100,000	50%	50,000
Data Protection breach	500,000	50%	250,000
Capital project overruns	1,000,000	50%	500,000
Project failure / delays to savings realisation	2,000,000	50%	1,000,000
Cover for lower level of earmarked and specific reserves	1,000,000	33%	330,000
General risks			2,790,000
Prudent Minimum Balance (PMB) <i>[Three years operational plus general risks]</i>			5,504,000
Target (PMB + 20%)			6,605,000

Operational cost risk profiles (£)

		Low	Medium	High
Employee costs	overspend	1.00%	3.00%	5.00%
27,885,130	probability	20.0%	15.0%	10.0%
	amount at risk	55,770	125,483	139,426
Premises costs	overspend	1.00%	3.00%	5.00%
6,425,010	probability	20.0%	15.0%	10.0%
	amount at risk	12,850	28,913	32,125
Transport costs	overspend	2.00%	4.00%	6.00%
650,510	probability	20.0%	15.0%	10.0%
	amount at risk	2,602	3,903	3,903
Supplies and services	overspend	1.00%	3.00%	5.00%
17,830,540	probability	5.0%	10.0%	15.0%
	amount at risk	8,915	53,492	133,729
Grants and transfers	overspend	1.00%	2.00%	3.00%
19,442,700	probability	10.0%	7.5%	5.0%
	amount at risk	19,443	29,164	29,164
Grant income	overspend	1.00%	2.00%	3.00%
20,873,870	probability	10.0%	7.5%	5.0%
	amount at risk	20,874	31,311	31,311
Other income	overspend	5.00%	10.00%	15.00%
52,217,680	probability	10.0%	15.0%	20.0%
	amount at risk	261,088	783,265	1,566,530
Other	overspend	1.00%	2.00%	3.00%
580,420	probability	15.0%	10.0%	5.0%
	amount at risk	871	1,161	871

Appendix C

Principal earmarked and specific funds

Fund	Balance at 1 April 2018 £000	Anticipated contributions £000	Forecast expenditure £000	Forecast balance 31 March 2023 £000
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,034)	(9,652)	14,686	0
Sharing Prosperity Fund	(469)	(200)	669	0
Climate Change Fund	(345)	(250)	595	0
Asset Replacement Fund	(1,005)	(5,000)	6,005	0
Bereavement Services Trading Account	(1,094)	(800)	1,894	0
Development Plan Fund	0	(210)	210	0
Shared Local Plan Fund	(315)	(750)	1,065	0
Office accommodation strategy fund	(2,759)	0	2,759	0
Invest for Income	(8,000)	0	8,000	0
A14 Mitigation Fund	(718)	(782)	1,500	0
General Fund (GF) Development Fund	0	(829)	829	0
Cambridge Live Development Plan (new)	0	(500)	500	0
Total	(19,739)	(18,973)	38,712	0

The majority of these funds are subject to future contributions and expenditure which cannot be exactly stated. This table reflects our best estimates.

¹ The asset replacement funds will be shared in part with South Cambridgeshire District Council (SCDC) in respect of waste vehicles transferred to the shared service.

² The Development Plan Fund will be a joint fund with SCDC from 1 February 2018 and the basis of cost allocation is unknown at this time because the Memorandum of Understanding is not yet complete.