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General Fund

Medium Term Financial Strategy

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2019/20 to 2024/25

Cambridge City Council



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

Cambridge City Council produces two main financial documents produced each year, the Budget Setting Report (BSR) and this, the Medium Term Financial Strategy (MTFS). The BSR is crucial as, when agreed by full Council, it delegates to officers' authority to run the council, providing services to the city and applying charges and fees in accordance with the budget. While not as fundamental, the MTFS fulfils an important role in drawing together a review of financial information available, assumptions and forecasts. This then provides a basis on which to prepare the budget for the year ahead.

In more normal times we would at this point have some certainty of the financial settlement to be made available to us by the government for next year, 2020/21, and the extent to which any increases in Council Tax we may propose to make, will be restricted by capping. But there is in practice considerable uncertainty, even more than in previous years. Some of this has been because various reviews and consultations on possible changes in policy are still awaiting completion. Not that there can be any certainty as to the results because the Government may not apply the findings. For instance, the so-called Fair Funding review, which appears to be heading towards applying a very unfair redistribution of funding towards the shires and away from the big cities. And of course, we have no idea who will be running the country by next February when we will debate and set our budget for 2020/21.

Austerity and Deprivation

The country has now suffered for over nine years from the imposition of the austerity policy of successive governments. Public services in Cambridge have been cut year after year, while at the same time letting market forces dictate rising costs. Failing to regulate markets, such as in energy and private rented housing, has brought great hardship to many, including by forcing public sector workers to accept far lower wages, and especially when coupled with cuts in welfare benefits.

National evidence suggests this has hit lower income households far more than those on higher incomes, and the gap in wealth between rich and poor has widened significantly. Unfortunately, Cambridge is known as having one of the greatest inequalities of any city in the whole country. Parts of our city include people of great wealth while nearby there are pockets of people in poverty and severe deprivation, and we are determined that those people will continue to be a core target for delivery of council services. The poorest in our city need direct assistance and support via community organisations we grant-fund and our extra housing investment. Everyone in Cambridge deserves the opportunity to share in the city's growing prosperity.

Funding by the Government

The September budget claims from the Government of extra billions for councils are not backed for us by the reality, with near nil benefit or extra funds for Cambridge City Council's residents. Although £1bn extra will be provided for social care - which is sorely needed by authorities like our county council who provide those services - the expectation is that it will be Council Tax payers who will be asked to contribute a further £500m for this work through a further Adult Care Precept of 2%. Once again, the Government is relying on regressive types of taxation, in this case Council Tax which every household has to pay, rather than progressive taxes such as income tax and corporation tax where those who earn more pay more.

Only £300m is to be made available to increase baseline funding of local authorities and Cambridge City Council does not expect to receive a penny of this as we have already had our grant cut to zero. It is possible we may get a small increase in funding for work to combat rough sleeping and homelessness, but as only £54m is to be added for this work across the entire country we do not expect to get very much.

Unfortunately, it appears that the austerity agenda is still in place despite Government claims that it is not.

Strategy

This is the context within which we will develop our financial plans. A context in which we can expect limited funding to be provided by the Government, so that developing other income streams will become even more important than it has been over the past few years.

This MTFS identifies the pressures we face in the years ahead. It will enable us to: plan funding important new services and initiatives, finding savings, and increasing income streams

invest for the support into the future of services we provide, to protect and enhance the environment of Cambridge, to help the economic development of our city, and to assist in moving it towards a net zero carbon position.

The MTFS will also be used to help draw together the Budget Setting Report for 2020/21 which will be published in January. It embraces the core financial objectives of this Council: sound and prudent financial management, the minimisation of the need for cuts to services, investment for the future, 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 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.

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

The GF MTFS 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 2020/21 to 2029/30) 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 arguably more uncertain now than it was a year ago when the National Audit Office concluded that 'The financial uncertainty created by delayed reforms to the

local government financial system risks longer-term value for money'. A recent (May 2019) briefing note prepared by the Institute for Fiscal Studies, 'English council funding: what's happened and what's next?' ends by posing some fundamental questions about what the country needs local councils to deliver and how they should be funded. That these wider questions can be asked at all illustrates unprecedented levels uncertainty and insecurity with regard to future funding that underlies this MTFS.

We need to decide what we want from local government

This note has highlighted big choices about the level and sources of funding, and big questions about how to balance a desire for the funding system to provide incentives for growth, with a desire to ensure service standards do not vary too significantly across the country.

These are not questions, with only one right answer. Opinions can and do differ – both at Westminster and within local government. But the issues at stake are so significant that we cannot keep muddling along.

Take funding levels. Are we willing to raise the additional revenues needed to meet rising costs and demands – let alone improve service provision – over the coming decades? Or are we willing to lower our expectations of what councils can provide, in order to keep taxes down?

A proper national debate is needed on this, which has so far been lacking. Without it, we will default to a situation where the services councils provide are gradually eroded without any explicit decision being taken – until ad hoc funding is found as a response to political pressure. Such an approach would not be conducive to long-term planning by either central government or councils.

How should additional funding be raised and distributed between councils? Raising it via national taxes and then allocating according to need would likely result in service provision being more comparable across councils. And it would be administratively simpler than devolving further tax revenues and powers. But raising revenues locally and letting councils bear more of the change in local revenues would allow different councils to make different decisions on tax and spending levels and give them stronger incentives to grow local tax bases.

So are we willing to accept greater differences in services between different areas in exchange for greater local control? Or should redistribution, ring-fenced funding and common standards be a central feature of the funding system?

Again, a proper debate is needed. Without it, the risk is that we continue with reforms to the funding system that reduce the role of redistribution in order to provide stronger financial incentives for growth, while trying to regulate for common standards in the context of a funding system that is not set up to deliver them.

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 2019 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 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.

Date	Task
2019	
7 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
17 October	Council considers both GF and HRA MTFS reports
2020	
2 January	Budget Setting Report (BSR) published
3 February	BSR and any budget amendment proposal considered by Strategy & Resources Scrutiny Committee
3 February	The Executive consider and recommend the BSR and Council Tax level to Council
13 February	Council approves Budget Setting Report and sets the level of Council Tax for 2020/21

Section 2

Policy context, priorities and external factors

Local policy context and priorities

Corporate Plan

The council's Corporate Plan was approved in February 2019 at the same time as the budget for 2019/20. 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 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 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. 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. The leaving date is currently expected to be 31 October 2019 but the conditions of that exit, with or without a deal, are unclear. Additionally, there is a possibility that timescales may be extended.

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 for the Consumer Price Index (CPI). The percentage currently applied in the MTFs, based on the Bank of England's August 2019 forecast is 1.8% in 2020/21, increasing to 2.1% in 2021/22, 2.3% in 2022/23 and 2.4% thereafter. Previously the base level of inflation included within forecasts was 2.2% in 2019/20 reducing to 2.0% in 2021/22 and thereafter, reflecting the Government target for CPI. This represents a change in the expected trajectory for interest rates and an expectation that in the longer term, CPI will settle above

the 2.0% target level. Inflation rates will be reviewed again for the BSR in February 2020 and if changes in forecasts are significant, adjustments will be made at that point.

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 and it has remained at the level since then.

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 average rates of return around 1.3%. Based on this performance, we have maintained our assumption of 1.3% return, as noted in Section 3. This assumption will be reviewed during budget-setting, as rates are currently volatile with considerable downward pressure.

The council's HRA is entitled to a proportion of interest earned on revenue and capital cash balances invested by the authority. This share was based upon the HRA receiving interest from the GF at the average interest rate earned by the authority across all of its investments. However, the authority has a range of investments with varying levels of risk and associated interest rates. As the GF effectively indemnifies the HRA against downside risk on the value of investments, i.e. it is bearing the risk associated with achieving higher rates, it should benefit from the interest earned at these rates. Therefore, estimates of interest to be paid to the HRA in this MTFS have been based on 0.80%, the current rate earned on term deposit accounts, which have minimal valuation risk.

Interest rates on external borrowing

The council has no GF borrowing. 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.

The council is currently exploring options for the redevelopment of the multi-storey car park on Park Street. These may include external borrowing or leasing arrangements that will put finance lease liabilities, i.e. a form of borrowing, on the council's balance sheet. Accounting standards require these liabilities to be assessed at the council's underlying cost of borrowing, which is likely to be the rate at which the council could borrow from the Public Works Loan Board (PWLb) for a period equal to the duration of the lease. At this stage, the costs of any borrowing are expected to be funded from within the redevelopment scheme.

National policy context

Government spending announcements

The Chancellor's Spring 2019 Statement confirmed that the Government would hold a Spending Review to be concluded alongside the 2019 Autumn Budget (SR19). At that point, the downward pressure on debt interest payments and better than expected performance on tax receipts had provided a 'modest medium-term improvement in public finances. Since then, Brexit has been delayed from 29 March to 31 October and the Prime Minister and Cabinet have changed. Many spending pledges have been made with little information available to date on how they are to be financed.

The uncertainty created by these changes has led to a marked reduction in the value of Sterling against both the Euro and the US Dollar, making financial prediction fraught with difficulty. Various recent policy announcements from Government have provided some indication of the direction for local government funding, but only on a short-term basis.

Local government finance

2020/21 and future years

The government and the local government sector have undertaken considerable work on distribution mechanisms for local government funding including the Fair Funding Review (FFR), consideration of increasing the Business Rates Retention share to 75% and a Business Rates baseline reset. Alongside these, a spending review addressing the quantum of local government funding would enable resetting of the system and provide greater financial certainty for councils and allow them to make financial plans with greater confidence. The working assumption to this point has been that all these elements would be implemented together in 2020/21, as it would be difficult to make decisions on the distribution of funding if the quantum is not known. Additionally, without a

funding envelope, damping or other transitional arrangements on the introduction of a new distributional formula would be difficult to design.

However, continued political uncertainty has increased the likelihood that a three-year spending review will not be achievable and that other reforms to the local government system may also be delayed for political and timetabling reasons. Therefore, a single year settlement for 2020/21, based on 2019/20 allocations and underpinned by a one-year spending review is considered likely. The implementation of the FFR and reforms to the Business Rates Retention Scheme (BRRS) would similarly be delayed for a year.

During the drafting of this report, a single-year spending round was announced and delivered on 4 September 2019. This confirmed that reforms to the local government funding systems referred to above will be implemented for 2021/22.

The base assumptions in this MTFS, broadly confirmed by the spending review, are:

- In 2020/21 the council will get the same Settlement Funding Assessment (SFA) in cash terms as it received in 2019/20
- Baseline Funding Levels (BFL) will be indexed in line with the Business Rates multiplier, which will increase at 2.00% p.a.
- 'Negative Revenue Support Grant' will continue to be fully funded

There is considerable uncertainty relating to the SFA for 2021/22 and beyond. The impacts of the government's Fair Funding Review and 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.

The locally retained business rates growth element has been increased in line with growth now achieved. For a number of years, increases in the rating list from new developments have been balanced by premises removed from the list due to regeneration schemes. This no longer appears to be the case. It should be noted that implementation of business rates reform is likely to involve a baseline reset, removing growth and resetting the baseline in line with the outcomes of the FFR.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Revenue Support Grant (RSG)	-	-	-	-	-
Business rates baseline	4,203	4,287	4,373	4,462	4,552
Total SFA - per 2019/20 finance settlement and as modelled	4,203	4,287	4,373	4,462	4,552
Locally retained business rates – growth element	800	1,100	1,100	1,100	1,100

In line with the growth identified above, work on the council's Collection Fund at year end has shown that there are surplus balances that will become available to the council in the current and following years. Subject to audit confirmation, business rate funds of £1.3m are available within 2019/20, with a further £1.6m estimated for 2020/21. Beyond this, changes to the business rates scheme make future amounts too uncertain to quantify. Due to current high levels of uncertainty and financial risk, it is proposed to add these balances into GF reserves. They will then be available, subject to business case and normal budget bidding process, to support the transformation of council services and as possible funding to address any impacts of a no-deal Brexit.

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. Any changes intended for the baseline in 2020/21 will be detailed at the time of the provisional settlement.

2019/20 was the final year of funding agreed through the Spending Review 2015. The next three or four-year spending review was expected in autumn 2019, alongside the Fair Funding Review and a review of business rates retention. However, only a one-year spending round was delivered, and the outcomes of the other reviews have been delayed until next year. Government has indicated that it will review how to incentivise housing growth most effectively alongside these reviews. It is therefore highly 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 MTFs continues to include the consideration of NHB funding and how it will be used, based on assumptions of future growth 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 30% of NHB funding each year to a GCP Investment and Delivery Fund. However, the council's revenue and capital take priority over the contribution to the GCP Investment and Delivery Fund. As this funding stream is expected to undergo significant change in the next two or three years, estimated surpluses will be left uncommitted until amounts are confirmed. NHB receipt estimates are shown below, along with current commitments.

Description / (£000)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Confirmed NHB funding at February 2019 BSR	(5,505)	(4,144)	(2,983)	(1,496)		
Add						
Estimated NHB receipts for 2020/21		(1,316)	(1,316)	(1,316)	(1,316)	
Estimated NHB receipts for 2021/22			(1,379)	(1,379)	(1,379)	(1,379)
Estimated NHB receipts for 2022/23				(1,445)	(1,445)	(1,445)
Estimated NHB receipts for 2023/24					(1,515)	(1,515)
Estimated NHB receipts for 2024/25						(1,588)
Potential New Homes Bonus Total	(5,505)	(5,460)	(5,679)	(5,637)	(5,656)	(5,927)
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Direct revenue funding of capital (DRF)	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to GCP @30%	1,652	1,638	1,704	1,691	1,697	1,778
DRF to reduce internal borrowing NCL4329	1,429					
Total commitments against NHB	5,505	4,062	4,128	4,115	4,121	4,202
NHB (uncommitted) / overcommitted	0	(1,398)	(1,551)	(1,522)	(1,535)	(1,725)

As the future of this funding stream is in doubt, the table below presents a scenario in which currently confirmed amounts are maintained over their expected four-year duration, but no additional amounts are added to these totals. When compared with the table above, this give an indication of the amount of funding that could be lost.

Description / (£000)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Confirmed NHB funding at February 2019 BSR	(5,505)	(4,144)	(2,983)	(1,496)		
Commitments against NHB						
Funding for officers supporting growth e.g. within planning	785	785	785	785	785	785
Replacement of Homelessness Prevention Funding subsumed into the SFA	564	564	564	564	564	564
Direct revenue funding of capital (DRF)	1,075	1,075	1,075	1,075	1,075	1,075
Contribution to GCP @30%, limited to available funding 2021/22 onwards	1,652	1,243	559	0	0	0
DRF to reduce internal borrowing NCL4329	1,429					
Savings or alternative funding required				(928)	(2,424)	(2,424)
Total commitments against NHB	5,505	3,667	2,983	1,496	0	0
NHB (uncommitted) / overcommitted	0	(477)	0	0	0	0

Council tax

Council tax income in this MTFS is modelled based on a 1.99% increase per property for a band D property. This reflects an announcement within the Spending Round 2020/21 that the referendum limit for council tax increases will be reduced from 3.0% to 2.0%. In previous years, district councils were permitted to increase band D council tax rates by 2.0% or £5, which ever was greater, however, no mention was made of this alternative, so at this point it has been disregarded.

Section 3

Review of key assumptions

Budget forecasts presented in the February 2019 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: 2020/21 - 2.5% (previously 2.0%) and 2.0% thereafter (no change)	Negotiation of 2020/21 pay awards currently underway.
Employee turnover	4%	In general, employee budgets assume an employee turnover saving of 4.0% 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)	2020/21 – 1.8% 2021/22 – 2.1% 2022/23 – 2.3% 23/24 and after – 2/4% (previously 2.2%, 2.1%, 2.0%)	Provisions have been updated in accordance with the 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	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	2020/21 and thereafter 1.30%	Based on current projections
Capital funding contributions	£1.880m	Capital funding contributions at base level of £1.880m per annum with feasibility budget of £94,000, or 5% of that amount. £1.075m is funded from New Homes Bonus so is contingent on the continuity and level of that funding stream
Council Tax increase	2020/21 onwards 1.99%	Decreased from 2.99% increase previously assumed, in line with the Spending Round announcement. A 1% change in council tax represents about £90k p.a. for the council
Government grant (SFA)	For 2020/21, the SFA is assumed to be the same in cash terms as the 2019/20 SFA.	Government funding beyond 2019/20 has not yet been announced. The expectation is that the implementation of the Fair Funding Review and changes to the Business Rates Retention Scheme will now be delayed until 2021/22. Therefore funding has been assumed at current rates,

Section 4

Review of budgets and savings targets

2018/19 outturn

A favourable variance of £371k (2017/18: £642k) after approved carry forward requests of £923k (2017/18: £1,330k) was recorded on net service spending in the GF for 2018/19. 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 £2,034k (2017/18: £2,031k decrease).

Efforts to control the variance on total staffing costs through the use of a 4% vacancy factor were successful, with a small favourable variance of £165k (0.6% of budget) recorded. In general, the outturn on income was less satisfactory, with variations above and below budget. Income from commercial rents and licensing showed significant upside, with income from bereavement services, community centres and parking falling short of expectations. Other variances were generally small, full details are shown in the outturn overview report to Strategy & Resources scrutiny committee.

2019/20 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 revenue proposals for 2019/20.

Head of Service Engagement

In 2018, 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. These forecasts have been updated and form the basis for detailed planning, particularly for capital expenditure.

As significant savings targets for 2020/21 and future years were identified in BSR 2019, a two-pronged approach has been followed. Firstly, a number of service reviews and savings opportunities have been identified for further work. The results of this work will be brought back for consideration within the budget setting processes for 2020/21 and 2021/22 as appropriate. Alongside this, Heads of Service have been asked to begin the development of budget proposals earlier than before and to develop business cases and detailed proposal documents to allow more thorough consideration and challenge.

Figures modelled in this MTFS contain an estimate of unavoidable revenue pressures and reduced income based on a five-year average. This provides a realistic set of savings targets based on inflated base budgets and estimated funding streams, against which all discretionary budget proposals can be prioritised.

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 unavoidable 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;

Following these changes, the net savings requirements considering unavoidable indicative pressures and reduced income total around £6.9m for the 5-year period, or £1.38m per year.

Description	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Net savings requirement (BSR Feb 2019)	635	635	635	635	598	3,138
Net impact of funding changes, inflation and indicative pressures / reductions in income	345	720	785	895	1,022	3,767
Revised (MTFS) net savings requirement	980	1,355	1,420	1,530	1,620	6,905

The level of net savings requirement identified by this MTFS provides a baseline for detailed budget setting work, with some allowance for unavoidable calls on limited resources. Any additional spending pressures that emerge through the BSR process will increase savings requirements accordingly, whilst reductions in overall spending pressures and increases in income will reduce the savings required.

Use of reserves to support savings requirements

The council's GF reserve balance is above the target levels required (See section 7). This excess could be used to smooth or delay the need to make savings. However, reserves can only be used once, whereas savings, once made, have to recur year on year, i.e. use of reserves cannot permanently reduce the need to make savings.

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	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Expenditure						
Net service budgets - base and inflation	19,725	21,227	22,796	23,818	24,902	26,069
Allowance for unavoidable revenue pressures and reduced income	0	1,000	1,836	2,705	3,608	4,545
Savings delivered from prior years	0	0	(980)	(2,335)	(3,755)	(5,285)
Net service budgets	19,725	22,227	23,652	24,188	24,755	25,329
Capital accounting adjustments	(6,353)	(6,353)	(6,353)	(6,353)	(6,354)	(6,354)
Capital expenditure financed from revenue	2,966	1,979	1,786	1,786	1,786	1,786
Contributions to earmarked funds	3,058	2,888	2,666	2,591	2,597	2,619
Net spending requirement before in year savings	19,396	20,741	21,751	22,212	22,784	23,380
In year savings (required) / delivered	0	(980)	(1,355)	(1,420)	(1,530)	(1,620)
Net spending requirement	19,396	19,761	20,396	20,792	21,254	21,760
Funded by:						
Settlement Funding Assessment (SFA)	(4,179)	(4,287)	(4,373)	(4,461)	(4,549)	(4,641)
Locally Retained Business Rates – Growth Element	(800)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)
Other grants from central government	(1,300)	(1,600)	0	0	0	0
New Homes Bonus (NHB)	(5,504)	(5,460)	(5,678)	(5,636)	(5,656)	(5,728)
Appropriations from earmarked funds	0	0	0	0	0	0
Council Tax	(8,627)	(8,914)	(9,245)	(9,595)	(9,949)	(10,291)
Contributions to / (from) reserves	1,014	1,600	0	0	0	0
Total funding	(19,396)	(19,761)	(20,396)	(20,792)	(21,254)	(21,760)

Section 6

Capital plan

Capital Strategy

The council publishes 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 incorporates:

- 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

An updated capital strategy will be published in February 2020 alongside the Treasury Management Strategy Statement and the Budget Setting Report 2020/21.

Approved capital plan

The capital plan was approved by council in February 2019. Since then the plan has been updated for projects carried forward or rephased from 2018/19 and for new projects totalling £487k, either S106 funded or specifically approved.

Approved since BSR / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Approved at BSR Feb 2019:							
Programmes	682	200	30	30	-	-	942
Projects	20,363	13,975	1,927	-	-	-	36,265
Sub-total	21,045	14,175	1,957	30	-	-	37,207
Provisions	96	816	61	-	-	-	973
Total	21,141	14,991	2,018	30	-	-	38,180

Changes approved and adjustments made in year:							
Programmes	7,396	-	-	-	-	-	7,396
Projects	7,745	-	-	-	-	-	7,745
Sub-total	15,141	-	-	-	-	-	15,141
Provisions	3,520	-	(1)	-	-	-	3,519
Total	18,661	-	(1)	-	-	-	18,660

Current approved plan:							
Programmes	8,078	200	30	30	-	-	8,338
Projects	28,108	13,975	1,927	-	-	-	44,010
Sub-total	36,186	14,175	1,957	30	-	-	52,348
Provisions	3,616	816	60	-	-	-	4,492
Total	39,802	14,991	2,017	30	-	-	56,840

Mid-year capital spending proposals

The tables below list projects that have been approved exceptionally since BSR 2019 and proposals that have been endorsed by the Quality Assurance Group and the Business Transformation Board. The latter are now put forward for funding approval.

Ref.	Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Approved since BSR Feb 2019:							
SC698	Waterbeach solar panels (project completed in 2018/19)	18	-	-	-	-	-	18
PR052	RE:FIT 3 Energy performance improvement	294	-	-	-	-	-	294
PR038	Investment in commercial property portfolio	4,083	-					4,083
SC697	Grant for St John's church improvement (S106)	100	-	-	-	-	-	100
SC703	King's Parade – temporary barriers	35	-	-	-	-	-	35
	Total Approved since BSR Feb 2019	4,530	-	-	-	-	-	4,530

Ref.	Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	Proposals							-
SC646	Redevelopment of Cambridge Junction	250	-	-	-	-	-	250
SC658	CCTV infrastructure – additional cost	75	-	-	-	-	-	75
SC691	HR and payroll – new system	20	150	-	-	-	-	170
SC699	Corn Exchange fire doors	37	-	-	-	-		37
SC672	Mill Road redevelopment – development loan to CIP	-	1,142	-	-	-	-	1,142
SC695	Cromwell Road redevelopment – equity contribution	-	329	333	-	-	-	662
SC696	Cromwell Road redevelopment – development loan to CIP	2,376	5,481	1,000	-	-	-	8,857
SC701	Dales Brewery – replacement fire alarm system	24	-	-	-	-	-	24
	Total Proposals	2,782	7,102	1,333	-	-	-	11,217

Proposals

Redevelopment of Cambridge Junction (£250k): Following the successful completion of the feasibility stage, funds are now required to complete a site wide masterplan for the Cambridge Junction redevelopment scheme to RIBA stage 2 in order to be able to submit an application for capital funding to Arts Council England by April 2020. In this phase of the scheme the costs will cover detailed design work which will map the expansion of the performance venue areas to address existing and growth gaps in arts and cultural space provision identified within initial reports, and also could include eight floors of flexible office and studio space above the existing venue. The project will be delivered in phased development to manage the risk of securing further funding.

CCTV infrastructure – additional cost (£75k): This proposal is for additional funding to enable the project to be completed this year. The supplementary capital bid is expected to pay for the extended scope of the CCTV replacement project to incorporate unforeseen changes to the capital works, and costs that are outside of the contract, such as power supplies, changes to the location of the network cabling as well as further works on the Grand Arcade rooftop, all of which are required in order to complete the installation of the CCTV system.

HR and payroll new system (£170k): The capital bid is for the procurement and implementation of a modern and fully integrated cloud-based Human Resources Information System (HRIS). The solution, jointly procured and implemented with South Cambridgeshire District Council and Huntingdonshire District Council, will deliver HR and payroll core transactions over the next 10 years. The system will create efficiency, reduce cost and improve the way HR can support managers and staff across the three authorities. The costs include data migration into the new system, re-engineering of the current processes and go-live support. The scheme is planned to be delivered within 2 years.

Corn Exchange fire doors (£37k): The council provides cultural services at the Cambridge Corn Exchange. A recent Fire Safety report has identified an urgent need to replace the internal fire doors in order to comply with the fire regulations. The cost will be covered by the service maintenance budget, with no call on generally available capital funding.

Mill Road and Cromwell Road redevelopment funding (£10,661k in total): As previously reported, these developments are being delivered by CIP and will generate capital receipts and surpluses for the council on completion. The council is providing equity and development loans to CIP, earning 5% p.a. on these loans. As these schemes progress, revised cost estimates and cash flow

profiles become available. This proposal increases the loan amounts to reflect the most recent projections.

Dales Brewery – replacement fire alarm system (£24k): The current system is ineffective and therefore needs to be replaced. The cost will be covered by the service maintenance budget, with no call on generally available capital funding.

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	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
BSR Feb 2019: Funding available from revenue and unapplied	(293)	(1,543)	(1,738)	(1,756)	(1,786)	(1,786)	(8,902)
Changes approved and adjustments made in year:							
Spend:							
Approved (net of funding reassigned to these projects)	4,482	-	-	-	-	-	4,482
Proposed	2,782	7,102	1,333	-	-	-	11,217
	7,264	7,102	1,333	0	0	0	15,699
Funding:							
S106	(100)	-	-	-	-	-	(100)
Direct revenue funding (DRF)	(293)	(150)	-	-	-	-	(443)
Capital receipts	(4,083)	-	-	-	-	-	(4,083)
Climate change fund	(235)	-	-	-	-	-	(235)
Existing revenue budgets	(90)	-	-	-	-	-	(90)
Internal borrowing	(2,376)	(6,952)	(1,333)	-	-	-	(10,661)
Balance to be funded from reserves - underspend on completed schemes in 2018/19	(87)	-	-	-	-	-	(87)
	(7,264)	(7,102)	(1,333)	0	0	0	(15,699)
Revised capital funding availability	-	(1,393)	(1,738)	(1,756)	(1,786)	(1,786)	(8,459)
Memo: 5% top-slice of DRF – revenue feasibility budget	94	94	94	94	94	94	564

Funding has been identified for the majority of schemes proposed, as shown above. However, if all the proposed schemes are approved, additional funding will be required in 2019/20. This could be made available from GF reserves, as miscellaneous underspends from capital schemes completed in 2018/19 were returned to reserves at the end of the year.

Revised plan

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

MTFS Proposals / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Current approved plan – as above:							
Total	39,802	14,991	2,017	30	-	-	56,840
Changes proposed:							
Programmes	-	-	-	-	-	-	-
Projects	2,782	7,102	1,333	-	-	-	11,217
Sub-total	2,782	7,102	1,333	-	-	-	11,217
Provisions	-	-	-	-	-	-	-
Total	2,782	7,102	1,333	-	-	-	11,217
Proposed plan:							
Programmes	7,789	200	30	30	-	-	8,049
Projects	31,179	21,077	3,260	-	-	-	55,516
Sub-total	38,968	21,277	3,290	30	-	-	63,565
Provisions	3,616	816	60	-	-	-	4,492
Total	42,584	22,093	3,350	30	-	-	68,057

Work continues to develop a number of schemes within the Council capital strategy to be brought forward for funding approval through the BSR in February 2020 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, pay increases 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, with the timing and degree of impact difficult to predict;
- 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. A specific risk exists around a claim for charitable status and mandatory relief made by NHS Trusts, where a test case is listed for a hearing in November 2019.
- 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 workplace parking levy;
- 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 minimal change is recommended. These reserve levels have been included in the calculations of net savings requirements in this report.

General Fund reserves	£m
February 2019 BSR	
- Target level	6.60
- Minimum level	5.50
October 2019 MTFS – Recommended levels	
- Target level	6.61
- PMB	5.51

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

Description / £'000s	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Balance as at 1 April (b/fwd)	(15,415)	(16,429)	(18,029)	(18,029)	(18,029)	(18,029)
Contribution (to) / from reserves	(1,014)	(1,600)	0	0	0	0
Balance as at 31 March (c/fwd)	(16,429)	(18,029)	(18,029)	(18,029)	(18,029)	(18,029)

As noted above, the levels of risk to the financial sustainability of the council are considerable and are increased by delays in the delivery of finding reforms and the impact of Brexit uncertainty alongside a worsening global financial outlook. This council is fortunate to have reserves available to fund one-off transformational activity and capital requirements. No specific proposals have been made on the use of reserves pending the outcome of the Fair Funding Review, when a re-basing of budgets with a longer-term view will be possible.

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.

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 2019 £000	Balance at 31 March 2018 £000
Major policy-led funds	11,518	12,442
R&R funds	933	1,868
Statutory and accounting reserves	6,099	4,319
Shared / partnership funds	6,577	5,258
Other – to be closed once committed balances are spent	235	941
Total	25,362	24,828

Section 8

Budget strategy

General Fund savings requirements

Description	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Net savings requirement (BSR Feb 2019)	635	635	635	635	598	3,138
Net impact of funding changes, inflation and indicative pressures / reductions in income	345	720	785	895	1,022	3,767
Revised (MTFS) net savings requirement	980	1,355	1,420	1,530	1,620	6,905

General Fund budget strategy

Budget process

The GF budget process for 2020/21 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 2020/21 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

- A need to take action to balance the budget in the short term and to ensure financial sustainability for the council in the long term

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 previous years, it is expected that the value of new savings found will decrease over time as services become leaner and more cost effective.

As in previous years, 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. The three-pronged approach to service review and savings delivery initially presented in the council's efficiency plan 2016-2020 is continued:

- transformation programme
- the extension of collaborative working with local partners
- investment to provide regular income streams

As such, BSR 2020 will present budget proposals for savings and increased income, and bids for implementation costs arising from these 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, particularly with the Brexit deadline of 31 October 2019 approaching. 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 is continuing 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 review financial and performance monitoring reports council-wide, ensuring greater challenge, visibility and ownership. This process is supported by the new financial management system which

- Provides better tools for budget holders to monitor their income and expenditure.
- Reinforces the financial management responsibilities of budget holders and their support teams
- Enforces 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
 - Implementing a corporate project management system, PM3
 - Providing project management training for project managers and sponsors
 - Improving programme and project monitoring by reviewing and enhancing key programme boards
- 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 risk analysis, 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 2019/20 to 2024/25

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
Capital-GF Projects								
PR030h	Romsey 'town square' public realm improvements (S106)	J Richards	49	0	0	0	0	0
PR030p	Outdoor fitness equipment near astroturf pitch by Abbey Pool (S106)	I Ross	1	0	0	0	0	0
PR031g	Milton Rd Library community meeting space (S106)	J Hanson	100	0	0	0	0	0
PR031q	Bramblefields nature reserve: improve biodiversity & access (S106)	J Richards	5	0	0	0	0	0
PR031r	Chesterton Rec Ground skate and scooter park (S106)	A Wilson	48	0	0	0	0	0
PR032s	Footbridge across Hobson's Brook at Accordia development (S106)	A Wilson	52	0	0	0	0	0
PR032t	Fulbourn Road open space improvements (S106)	A Wilson	10	0	0	0	0	0
PR032w	Accordia open space improvements (S106)	A Wilson	6	0	0	0	0	0
PR032y	Trumpington Rec Ground skate park (S106)	A Wilson	78	0	0	0	0	0
PR032z	Trumpington Rec Ground trim trail and climbing frame (S106)	A Wilson	12	0	0	0	0	0
PR033s	Histon Rd Rec play area: paths, surfacing & landscaping (S106)	A Wilson	1	0	0	0	0	0
PR033t	St Clement's churchyard open space on Bridge Street (S106)	J Hanson	9	0	0	0	0	0
PR040s	Public art grant for Kettle's Yard - Antony Gormley Performance Programme (S106)	N Black	5	0	0	0	0	0
PR040t	Public Art Grant for Cambridge Live - Colours in our community (S106)	N Black	3	0	0	0	0	0
PR040z	Public art grant for Historyworks - Michael Rosen Walking Trails 2 (S106)	N Black	10	0	0	0	0	0
PR041g	Netherhall School: supplementary grant for gym and fitness suite facilities (S106)	I Ross	56	0	0	0	0	0
PR042a	St Clement's Church community grant (S106)	N Black	30	0	0	0	0	0
PR042b	Mill Road cemetery access and main footpath improvements (S106)	A Wilson	20	0	0	0	0	0
PR042b	Museum of Technology meeting space community grant (S106)	J Hanson	2	0	0	0	0	0
PR042c	Grant for Netherhall School meeting space (S106)	J Hanson	24	0	0	0	0	0
PR042d	Romsey Mill community facility grant (S106)	J Hanson	21	0	0	0	0	0
PR042g	To the River - artist in residence (S106)	N Black	85	0	0	0	0	0
PR042h	Public art grant - Cambridge Junction: News News News (S106)	N Black	5	0	0	0	0	0
PR042j	Public art grant - NIE Theatre, tales from the Edge of Town (S106)	N Black	9	0	0	0	0	0
PR042k	Public art grant - Rowan Humberstone: Ecology sculpture (S106)	N Black	15	0	0	0	0	0
PR042l	Public art grant - Faith and Hope (S106)	N Black	20	0	0	0	0	0
PR042m	Public art grant - Chesterton village sign (S106)	N Black	10	0	0	0	0	0

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
PR042n	Public art grant - HistoryWorks: Travellers and Outsiders (S106)	N Black	15	0	0	0	0	0
PR050a	Relocation of services to 130 Cowley Road (OAS)	W Barfield	20	0	0	0	0	0
PR050d	Mobile working (OAS)	W Barfield	52	0	0	0	0	0
PR050e	Cowley Road Compound ex-Park and Ride site (OAS)	W Barfield	27	0	0	0	0	0
PR050f	Guildhall Welfare Improvements (OAS)	W Barfield	189	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	13	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure Levy	S Saunders	20	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Queen Anne Terrace car park	S Cleary	193	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	21	0	0	0	0	0
SC605	Replacement Building Access Control System	W Barfield	8	0	0	0	0	0
SC611	Grafton East car park essential roof repair	S Cleary	33	0	0	0	0	0
SC615	Cherry Hinton Grounds improvements Phase 2 (S106)	A Wilson	49	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 Piece (S106)	D Peebles	135	0	0	0	0	0
SC634	Grand Arcade and Queen Anne Terrace car parks sprinkler systems	S Cleary	8	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	46	0	0	0	0	0
SC645	Electric vehicle charging points	J Dicks	415	50	0	0	0	0
SC646	Redevelopment of Cambridge Junction	J Wilson	250	0	0	0	0	0
SC651	Shared ICT waste management software	J Carré	351	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	559	0	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 Carré	188	0	0	0	0	0
SC659	My Cambridge City online customer portal	C Norman	154	0	0	0	0	0
SC660	Council Anywhere - desktop transformation	J Carré	329	18	18	0	0	0

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
SC661	Adaptions to Riverside Railings	A Wilson	37	0	0	0	0	0
SC662	Shared Planning Service software and implementation	S Kelly	59	0	0	0	0	0
SC670	Lammas Land car parking infrastructure	A French	27	0	0	0	0	0
SC672	Mill Road Redevelopment - Development Loan to CIP	C Ryba	9,446	2,554	0	0	0	0
SC674	Mill Road Redevelopment - Equity Loan to CIP	C Ryba	4,265	0	0	0	0	0
SC675	Bateman Street tree replacement	A Wilson	17	0	0	0	0	0
SC677	AV equipment upgrade for Committee Rooms and Council Chamber	G Clift	125	0	0	0	0	0
SC678	Crematorium - additional car park	G Theobald	348	0	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	323	0	0	0	0	0
SC680	CCTV equipment upgrade	J Carré	30	0	0	0	0	0
SC682	Pay and display equipment upgrade	A Wilson	18	0	0	0	0	0
SC684	Property Management software	P Doggett	100	0	0	0	0	0
SC685	Mobile column lifts at Waterbeach garage	D Cox	24	0	0	0	0	0
SC686	Car park server replacement (LAPE)	S Cleary	20	0	0	0	0	0
SC687	Customer Service Centre improvements	C Norman	61	0	0	0	0	0
SC688	Environmental Health software	J Carré	40	0	0	0	0	0
SC689	Income management software	C Norman	47	0	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC691	HRIS new system	D Simpson	20	150	0	0	0	0
SC692	CHUB - community extension to Cherry Hinton library	J Hanson	767	0	0	0	0	0
SC693	Lion Yard shopping centre investment	D Prinsep	4,200	1,800	0	0	0	0
SC694	Meadows Community Hub and Buchan St retail outlet	C Flowers	554	2,168	1,892	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	1,963	3,037	350	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	3,700	11,300	1,000	0	0	0
SC697	Grant for St John's church improvements (S106)	J Hanson	100	0	0	0	0	0
SC699	Corn Exchange fire doors	J Wilson	37	0	0	0	0	0
SC701	Dales Brewery - fire alarm system	D Prinsep	24	0	0	0	0	0
SC703	King's Parade - temporary barriers	S Hemingway	35	0	0	0	0	0
Capital-GF Projects			31,179	21,077	3,260	0	0	0

Ref.	Description	Lead Officer	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
Capital-Programmes								
PR010	Environmental Improvements Programme	J Richards	70	170	0	0	0	0
PR010a	Environmental Improvements Programme - North Area	J Richards	69	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	77	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	127	0	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	110	0	0	0	0	0
PR037	Local Centres Improvement Programme	J Richards	7	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	850	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	T Nicoll	165	0	0	0	0	0
PR038	Investment in commercial property portfolio	J Richards	5,279	0	0	0	0	0
PR039	Minor Highway Improvement Programme	D Prinsep	40	30	30	30	0	0
PR050	Office Accommodation Strategy Phase 2 (OAS)	J Richards	473	0	0	0	0	0
PR051	Building works at the Guildhall to reduce carbon emissions and improve energy efficiency	W Barfield	228	0	0	0	0	0
PR052	RE:FIT 3 Energy performance improvement and carbon reduction programme (Phase 1)	W Barfield	294	0	0	0	0	0
Capital-Programmes			7,789	200	30	30	0	0
Capital-GF Provisions								
PV007	Cycleways	J Richards	397	0	0	0	0	0
PV018	Bus Shelters	J Richards	4	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	0	0	60	0	0	0
PV549	City Centre Cycle Parking	J Richards	2	0	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	393	816	0	0	0	0
PV564	Clay Farm Community Centre -Phase 2 (Construction)	I Ross	0	0	0	0	0	0
PV583	Clay Farm Commercial Property Construction Costs	D Prinsep	20	0	0	0	0	0
PV682	Local investment bond	C Ryba	2,800	0	0	0	0	0
Capital-GF Provisions			3,616	816	60	0	0	0
Total GF Capital Plan			42,584	22,093	3,350	30	0	0

Appendix A(b): Capital Funding 2019/20 to 2023/24

Description	2019/20 (£000's)	2020/21 (£000's)	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)
External Support						
Developer Contributions	(1,315)	0	0	0	0	0
Other Sources	(733)	(50)	0	0	0	0
Total - External Support	(2,048)	(50)	0	0	0	0
City Council						
Direct Revenue Financing (DRF) - GF Services	(175)	0	0	0	0	0
Direct Revenue Financing (DRF) - Use of Reserves	(5,615)	(1,761)	(1,786)	(1,786)	(1,786)	(1,786)
Earmarked Reserve - Capital Contributions	(4,693)	0	0	0	0	0
Earmarked Reserve - Office Accommodation Strategy	(473)	0	0	0		
Earmarked Reserve - Climate Change Fund	(326)	0	0	0	0	0
Earmarked Reserve - Repair & Renewals Fund	(1,043)	0	0	0	0	0
Internal Borrowing - Temporary Use of Balances	(23,514)	(21,675)	(3,242)	0	0	0
Usable Capital Receipts	(4,697)	0	(60)	0	0	0
Total - City Council	(40,536)	(23,436)	(5,088)	(1,786)	(1,786)	(1,786)
Total Available Finance	(42,584)	(23,486)	(5,088)	(1,786)	(1,786)	(1,786)
Capital Plan	42,584	22,093	3,350	30	0	0
Net Funding Available	0	(1,393)	(1,738)	(1,756)	(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	30,540,290	61,081
Premises costs	Low	7,482,630	14,965
Transport costs	Low	682,730	2,731
Supplies and services	Low	24,966,990	12,483
Grants and transfers	Low	33,017,710	33,018
Grant income	Low	39,918,600	39,919
Other income	Medium	54,194,060	812,911
Miscellaneous	Low	404,960	607
Total one year operational risk			977,715
Allowing three years cover on operational risk			2,933,000

General and specific risks	Amount (£)	Probability (%)	
Unforeseen events	2,000,000	30%	600,000
Legal action - counsel's fees	100,000	50%	50,000
Data Protection breach	500,000	30%	150,000
Capital project overruns	750,000	50%	375,000
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	30%	300,000
Fuel cost inflation - currency fluctuations due to Brexit	100,000	100%	100,000
General risks			2,575,000

Prudent Minimum Balance (PMB)	5,508,000
Target (PMB + 20%)	6,610,000

Operational cost risk profiles

		Low	Medium	High
Employee costs	overspend	1.00%	3.00%	5.00%
30,540,290	probability	20.0%	15.0%	10.0%
	amount at risk	61,081	137,431	152,701
Premises costs	overspend	1.00%	3.00%	5.00%
7,482,630	probability	20.0%	15.0%	10.0%
	amount at risk	14,965	33,672	37,413
Transport costs	overspend	2.00%	4.00%	6.00%
682,730	probability	20.0%	15.0%	10.0%
	amount at risk	2,731	4,096	4,096
Supplies and services	overspend	1.00%	3.00%	5.00%
24,966,990	probability	5.0%	10.0%	15.0%
	amount at risk	12,483	74,901	187,252
Grants and transfers	overspend	1.00%	2.00%	3.00%
33,017,710	probability	10.0%	7.5%	5.0%
	amount at risk	33,018	49,527	49,527
Grant income	overspend	1.00%	2.00%	3.00%
39,918,600	probability	10.0%	7.5%	5.0%
	amount at risk	39,919	59,878	59,878
Other income	overspend	5.00%	10.00%	15.00%
54,194,060	probability	10.0%	15.0%	20.0%
	amount at risk	270,970	812,911	1,625,822
Other	overspend	1.00%	2.00%	3.00%
404,960	probability	15.0%	10.0%	5.0%
	amount at risk	607	810	607

Appendix C

Principal earmarked and specific funds

Fund	Balance at 1 April 2019 £000	Anticipated contributions £000	Forecast expenditure £000	Forecast balance 31 March 2024 £000
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,626)	(8,449)	14,075	0
Sharing Prosperity Fund	(260)	0	260	0
Climate Change Fund	(368)	(100)	468	0
Asset Replacement Fund	(933)	(5,000)	5,000	933
Bereavement Services Trading Account	(718)	(800)	1,518	0
Local Plan Development Fund	(1,223)	(600)	1,823	0
Office accommodation strategy fund	(900)	0	900	0
Invest for Income	(8,000)	0	8,000	0
A14 Mitigation Fund	(1,500)	0	1,500	0
Cambridge Live Development Plan	(489)	(250)	739	0
Total	(20,017)	(15,199)	34,283	933

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

The Local Plan Development Plan Fund is used to fund work with South Cambridgeshire District Council on the joint Local Plan.