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**Strategy and Resources
Scrutiny Committee**

General Fund Medium Term Financial Strategy

**October
2021**

2021/22 to 2030/31

Cambridge City Council



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

Introduction

Cambridge City Council produces two main financial documents each year, the Budget Setting Report (BSR) and this, the Medium-Term Financial Strategy (MTFS). Once approved by Full Council the BSR delegates the authority to run the council to our Officers, thereby providing services to the city and applying charges and fees in accordance with the budget. The MTFS fulfils an important role in the calendar, drawing together a review of financial information halfway through the year, making assumptions and forecasts for the future and providing a basis on which to prepare the budget for the year ahead.

Protecting our City through the Covid-19 pandemic and beyond

The pandemic continues to have a profound impact on the daily life of the people of Cambridge. The forecasting undertaken by the Council in May and June 2020 proved remarkably accurate and allowed us the scope to plan effectively throughout the last financial year, despite the uncertainty caused by repeated lockdowns. Our most significant costs were from loss of income from Car Parking Services and Cambridge Live, allied to increased spending on Housing and Homelessness. As reported at the BSR earlier in the year, despite central Government promises to ensure we were recompensed for losses incurred as a result of COVID, that did not prove to be the case. We were left 40% short of the overall costs met by the Council, leaving us with a shortfall of approximately £7m.

The impact on the City's economy have been significant yet varied. Whilst some of our companies, most notably AstraZeneca, have been at the forefront of the national and global fight against COVID, there has also been significant personal cost. There has been a rise of over 100% in unemployment claimants. The reduction in footfall in the City Centre by over 80% for significant periods of last year has had a major and negative impact upon the retail, tourism, and hospitality

sectors. At the time of writing (September 2021) there are encouraging signs of recovery, but these are early days, and we must ensure we work in partnership with businesses and other stakeholders to agree a Recovery Plan which will ultimately lead to a future vision of the City. This is all well and good but it is apparent that there has been a disproportionate impact upon our most deprived communities, and it is therefore vital we maintain a commitment to the core priorities of the Council, namely tackling poverty, and ensuring a sustainable carbon free future.

Shortfalls in Government Funding

Allied to the shortfalls in funding from central Government due to COVID there are further constraints that make accurate forecasting extremely problematic. Funding reform of Local Government has been anticipated for some years, however it is uncertain, when, if ever the Fair Funding Review will take place and the outcome Business Rates Review remains unclear. This has required us to make a series of assumptions which are outlined within the report. One thing is for sure however, the outlook for the next five years does not look positive, and we will have to plan to make savings. It is our estimation that these will amount to approximately £7.5m. In particular, post COVID, the financial years 2022-23 and 2023-24 look very challenging.

The Transformation Programme; “Our Cambridge”

In recognition of the financial challenges we face, the Council has embarked on an ambitious Transformation Programme, namely “Our Cambridge”. Rather than respond to the issues we face on an annual, reactive way, we are keen to build the Council we want to be in the future, aspiring towards ambitious goals, albeit within a financially sustainable plan. We will place working with our communities and our staff at the heart of this work. We aim to encourage an enhanced customer focus, strengthen strategic partnerships whilst encouraging an entrepreneurial approach to the work of the Council. This Programme will make us fit for purpose for the future, placing our core themes of tackling climate change and alleviating poverty at the heart of all that we do. This work will not come cheap, and we will have to invest now to succeed in time, which is why we propose spending £3.1 m from our reserves to fund the Programme.

Use of Reserves

This does not mean a fundamental change to our ongoing strategy of primarily using reserves for investment, but simply recognises the immediate and pressing need. We are in essence using our

reserves to invest in our Council. Whilst we are fortunate to have reserves available, this is due to responsible and prudent management in the past and we will continue to be guided by the mantra 'you can only spend reserves once'.

Because of the ongoing uncertainty work has been ongoing to identify a base line over the next 5 years and then a best- and worst-case scenarios. I would draw your attention to this work. It was our belief last year that the long-term economic impacts of Covid-19 will only start to be understood in this financial year 2021-22 and the implications will be long term. That view has not changed. As outlined in the BSR we remain keen to use Reserves for Green Investments, and in the near future we will require funds to be used for the replacement of the Depot.

Managing Brexit and other 'unknowns'

As if the above isn't sufficient, the challenge of managing the impact of leaving the EU remains and remains largely unknown. We are already aware of the impact of low staffing levels in certain sectors e.g., haulage and hospitality. This has had some, albeit manageable implications for the work of Cambridge Investment Partnership whereby some unexpected delays and costs have been felt. It is worth noting however that this Partnership has continued to deliver beyond expectations, and we have built the 500 Council homes we promised, and on time. This partnership with Hill has rightly been celebrated and is a wonderful example of what can be achieved by Local Authorities with innovative yet prudent management.

Finally, if the pandemic has taught us one thing, it is that we must be aware and responsive to unexpected challenges and as we enter the next 6 months the increase in energy charges and perhaps more significantly interest rates will need to be factored into our future financial planning.

Our Strategy

At the risk of reiterating what was said last year, this is the challenging and uncertain context within which we must deliver our financial plan. We remain unsure of what limited funding will be provided by the Government, so developing other income streams will become ever more important and it remains our stated ambition to continue to use Reserves as a tool for investment as opposed to offsetting short term immediate costs. This approach might need to be reviewed in the mid-term depending upon the outcome of central Government funding reviews.

The MTFS has identified the pressures we face in the years ahead and the way we will address those challenges. At the core of this work will be the Transformation Programme, which we believe will enable us to secure and enhance existing services and to make a Council fit for purpose and financially sustainable. Our primary goals remain consistent, namely, to fight poverty and 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. Against this we will maintain our commitment to the most deprived areas of the City, and those most likely to be adversely affected by the ongoing impact of coronavirus.

The MTFS will also help us plan the Budget Setting Report for 2022/23 which will be published in January. It embraces the core financial objectives of this Council, namely sound and prudent financial management. We will continue to invest for the future and strive to create 'one city fair for all.'

Cllr Lewis Herbert - Leader of the Council

Cllr Mike Davey – 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. Last year, consideration was given to the current and potential future financial impacts of the Covid-19 pandemic. These considerations continue to underlie the development of the financial strategy, with an emphasis on recovery and the creation of a 'new normal' for both the city and the council.

However, the most significant development is the extension of the strategy to cover ten years rather than five. This reflects ongoing concerns that funding for local government has fallen behind the costs of delivering services and that, as a result, some councils are becoming financially unsustainable. Indeed, a number of councils in this position have negotiated financial support from central government. Moving to a ten-year financial strategy will enable the council plan more effectively and show how it intends to address its financial challenges. In so doing, the council is also reflecting best practice and meeting the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code.

This MTFS identifies:

- Items which require immediate action or approval
- Items which provide context for decisions on the strategy or budget process:
 - o The level of savings requirements over the next ten years
 - o Resources to be made available for funding the capital plan

- o The level of GF general reserves
- Risks to the delivery of the financial strategy and the levels of uncertainty, particularly in the later years.

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/November 2021 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
2021	
11 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
21 October	Council considers both GF and HRA MTFS reports
2022	
4 January	Budget Setting Report (BSR) published
7 February	BSR and any budget amendment proposal considered by Strategy & Resources Scrutiny Committee
7 February	The Executive consider and recommend the BSR and Council Tax level to Council
24 February	Council approves Budget Setting Report and sets the level of Council Tax for 2022/23

Section 2

Policy context, priorities and external factors

Local policy context and priorities

Corporate Plan

The council's Corporate Plan was approved in February 2021 at the same time as the budget for 2021/22. It sets out three priority themes and the strategic objectives to deliver the council's vision of 'One Cambridge, Fair for All'. It describes what success will look like and includes performance indicators to measure progress. The priority themes are:

- Tackling poverty and inequality and helping people in the greatest need
- Leading Cambridge's response to the climate change emergency and biodiversity crisis
- Delivering quality services within financial constraints while transforming the council.

A number of significant, long term projects are set out within these themes, including the development of a joint Greater Cambridge Local Plan with South Cambridgeshire District Council, the delivery of the 500 new council homes, with plans for 1,000 more under development, the delivery of a new, low-carbon city quarter in North East Cambridge on the last significant brownfield site within the city, and developing a long-term strategy and plan for whole-council transformation to enhance the services the council delivers for and with communities while meeting the financial challenges the council faces.

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.

The current Corporate Plan expires at the end of the 2021/22 financial year, so is due to be reviewed and refreshed alongside the BSR.

Partnership working

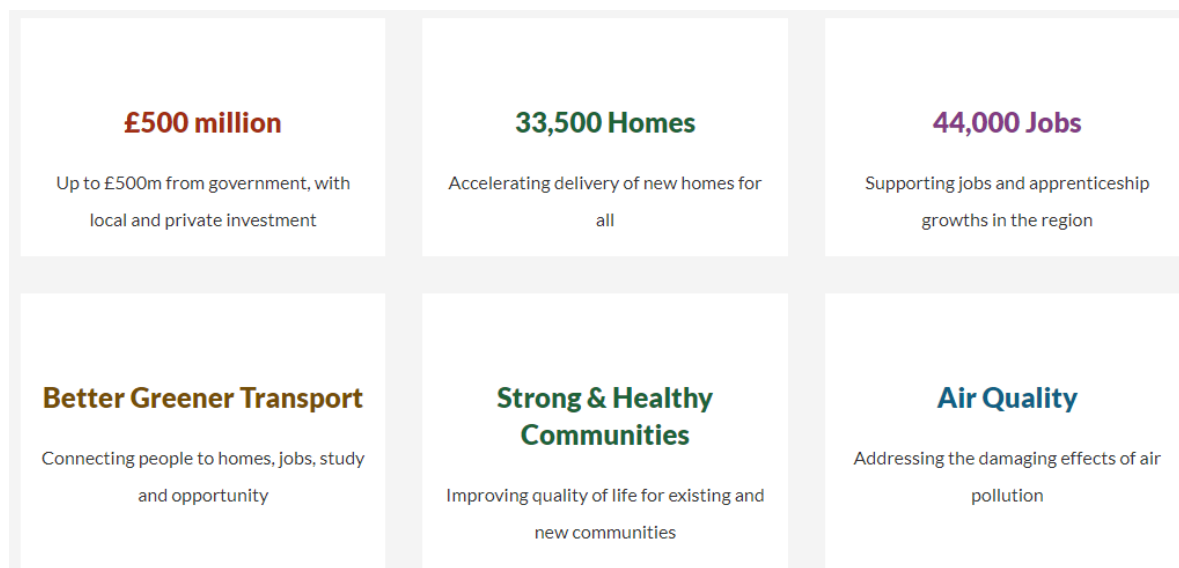
The council works in partnership with a range of other bodies to bring additional benefits to the people who live, work and study in our area, especially through pooling of resources and skills to achieve a common aim.

The Greater Cambridge Partnership (GCP)

The City Council is working with Cambridgeshire County Council, South Cambridgeshire District Council, the University of Cambridge and the business community 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 provided £100m for the first five years, with future funding subject to a 'gateway review' in 2019/20 to unlock further funding up to £400m. The GCP successfully passed this government gateway so is considered to be 'on track' to deliver the commitments made as part of the City Deal.

The GCP's vision is 'Working together to create wider prosperity and improve quality of life now and into the future', specifically as shown below.



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. Ways will need to be found to manage congestion and generate revenue to support improved public transport services –

these may have impacts on City Council services and finances. The service and financial impact of such measures will be factored into the council's financial planning as the impacts become clearer.

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 (CPCA)

The CPCA is a Mayoral Combined Authority made up of a directly elected mayor and seven local authorities¹. It works with these councils, the Business Board, other local public services, government departments and agencies, universities and businesses to grow the local and national economy. Councillor Lewis Herbert represents the council on the CPCA. The key ambitions for the combined authority include:

- doubling the size of the local economy
- accelerating house building rates to meet local and UK need
- delivering outstanding and much needed connectivity in terms of transport and digital links
- providing the UK's most technically skilled workforce
- transforming public service delivery to be much more seamless and responsive to local need
- growing international recognition for our knowledge-based economy
- improving the quality of life by tackling areas suffering from deprivation

The CPCA receives funding and powers from central government in a number of areas including housing, transport and skills. It has been agreed that the CPCA's operating 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 current 500 new council homes programme is supported by £70m of central government funding channelled through the CPCA, bringing an income stream to the Housing Revenue Account as those houses come on stream.

Cambridgeshire County Council

Following the change in political control at Cambridgeshire County Council, progress is being made towards a closer working relationship with that council, where the two councils' interests are complementary and particularly with a view to transforming service provision.

Shared services

The council shares some services with neighbouring councils, benefits include improvements in service delivery, efficiencies and greater resilience. 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

Covid-19 pandemic

The Covid-19 pandemic has had profound effects on daily life in the UK and worldwide. Starting in March 2020, travel bans, social distancing and self-isolation substantially reduced economic activity. Throughout the remainder of 2020 and 2021, lockdowns have been eased and reapplied in response to changes in infection rates, with high streets and workplaces operating with social distancing measures. Whilst the government sought to soften the financial impact on individuals and businesses to support the lock-down, there have been major financial consequences for councils arising from reduced income, service pressures and additional responsibilities. Whilst some funding was made available, the level of funding provided in 2020/21 only met about 60% of budgetary pressures. Some central government funding has continued into the first quarter of 2021/22, reflecting the expectation that the effects of the pandemic will have ceased by summer 2021.

The country is currently (July/ August 2021) experiencing an increase in infections due to the Delta variant. However, high rates of vaccination within the population appear to be controlling the severity of infections and restrictions were largely removed from 19 July 2021. However, risks remain that further variants may arise requiring the re-imposition of restrictions, levels of business activity

may not recover to pre-pandemic levels, and that household incomes of those on lower income levels will remain depressed.

As a result, there is considerable financial uncertainty for the council due to the cost of potential additional service demands and downward pressures on income streams, including business rates, council tax and car parking.

The European Union (EU)

The United Kingdom (UK) formally left the EU on 31 January 2020. Following a transition period, the EU-UK Trade and Co-operation Agreement came into force on 1 May 2021. Whilst significant negative impacts on trade between the UK and EU were seen initially, levels have recovered to some extent. Whilst many EU citizens living and working in the UK have returned to their countries of origin, more remain than originally expected. However, shortfalls of workers have been experienced in some sectors, including hospitality, logistics and social care. It has been noted that the overall impacts of Brexit are masked by the effects of the Covid pandemic so it is therefore difficult to assess the likely impact on the UK economy and on businesses more locally.

Inflation rates

The base rate of inflation used to drive expenditure assumptions in this MTFS is the Consumer Price Index (CPI). CPI has been volatile over the last 18 months, with rates ranging from 0.2% to 3.0%.

The Bank of England's Monetary Policy Report of May 2021 forecasts a level of CPI in quarter 2 of each year at 1.7% for 2021, 2.3% for 2022, 2% for 2023 and 1.9% by 2024. The over-arching view is that inflation will return to the target of 2% later this year and will then fluctuate around the target level for the medium term.

The Office of Budgetary Responsibility (OBR), in their Economic and Fiscal Outlook in March 2021, forecast an increase in CPI during 2021, to return to nearer the target level of 2%, again fluctuating close to this level for the medium term.

Continued economic uncertainty, as a result of a combination of factors including the impact of exit from the EU and the longer-term effects of the coronavirus pandemic, make accurate predictions difficult. In addition, shortages of some goods such as building materials, and issues in recruiting to some roles are likely to lead to higher rates of inflation in these areas. Taking account of the views of the Bank of England and the OBR it is considered appropriate to retain the assumption that inflation will remain at the target level of 2% from 2022/23 onwards. Inflation rates will be reviewed

again for the BSR in February 2021 and if changes in forecasts are significant, adjustments will be made at that point.

For the purposes of this MTFS and in light of the significant savings requirement identified in BSR 2021, no allowance has been made for non-pay inflation in 2022/23, except where costs are contractually driven. This will create a saving of approximately £279k in 2022/23, with further savings in future years due to the cumulative effect of this change. Thereafter, CPI is applied to these costs.

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. The Bank of England base rate was reduced to 0.1% on 23 March 2020 and has remained at that level. The next review of the rate is due on 22 September 2021. The reduction in the base rate results in a reduction in the rates that the authority can expect to earn on its investments. However, through the use of a variety of investments as permitted by our investment strategy, we achieved average rates of return of 1.04% in 2020/21.

It is anticipated that interest rates will remain low for the foreseeable future, which will result in a near zero return on short-term investments and liquid cash. Coupled with this, the change to the way in which the council finances its capital expenditure going forward (see section 5) will lead to a significant reduction in the level of excess cash balances which are available for the council to invest over the longer term. It is assumed that the council will retain existing long-term investments only where these are delivering a return in excess of the council's external borrowing costs for the financing of new capital expenditure. This combination of factors is likely to see a significant drop in interest income from 2022/23 onwards.

The HRA is entitled to claim a proportion of interest earned on cash balances invested by the authority. The rate of interest assumed is based upon the HRA clawing back interest from the GF on investments with minimal risk. This recognises that the General Fund bears the risk, but also benefits from the reward, of the higher risk investments made by the council.

The actual average rate of interest earned on investments that benefited the HRA for 2020/21 was 0.60%, although this included some residual interest from older investments at higher rates that have now matured. The council is unlikely to achieve these rates in the current climate, and it has therefore been assumed that the HRA claws back interest at a rate of 0.2% from 2021/22 on an ongoing basis.

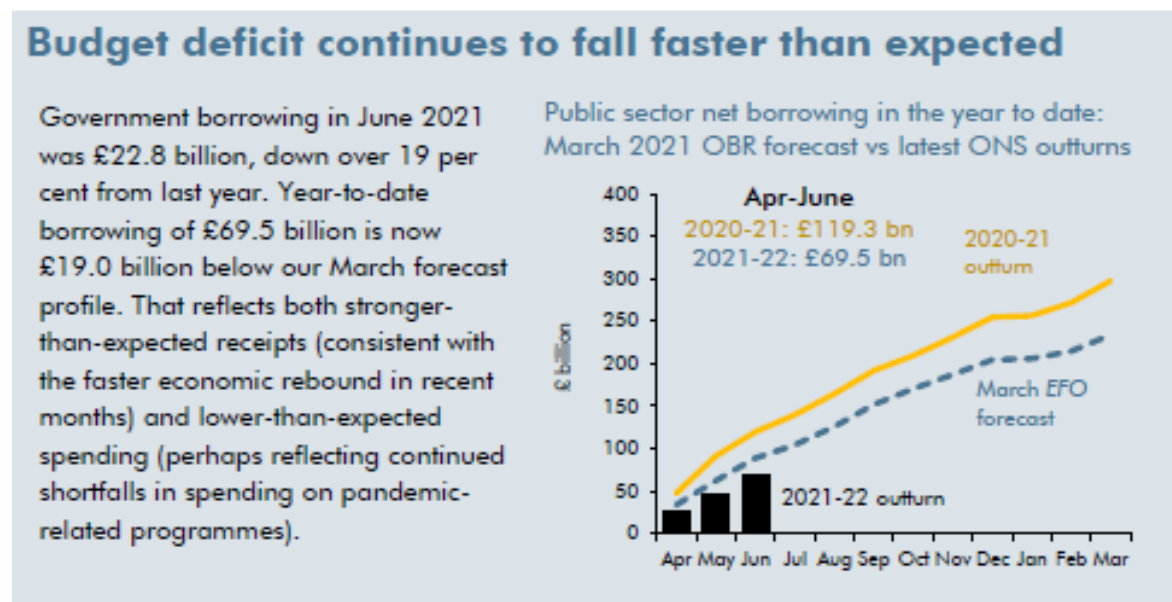
Interest rates on external borrowing

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.

National policy context

Public sector finances

The OBR published its commentary on Public Sector Finances – June 2021 on 21 July, <https://obr.uk/monthly-public-finances-briefing/>, highlighting a more positive situation than forecast. Receipts, particularly Corporation Tax and PAYE/NICs, were higher than expected and provide firm evidence for the economic rebound.



On the same day, the Institute for Fiscal Studies (IFS) published a briefing note, 'What does the changing economic outlook mean for the Spending Review?' <https://ifs.org.uk/publications/15542>.

The IFS notes that, although the short-term picture is better than expected, 'the medium-term

outlook contains much less good news, as the pandemic is still expected to have done permanent damage to the economy’.

This means that the Chancellor could potentially afford some short-term spending increases in the Spending Review, assuming little or no additional Covid-related spending requirements. However, the IFS describes the Chancellor as having much more limited room for manoeuvre in the medium term, with no headroom against his target of a balanced budget in 2024-25 and 2025-26. Day-to-day spending is set to rise by 2.1% per year in real terms over the next four years – but these increases have already been allocated to the NHS, schools, defence and overseas aid, and there is a ‘cacophony of calls for additional spending’. The IFS estimates that ‘some unprotected budgets would be facing real-terms cuts of around 3% between this year and next’.

Government spending announcements

The Chancellor was expected to launch the Spending Review in the week commencing 19 July, just before the parliamentary summer recess. However, the formal launch was delayed until 7 September. It will be a multi-year spending review covering the years 2022/23 to 2024/25, providing details of overall government spending for those three years. It will conclude on 27 October alongside the Autumn Budget.

From a local government funding perspective, details about the package for local government in 2022/23 are unlikely to be known until later in November, or even in the provisional settlement in December 2021. Whilst the spending review will cover three financial years, it is not yet clear whether the local government finance settlement will be for one year or cover the whole three-year period.

Local government finance

2021/22 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. The outcome of this work was expected to be consulted on in summer 2020 and implemented for 2021/22. As a result of the pandemic implementation was suspended and a one-year finance settlement agreed for 2021/22.

No new implementation date has yet been confirmed and it is now widely anticipated that any reforms will be further delayed until at least 2023/24. In addition, the Chancellor has announced a

fundamental review of the business rates system and further uncertainty is introduced by the forthcoming autumn spending review.

During 2020/21 the government provided a number of un-ringfenced Covid-19 emergency grants to the council, alongside other grants to address specific cost pressures arising from the crisis. Whilst this support was welcome, it has been announced piecemeal and often with little warning, which makes financial planning challenging even over the short-term. Furthermore, the support provided was only sufficient to cover 61% of the total cost of the pandemic to the GF in year. Whilst some further one-off funding has been announced for 2021/22, the full extent and duration of this remains uncertain, and again it is unlikely to cover the full ongoing costs. For example, whilst the impacts of the pandemic on income streams such as car parking and Cambridge Live are still very much being felt, the government has to date only offered to partially compensate for this loss up until the end of June 2021.

The government also introduced a new Lower Tier Services Grant in 2021/22, to ensure that no council experienced a loss of spending power in the context of no indexation on lower tier services, and reductions in New Homes Bonus income. However, this was described as a one-off grant, and no announcement has yet been made on whether this funding will be repeated for another year should the FFR be further delayed.

The factors above make forecasting of the overall funding available to the council over the period of this MTFS extremely problematic. The working assumption is that funding reform (the FFR and business rates review) will be implemented in 2023/24 once a quantum of funding is known. Damping or other transitional arrangements are likely to be part of that implementation.

The base assumptions modelled in this MTFS are:

- There will be another one-year settlement for 2022/23, based upon a rollover of the 2021/22 settlement with CPI inflation
- The changes resulting from the FFR and business rates retention review are implemented in 2023/24, with a full business rates baseline reset in that year
- The local share of business rates is increased from 50% to 75%, with the District share retained at 40%
- Baseline Funding Levels (BFL) for district council services will not be indexed, allowing for increases in upper tier services such as Adults and Children's Social Care and Public Health

- Real terms year-on-year business rates growth of 1% per annum until 2025/26, with no further growth in business rates income assumed beyond this point due to the level of uncertainty around the future funding model

From the Council's perspective, the largest risk in relation to funding is that the business rates reset occurs a year earlier in 2022/23, or that an alternative mechanism is devised by government for the distribution of business rate surpluses in that year. This would result in a significant loss of business rates income which has been accumulated through growth since the last reset.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Baseline funding level (BFL) / Settlement funding assessment (SFA)	4,272	4,357	4,118	4,118	4,118	4,118
Release of provision for Material Changes in Circumstances (MCCs) no longer required	9,676	0	0	0	0	0
Growth element and other adjustments	71	2,017	883	1,138	1,405	1,405
Business rates income	14,019	6,374	5,001	5,256	5,523	5,523

The current set of base assumptions used to model business rates income assume a significant recovery in economic activity and therefore in business rates income. However, the growth elements shown in the table above for 2022/23 and later years are considered to be high risk and not to be a reliable source of funding for service delivery. Therefore, for the purposes of this strategy they have been taken into the projection of reserves shown in section 7. If and when receipt of these amounts becomes more certain, they can then be considered for use.

New Homes Bonus

NHB was designed to incentivise housing growth. Amounts awarded in 2021/22 are expected to be the last awards under this scheme, alongside some legacy payments arising from previous years being receivable in 2021/22 and 2022/23, albeit at a reduced level from previous years.

The government consulted on the future of the NHB in Spring 2021, and the outcome of this consultation has not yet been published. Therefore, no receipts of any growth-related funding have been assumed beyond the current year.

Council tax

The impact of Covid-19 on the local economy has seen a significant increase in the volume of local council tax support claims, which has led to a corresponding reduction in the council tax base over

the past 2 years. As we enter the recovery phase, it is forecast that the council tax base will begin to grow again, although it may not return to pre-pandemic levels until 2023/24.

The base assumptions modelled in this MTFS are:

- Current referendum principles which allow district councils to increase their precept by the greater of £5 or 1.99% each year will continue for the foreseeable future, and the Council will continue to apply the maximum permissible increase each year
- Gross dwellings will increase in line with the Council's planned housing trajectory, with the mix of valuation bands remaining similar to that experienced in recent years
- The level of student exemptions will return to pre-pandemic levels in 2022/23 and will continue to grow in line with the housing trajectory, on the assumption that some of the new dwellings completed will be occupied by students
- The level of local council tax support claims, and the overall council tax collection rate, will return to their pre-pandemic levels over a two-year period starting in 2022/23

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Forecast tax base for council tax setting	43,530.5	43,983.7	45,343.7	45,699.8	46,077.2	46,393.4
Council precept (£)	207.50	212.50	217.50	222.50	227.50	232.50
Council tax income (£'000)	9,033	9,347	9,862	10,168	10,483	10,786

Section 3

Review of key assumptions

Budget forecasts presented in the February 2021 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 1.0% (previously 1.5%) plus: 2022/23 and on-going - 2.0%	An additional 1% increase would cost the council approximately £260k
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.
General inflation (OBR/BoE)	2022/23 0% and after – 2.0% (previously 2.0% all years)	The same inflation factors are applied to Central and Support Services as for direct services.

Key area	Assumption	Comment / Sensitivity
Fuel/Utilities	2022/23 and after – 2.0%	Updated central provisions have been made as appropriate for fuel, electricity and gas based on current knowledge of these markets or revised contractual commitments.
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 with the financial impacts of any recommended changes to be brought forward through the budget setting report in February 2022. Property rental income based on detailed projections and rent reviews.
Investment interest rate assumption	Investment specific	Due to changes to the approach to capital financing, only specific long-term investment balances will be held.
Interest paid on HRA cash balances	0.2%	Based on current projections
Council Tax increase	Greater of £5.00 or 1.99% in each year (previously 1.99%)	Assuming that current referendum principles remain unchanged for the foreseeable future. A 1% change in council tax represents about £90k p.a. for the council.
Council Tax Base	Per housing trajectory	Gross dwellings are increased in line with the forecast housing trajectory, with exemptions and local council tax support claims increasing in proportion following a 2 year Covid-19 recovery phase commencing in 2021/22. Collection rates are assumed at 96.9% for 2021/22, 97.8% for 2022/23 and 98.7% (pre-Covid levels) for 2023/24 and thereafter.

Section 4

Review of budgets and savings targets

2020/21 outturn

The Covid-19 pandemic had a significant impact upon the council's finances during 2020/21. In July 2020, an interim update to the MTFS was published which forecast additional net service expenditure of £9.8 million, the majority of which related to the loss of key income streams such as car parking and Cambridge Live. At the same time, mitigating measures of £1.5 million were agreed, so that the net impact on service budgets was £8.3 million.

In the event, the pandemic has lasted considerably longer than initially anticipated, and as a result the financial impact on the council has been much larger. Whilst some additional government support was provided, this has not covered the full costs incurred, and the final outturn was a further £1,785k adverse variance against the revised July 2020 budget on net service expenditure (after approved carry forwards). For comparison, a favourable variance of £2k was recorded in 2019/20.

After variances on government funding, capital accounting adjustments, contributions to/from earmarked reserves, the application of direct revenue funding for capital and statutory adjustments have been taken into account, the overall net effect was a decrease in the GF reserve of £669k (2019/20: increase of £1,486k).

2021/22 budgets and the impacts of the Covid-19 pandemic

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.

The Covid-19 pandemic is continuing to have a significant impact on the council's finances, and although we are now entering the recovery phase, uncertainty remains around its longer-term impact. For example, with many people now working from home on a more regular basis, it is possible to car park usage may never return to pre-pandemic levels.

As at the end of June 2021, the council is forecasting an adverse variance of £1.5 million against its GF budget for 2021/22. This is largely driven by continuing Covid-19 related pressures on a number of service income lines. This will be partially mitigated by government compensation for sales, fees and charges, although the extent of this is not yet known.

In-year revenue proposals

In general, all revenue proposals are considered during the budget-setting process so that they can be prioritised, and a holistic view of additional spending requests can be taken. Revenue proposals are presented in the MTFS on an exceptional basis only, where essential additional in-year spending has been identified. The following proposals are presented for consideration:

Transforming the council's communications and engagement capacity (2021/22 £45k, 2022/23 and future years £125k)

Cambridge City Council delivers a wide and complex range of services to our communities and stakeholders. Communicating clearly what those services are, how residents can use them and how they are changing, as well as playing a community leadership role on our policy priorities, and engaging in meaningful two-way dialogue with our communities requires a range of communications skills and tools, and the capacity to use them effectively. The council has to date allocated far fewer resources to this area of activity than other comparable councils.

Building on our learning over the last 18 months and looking ahead to a period of transformation in the council and recovery and renewal across the city, the council needs to invest in transforming its communications capacity and capability. We will recruit additional communications professionals and use digital tools and techniques to modernise and manage more effectively the way the council consults and engages with its communities.

Costs of temporary accommodation for Colville III development (2021/22 and 2022/23 £120k per year)

The council is redeveloping commercial units and HRA housing on Colville Road in Cherry Hinton. The proposal covers the revenue costs of providing temporary accommodation for the council's commercial tenants during the redevelopment.

Set up costs of a new housing company and Registered Provider (RP) (2021/22 £73k)

The Council currently has two bodies that can own and let homes, the HRA and the Cambridge City Housing Company. There are restrictions within the HRA which mean that tenancies are let on an introductory and then secure basis and tenants have the right to buy. The housing company has been set up to deliver sub-market rental housing in which homes are let on a non-secure basis through assured short hold tenancy agreements, as in the private rental market. The housing company is not an RP so it is unable to attract funding through Homes England or other government sources and as currently structured cannot be accredited as an affordable housing provider.

A recent bid to Homes England included some rent to buy homes that would need to be let on an assured shorthold tenancy. Initial advice has been that rather using the existing housing company, the better option would be to set up a sister company as an RP. Other benefits would be flexibilities needed to respond to opportunities in relation to funding e.g. MHCLG homelessness funding. Set up costs are expected to consist of legal advice (£28k), tax and accounting advice (£15k) and project management (£30k).

Feasibility study to expand Cambridge City Housing Company (2021/22 £70k)

Cambridge City Housing Company (CCHC) is an independent company wholly owned by the City Council, which was established to alleviate some of the pressures on intermediate housing in Cambridge. During the pandemic CCHC expanded its business to offer accommodation to 10 residents previously sleeping rough. The recent scoping analysis suggests that CCHC could develop a programme to acquire homes, let them at affordable rents, and make improvements to those properties to move them towards net zero carbon. That programme could be financed with long term borrowings.

To assess the feasibility of such a programme more detailed analysis, financial modelling and programme design is necessary. Support from a specialist provider to co-design the programme with the City Council/CCHC will be required (£40k), including advice from treasury advisors (£10k) and property tax lawyers (£20k). The project will be managed in parallel with the project described above to improve value for money, reduce procurement costs and ensure compatibility.

Our Cambridge - Transformation and recovery programme

The council has embarked on a whole-council transformation and recovery programme to reshape and enhance the council and enable it to remain financially sustainable. This programme is a development of, and replacement for, the previous programme of standalone service reviews. We have identified and are using the following themes to direct our work:

- Enhanced customer focus – putting customers at the heart of services, making best use of digital technology to deliver more effectively and efficiently and focusing on what customers value
- Exploring entrepreneurial / commercial opportunities where appropriate, including reviewing our income streams post-Covid to ensure we are investing to support the delivery of our social goals and objectives
- Strategic partnerships including a strengthened relationship with communities building on the Covid-19 response
- Better working in neighbourhoods and communities, linking service delivery to local priorities
- Continuing to deliver cross-cutting policy priorities (anti-poverty, climate and biodiversity, meeting housing need)

In order to deliver the fundamental changes to ways of working and significant saving identified by the programme, a budget of £3.1m spread over the years 2021/22 to 2023/24 is required. In addition, a further contingency of £800k is requested. It is proposed that this is funded from GF reserves, as shown in the table in Section 7 and made available through an earmarked reserve to allow flexibility in the timing of expenditure.

Further consideration of the programme, its purpose, structure benefits and costs are covered in Section 8, Budget strategy.

Savings requirements

Applying changes to budget assumptions and allowing for expected ongoing pressures arising from the economic impact of the pandemic 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.

It should be noted that in calculating these savings requirements, several indicative unavoidable pressures have been modelled, which may or may not crystallise into budget proposals. There also remains significant uncertainty, particularly around future government funding levels. As a result, no adjustment has been made to smooth savings requirements across each year.

Applying revised assumptions, the net savings requirement before unavoidable items totals around £7.5m for the 5-year period. In particular, the savings requirement in both 2022/23 and 2023/24 is exceptionally challenging due to the expected continuation of significant Covid-related pressures.

Description	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Net savings requirement – new each year (BSR Feb 2021)	2,131	1,567	320	1,194	175	5,387
Approval sought as part of this MTFS:						
Additional communications posts and digital consultation platform (license fee)	125	125	125	125	125	
Additional costs of redevelopment of commercial units at Colville Road Phase 3	120	120				
	245	245	125	125	125	
Changes to assumptions and technical adjustments:						
Changes to business rates assumptions	(271)	(32)	(32)	(32)	(32)	
Changes to council tax assumptions	33	(130)	(97)	(418)	(722)	
Changes to inflation assumptions	(280)	(505)	(486)	(1,790)	(1,854)	
Indicative cost of revised capital financing strategy	40	180	320	460	600	
Detailed review of recharge and earmarked reserve budgets	(191)	(309)	(307)	(221)	(98)	
Additional Employers NI contributions	220	220	220	220	220	
Further adjustment to correct unallocated budget on earmarked reserves	(389)	(687)	(1,184)	(640)	(640)	
Net impact of funding changes, inflation and other assumptions	(838)	(1,263)	(1,566)	(2,421)	(2,526)	
Indicative unavoidable pressures – not yet proposals:						
Reduced income – car parks	517	1,695	2,208	2,717	3,220	
Reduced income – commercial property	390	610	560	510	460	
Additional costs – planning ¹	600	600	600	600	600	
Additional costs – waste	100	100	200	200	300	
Removal of Lion Yard MRP	(150)	(150)	(150)	(150)	(150)	
Other unavoidable pressures	108	(42)	8	83	83	
	1,565	2,813	3,426	3,960	4,513	
Net indicative changes to funding and expenditure	972	1,795	1,985	1,664	2,112	
Revised (MTFS) net savings requirement (new each year)	3,103	2,390	510	873	623	7,499

Note 1: This item reflects the level of overspend for 2021/22 forecast by the service and is the current best estimate of the indicative pressure. As there is review work ongoing, proposals coming forward for consideration during budget setting are likely to differ from this level.

The level of net savings requirement identified by this MTFs provides a baseline for detailed budget setting work. Any additional net 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.

Scenario Planning

As noted throughout this report, the financial situation of the council is currently subject to exceptional levels of uncertainty, with both pressures arising from the pandemic and future funding streams being major contributing factors. The table above is derived from a 'base case' set of assumptions. However, to assist with financial planning, we have considered two alternative scenarios, in order to assess the likely impact on the council's savings requirement should these crystallise.

Scenario 1 – Return to lockdown conditions

In this scenario, a new strain of Covid-19 emerges in early 2022. Whilst the characteristics of the disease have not changed, it is quickly discovered that existing vaccines are completely ineffective against the new strain, and with cases rising rapidly the UK government moves quickly to reinstate lockdown conditions similar to those seen in March 2020.

As before, the restrictions imposed are successful at controlling the virus, but at significant social and economic cost. The 2022/23 financial year closely mirrors 2020/21, with varying degrees of restrictions in place at different times of the year depending upon case numbers and hospitalisation levels. Vaccines are updated quickly, and by the spring of 2023 sufficient numbers have received a new vaccination to allow restrictions to be lifted once again.

Under this scenario, the following assumptions are applied:

- The council suffers loss of income and additional expenditure in line with that experienced in 2020/21. However, the extended nature of the pandemic has reduced central government's ability and willingness to support local authorities, and as such the council is only compensated for 50% of its additional net expenditure (compared with 58% in 2020/21).
- Recovery commences in 2023/24, but after such a long period of restrictions it takes 3 years for economic activity to return to pre-Covid levels.

- No increase in fees and charges income is assumed up to and including 2025/26, due to the residual effects of the lockdown in terms of reduced volumes and economic pressure on service users.
- General inflation assumptions are held at 0% for the same period as a result of continuing budgetary pressures on the council, before returning to 2% in 2026/27.
- The business rates multiplier is frozen until 2025/26, and business rates income continues to be affected by higher than usual levels of empty property relief. No business rates growth is assumed until 2025/26, and the fair funding review is further delayed until 2026/27.
- The number of local council tax support claims continues at its 2020/21 level until the end of 2022/23, before gradually returning to its pre-Covid levels by 2026/27. The council tax base is also affected by an average one-year delay to housebuilding within the city.
- All non-urgent capital projects are delayed for two years, both as a consequence of lockdown and in order to focus council resources on recovery efforts.

The impact of the above scenario on the council's savings requirement can be seen in the table below:

Description	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Net savings requirement – new each year (base scenario)	3,103	2,390	510	873	623	7,499
Scenario 1 impacts:						
Loss of sales, fees and charges income	0	9,000	3,000	1,000	500	
Additional expenditure	0	3,500	1,000	500	250	
Additional government support and compensation	0	(6,250)	(2,000)	(750)	(375)	
Changes to inflation assumptions	0	0	640	1,430	1,537	
Changes to business rates assumptions	0	(1,077)	856	682	852	
Changes to council tax assumptions	0	(96)	(227)	(143)	(86)	
Impact of changes to business rates assumptions on contribution to reserves	0	992	(702)	(439)	(517)	
Net impact of scenario 1	0	6,069	2,567	2,280	2,161	
Revised net savings requirement – new each year (scenario 1)	3,103	8,459	(2,992)	586	504	9,660

Scenario 2 – Economic shock

In this scenario, the UK recovers relatively quickly from the effects of Covid-19, with activity at pre-Covid levels by the end of 2022/23 (as per the base scenario). However, in 2023/24 there is a global economic shock similar to the financial crisis experienced in 2007, and the UK enters a recession. Economic recovery takes 3 years, although the government's initial response is to usher in a period of renewed austerity in public spending, leading to a permanent reduction in the spending power of local authorities.

Under this scenario, the following assumptions are applied:

- There is no change to the base scenario in 2021/22 or 2022/23. The business rates baseline reset proceeds as planned in 2023/24, before the recession takes hold.
- In 2023/24, the council suffers a 5% reduction in net collectable business rates, coupled with a drop in collection rates as businesses struggle to pay or enter insolvency. No further business rates growth occurs for a three-year period. Furthermore, the business rates baseline is frozen for 3 years starting in 2024/25, as is the business rates multiplier.
- Increased unemployment sees a sharp increase in local council tax support claimants (similar to that experience as a result of the Covid-19 pandemic). After a three-year period, the number of claimants gradually returns to normal over the course of 2 years. Council tax collection rates also experience a sharp drop with an extended recovery period, in line with the business rate assumptions above.
- The council tax base is further affected by a two-year average delay to housebuilding in the city.
- Income from key discretionary services such as car parking and Cambridge Live declines by 10% in 2023/24, staying at this level for 3 years followed by a two-year recovery period.
- Significant non-urgent capital projects are delayed due to the prevailing economic conditions.

The impact of the above scenario on the council's savings requirement can be seen in the table below:

Description	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Net savings requirement – new each year (base scenario)	3,103	2,390	510	873	623	7,499
Scenario 2 impacts:						
Changes to business rates assumptions	0	0	(1,090)	(1,344)	(1,612)	
Changes to council tax assumptions	0	0	(380)	(392)	(404)	
Loss of service income	0	0	1,570	1,800	2,030	
Impact of changes to business rates assumptions on contribution to reserves	0	0	883	1,138	1,405	
Net impact of scenario 2	0	0	983	1,202	1,419	
Revised net savings requirement – new each year (scenario 2)	3,103	2,390	1,493	1,092	840	8,918

These scenarios illustrate the risk that the net new savings requirement over the next five years could be 20-30% higher than the base case, putting considerable additional pressure on reserves. If either of these scenarios were to occur, or similar financial impacts were experienced due to other causes, it is likely that reserves would become depleted and the council would need to implement stringent cost controls to reduce spending to affordable levels.

Use of reserves to support savings requirements

The council's GF reserve balance is above the target levels required (See Section 7). At the time of writing, £188k of this balance will be used to fund the in-year revenue spending proposals set out above, with a further £618k likely to be used to address indicative emerging pressures. Further amounts over and above the target level could be used to smooth or delay the need to make savings. However, reserves can only be used once, whereas savings, once made, must recur year on year, i.e. use of reserves cannot permanently reduce the need to make savings.

Section 5

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 2022 alongside the Treasury Management Strategy Statement and the Budget Setting Report 2022/23.

Financing of capital

As approved through BSR 2021, revenue resources are no longer used to support capital expenditure. Instead, capital expenditure, where not funded from specific grants or contributions, will be funded firstly from capital receipts and then from internal and external borrowing. The mix of internal and external borrowing will be determined by the council's cash flows and treasury management considerations. Whilst this change has enabled over £3m of recurring savings to be recorded, it will create ongoing and increasing revenue pressures (interest and minimum revenue provision (MRP)).

To assess the affordability of this policy, 10-year forecasts of capital expenditure have been drawn up and the resulting costs modelled. Whilst there is considerable uncertainty surrounding these forecasts, the amount and timing of capital receipts, and the future costs of borrowing, the modelling indicates that a capital spending limit of £4.1m per year should be set for new capital proposals without specific grant or contribution funding. Limiting capital expenditure in this way will require potential schemes to be prioritised; some may need to be delayed until funding is available, and some may have to be rejected. The capital spending limit will be reviewed annually.

Replacement of the depot

The council must relocate its current depot facility at Cowley Road and is therefore planning to provide a comprehensive depot solution at a new location. The new depot must be able to support strategic and operational service objectives, both now and over the next 25 years. This project requires land acquisition and associated costs, design, planning, construction and associated costs, and consultant support both for the depot build and to support elements of service redesign key to the programme. The indicative cost of the scheme is £10m, but further work may reduce this capital requirement. A capital bid is expected to be made through the budget setting process.

Due to the indicative cost of the proposed scheme, alternative funding options will have to be considered. This could include some or all of the following:

- the removal of existing schemes from the capital plan and the reassignment of their capital funding
- funding allocated from GF reserves
- specific allocation of capital receipts, recognising that this either reduces the level of general capital spending to be allocated, or creates additional revenue pressures.

Capital plan

The capital plan was approved by council in February 2021. Since then the plan has been updated as follows:

- New projects funded from developers' contributions and external grants, see below - £2,596k, included within projects rephased from 2020/21 and minor adjustments, £49,323k
- Adjustment to the budget for Cromwell Road Redevelopment (GF) to reflect the amount remaining to be transferred to HRA - £5,516k

Ref.	Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	Approved since BSR Feb 2021:							
SC739	Abbey Pool improvements (S106) – adjustment to funding	(150)	-	-	-	-	-	(150)
SC740	Chesterton Rec pavilion (S106) – additional allocation	60	-	-	-	-	-	60
SC741	Nightingale Rec Ground pavilion (S106) – additional allocation	80	-	-	-	-	-	80
SC778	S106 Jesus Green ditch biodiversity improvements	60	-	-	-	-	-	60
SC780	S106 Darwin community centre equipment	25	-	-	-	-	-	25
SC781	S106 Coleridge Rec ground improvements	1	-	-	-	-	-	1
SC779	Parker's Piece tree planting	18	-	-	-	-	-	18
SC755	BEIS grant for Parkside pools decarbonisation works	989	-	-	-	-	-	989
SC756	BEIS grant for Abbey pool decarbonisation works	718	-	-	-	-	-	718

Ref.	Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
SC775	City centre recovery - Combined Authority grant funding	710	-	-	-	-	-	710
SC782	Livestream / hybrid meetings at Council Chamber and Committee Rooms	85	-	-	-	-	-	85
	Total Approved since BSR Feb 2021	2,596	-	-	-	-	-	2,596

A mid-year capital proposal of £1,485k is presented for approval below, along with a request for additional council funding to replace a third-party contribution that is no longer available. At this stage, no proposals for capital expenditure in relation to the Our Cambridge programme are included, although indicative capital spending of £400k on ICT and digital projects is expected over the life of the programme. The programme will include a review of the council's property portfolio of administrative and service-delivery buildings to ensure that they are appropriate and cost-effective for the transformed council. Further capital spending is expected as a result of this review, which may also generate capital receipts to support that spending. Proposals will be brought forward as the programme progresses.

Meadows Community Hub and Buchan Street retail outlet

Increase in costs to the GF following the re-evaluation of the split of costs between the community and commercial facilities and the HRA residential units.

Change in capital financing for the community extension to Cherry Hinton library (CHUB)

Replacement of third-party contribution with council funding, due to late withdrawal of the funding commitment. As this is a request for £210k of additional council funding to replace the third-party contribution, it does not increase the budget for the scheme, or the capital plan as a whole.

Ref.	Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	Proposals							
SC694	Meadows Community Hub and Buchan Street retail outlet	(1,224)	2,551	158	-	-	-	1,485
	Total proposals	(1,224)	2,551	158	0	0	0	1,485

The tables below show the impact of these changes on the overall capital plan and its financing. The resulting detailed capital plan is provided in Appendix A.

Capital plan / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Capital plan as approved at BSR Feb 2021	40,858	25,531	30,187	8,362	710		105,648
Changes approved and adjustments made in year	54,839						54,839
Current approved capital plan	95,697	25,531	30,187	8,362	710		160,487
Mid-year capital spending proposals	(1,224)	2,551	158				1,485
Revised capital plan	94,473	28,082	30,345	8,362	710		161,972

£'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Capital financing if new proposals are approved:							
Developers' contributions	(2,109)	(41)	(10)	(18)	(10)	0	(2,188)
Other capital contributions and grants	(2,849)	0	0	0	0	0	(3,059)
Earmarked Reserves	(777)	0	0	0	0	0	(777)
Capital receipts	(18,848)	(1,256)	(781)	(1,171)	(700)	0	(22,756)
GF Reserves	(2,112)	0	0	0	0	0	(2,112)
GF revenue underspend	(8)	0	0	0	0	0	(8)
Repairs and Renewals Fund – remaining balances	(1,394)	0	0	0	0	0	(1,394)
External borrowing - Park Street redevelopment	(35,700)	(18,534)	(29,396)	(7,173)	0	0	(90,803)
Internal and external borrowing - on-lending for capital purposes	(29,225)	(5,700)	0	0	0	0	(34,715)
Internal and external borrowing - other schemes	(1,451)	(2,551)	(158)	0	0	0	(4,160)
	(94,473)	(28,082)	(30,345)	(8,362)	(710)	0	(161,972)

Section 6

General Fund – Expenditure and funding

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

Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Expenditure											
Net service budgets - base and inflation	25,451	22,961	22,492	22,571	23,100	23,334	24,099	24,357	24,651	24,983	25,352
Allowance for unavoidable revenue pressures and reduced income	618	1,565	2,813	3,426	3,960	4,513	5,113	5,809	6,303	6,894	7,383
Savings delivered from prior years			(3,103)	(5,493)	(6,003)	(6,876)	(7,499)	(8,660)	(9,244)	(9,680)	(10,241)
Net service budgets	26,069	24,526	22,202	20,504	21,057	20,971	21,713	21,506	21,710	22,197	22,495
Capital accounting adjustments	(6,346)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)
Capital expenditure financed from revenue	1,458	0	0	0	0	0	0	0	0	0	0
Indicative cost of revised capital financing strategy	0	40	180	320	460	600	740	740	740	740	740
Collection fund deficit	25,465	889	888	0	0	0	0	0	0	0	0
Contributions to earmarked funds	1,822	(805)	(553)	319	302	302	302	302	302	302	302
Net spending requirement before in-year savings	48,468	18,303	16,370	14,796	15,473	15,527	16,409	16,202	16,405	16,892	17,190
In-year savings		(3,103)	(2,390)	(510)	(873)	(623)	(1,161)	(585)	(436)	(560)	(512)
Net spending requirement	48,468	15,200	13,980	14,286	14,600	14,904	15,248	15,617	15,969	16,332	16,678
Funded by:											
Settlement Funding Assessment (SFA)	(5,260)	(4,357)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)	(4,118)
Locally Retained Business Rates – Growth Element	(9,747)	(2,202)	(883)	(1,138)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)
New Homes Bonus (NHB)	(3,458)	(1,496)	0	0	0	0	0	0	0	0	0
Covid grant and furloughing income	(652)	0	0	0	0	0	0	0	0	0	0
Appropriations from earmarked funds	(26,323)										
Council Tax	(9,033)	(9,347)	(9,862)	(10,168)	(10,482)	(10,786)	(11,130)	(11,499)	(11,851)	(12,214)	(12,560)
Contributions to / (from) reserves	6,006	2,202	883	1,138	1,405	1,405	1,405	1,405	1,405	1,405	1,405
Total funding	(48,468)	(15,200)	(13,980)	(14,286)	(14,600)	(14,904)	(15,248)	(15,617)	(15,969)	(16,332)	(16,678)

Section 7

Risks and reserves

Risks

During the year, the council undertook a financial resilience assessment, including a detailed review of risks to that resilience, based on consideration of financial risks arising from income, expenditure, funding, third parties, assets, people and projects. This review is presented in Appendix C for reference and is being used to inform financial risk management across council services. Whilst the council is exposed to risks and uncertainties which could affect its financial position, the assessment showed that it has governance and processes in place to ensure that the symptoms of financial stress are recognised and managed. The table below summarises the main external risks to the financial standing and sustainability of the council, using a High-Medium-Low assessment.

Risk	Probability (H, M, L)	Impact (H, M, L)	Overall assessment (H, M, L)	Mitigation
The economic impact of the Covid-19 pandemic (with further spikes of infection possible and a long, slow recovery) may impact some of the council's costs and income streams in future years. This could include the costs of homelessness, car parking income, commercial rents and planning fee income, with the degree of impact difficult to predict	H	H	H	Management overview and action with partners, further government funding
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	H	H	H	Engagement with partners, strategic planning to mitigate service delivery and financial pressures
Funding from central government (Settlement Funding Assessment, including the outcome of the Fair Funding Review and other grants) may fall below projections	M	H	H	Monitor developments, plan delivery of savings and additional income, consider limited use of reserves
Costs of transformational change exceed resources available and the resulting savings plans may not deliver projected savings to expected timescales	M	H	H	Regular programme monitoring and reporting. External, expert support obtained

Risk	Probability (H, M, L)	Impact (H, M, L)	Overall assessment (H, M, L)	Mitigation
The impact of 75% business rates retention, coupled with any additional responsibilities handed down to the council at that time and a reset of business rate growth may create a net pressure on resources	H	H	H	Monitor developments, plan delivery of savings and additional income, consider limited use of reserves
Business rates appeals, which may be backdated to 2010, may significantly exceed the provision put aside for this purpose.	L	H	H	Review provision regularly
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. Impacts may be masked by or combined with impacts of the Covid pandemic	M	M	M	Management overview
The actual impact and timing of local growth on the demand for some services may not reflect projections used.	M	M	M	Management overview and use of up-to-date data and intelligence
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;	M	M	M	Review of savings delivery and co-design of services
Unforeseen expenditure, such as major repairs to offices and commercial properties, may be required	L	M	M	Property condition surveys, asset management planning and review of property use
Assumptions and estimates, such as inflation, pay increases and interest rates, may prove incorrect	L	M	M	Management overview and monitoring
Increases in council tax and business rates receipts due to local growth may not meet expectations	M	L	L	Management overview and monitoring
New legislation or changes to existing legislation may have budgetary impacts	L	M	L	Management overview and monitoring
The council may be impacted by spending cuts implemented by other agencies	H	L	L	Engagement with partners

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, which include the continuation of heightened financial risks in relation to the Covid-19 pandemic and the increasing challenge of maintaining the financial sustainability of the council. As a result, a small increase in PMB is recommended.

The PMB will be reassessed during the budget setting process, as the current pandemic situation is volatile and changes in this risk may indicate that the PMB should be either reduced or increased at that point. Detailed calculations of these amounts are provided in Appendix B.

General Fund reserves	£m
February 2020 BSR	
- Target level	7.59
- Minimum level (PMB)	6.33
October 2021 MTFS – Recommended levels	
- Target level	7.98
- Minimum level (PMB)	6.64

The table below shows current and projected levels of the GF reserve, incorporating estimates for the growth element of business rates. Whilst the growth element for 2021/22 is considered to be relatively secure, from 2022/23 the amounts included are subject to considerable downside risk and are included in reserves rather than being relied on for funding service delivery.

Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Balance at 1 April (b/fwd)	(16,594)	(18,700)	(20,717)	(21,600)	(22,738)	(24,143)
Contribution (to) / from reserves per BSR 2020/21	821					
Carry forwards	659					
Business rates growth – indicative increase in growth element	(8,292)	(2,017)	(883)	(1,138)	(1,405)	(1,405)
Use of reserves to support revenue spending in services – MTFS proposals	188					
Use of reserves to support revenue spending in services – in-year indicative pressures	618					
Funding and contingency for Our Cambridge transformation and recovery programme	3,900					
Balance at 31 March (c/fwd)	(18,700)	(20,717)	(21,600)	(22,738)	(24,143)	(25,548)

As noted above, the levels of risk to the financial sustainability of the council are considerable; economic uncertainty as a result of the possible speed and extent of recovery from the Covid-19 pandemic and ongoing Brexit impacts will impact the costs of and demand for council services and the ability to maintain or increase income levels. These uncertainties will also influence the amount of central government funding available to local government as a whole. These risks are further exacerbated by delays in the delivery of funding reforms. This council is fortunate to have reserves available to fund one-off transformational activity.

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 D for a summary of principal earmarked funds.

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
- Repairs and Renewals (R&R) Funds – for Bereavement Services only 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 2021 £000	Balance at 31 March 2020 £000
Major policy-led funds	2,187	2,661
Asset replacement funds (R&R)	2,079	2,100
Statutory and accounting reserves	6,744	4,332
Shared / partnership funds	7,221	7,341
Other – to be closed once committed balances are spent	32,947	1,179
Total	51,178	17,613

Our Cambridge Transformation Fund

It is proposed that £3.1m is placed in an earmarked reserve to fund the revenue costs of delivering the Our Cambridge Programme, as described in Section 8 and Appendix E. This will enable the funding to be used flexibly across the programme. The Head of Transformation, as the programme director for Our Cambridge, will be authorised to drawdown funding from the reserve, with reporting to the Transformation Board which has been set up to oversee the programme, and through normal budget management processes.

Our Cambridge Contingency Fund

A further £800k is requested as contingency funding to cover potential dual running or transition costs. It is therefore proposed to set up a second earmarked reserve for this purpose, to keep this funding separate from the estimated revenue delivery costs of the programme and to aid scrutiny of any spending funded from the reserve. Drawdowns from this contingency reserve will be authorised by the Transformation Board.

Section 8

Budget strategy

General Fund savings requirements

Description / £'000	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Net savings requirement (BSR Feb 2021)	2,131	1,567	320	1,194	175	5,387
Net impact of revenue proposals, changes in assumptions and indicative unavoidable pressures in this report	972	823	190	(321)	448	2,112
Revised (MTFS) net savings requirement	3,103	2,390	510	873	623	7,499

General Fund budget strategy

Budget process

The GF budget process for 2022/23 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 2022/23 budget process and provided indications of the level of savings required to meet both current and anticipated spending needs.

The GF MTFS has highlighted:

- Unprecedented financial uncertainties for the council as the impacts of Covid-19 continue to feed through into the national and local economy, further exacerbated by the ongoing effects of the end of the Brexit transition period

- Increasing pressure on council services as a result of Covid-19 and its impact on vulnerable residents, local businesses and visitors. This is aggravated by the continuing fluctuation in infection rates and the possibility of further restrictions over the coming autumn and winter
- An ongoing lack of clarity in the future direction of local government funding
- 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

Our Cambridge - Transformation and recovery programme

BSR 2021/22 set out the need for a transformation and recovery programme to support the council to respond to the financial challenges of the future and the challenges and opportunities of the pandemic and recovery, while continuing to deliver the council's corporate priorities of:

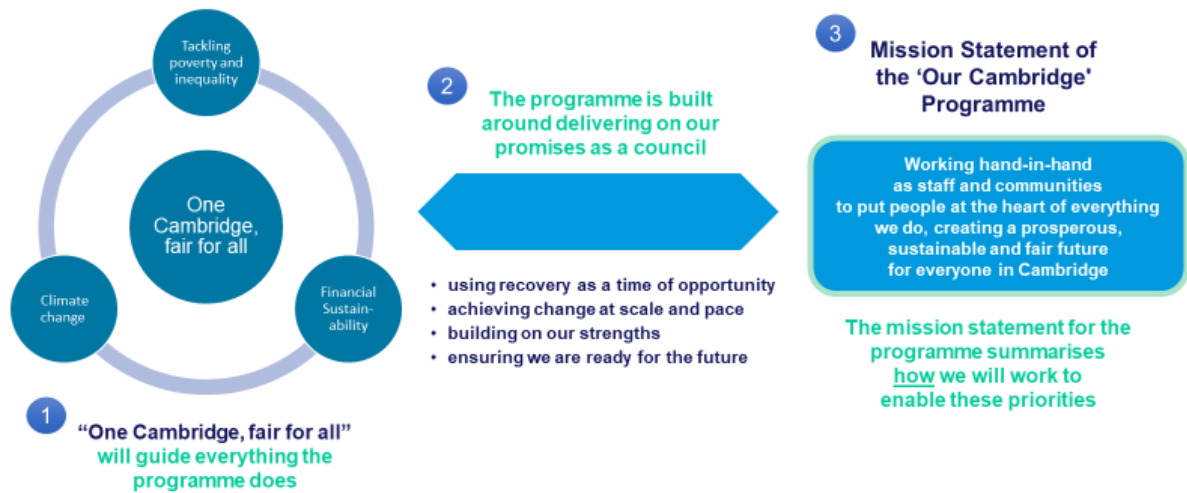
- tackling poverty and inequality and ensuring everyone shares in Cambridge's success
- tackling the climate and biodiversity emergencies
- helping everyone to have a home they can afford and enjoy
- planning for the future so that everyone participates in and benefits from Cambridge's success

Since publication of the BSR, substantial work has taken place to develop proposals for how this will be achieved through a programme titled 'Our Cambridge'.

The Our Cambridge programme will make "One Cambridge – Fair For All" the reality that underpins all of the council's work, by building on the assets that exist and what already works well; but also ensuring that, as the council adapts to the severe challenges that face us, we consistently put people at the heart of what we do. The council's ambition is to create a prosperous and sustainable future where people are able to get the help and support they need, when they need it; where our teams feel valued and part of a council that is investing in that future; and where our financial position enables our ambitions as a council and does not hold them back.

To do this, the programme will apply the learning we have achieved from the past 18 months, engage staff and communities in transforming the way we work and enhance how we collaborate with our partners, in order to improve outcomes for local people and develop a clear and shared vision for the future of Cambridge.

How does Our Cambridge relate to our council priorities?



The outcomes of the programme will be a council which is customer first, community focused, and empowers its people:

- **Customer first** – with a customer service model that puts residents at the heart of what we do and deliver the best service we can - in the most effective, innovative and efficient way
- **Community focused** – helping all communities to thrive by working with them to build community connections and strong partnerships, supporting sustainable economic development and the city's recovery from Covid
- **Empowered people** – creating an environment in which staff are supported and encouraged to be innovative and entrepreneurial, and developing an agile culture to help drive change and improvement.

Staff engagement and participation will be vital to making Our Cambridge a success, and to support this, as well as involving as many staff as possible in shaping and delivering the programme, a key workstream will focus on organisational development and on the support staff need to adopt new ways of working.

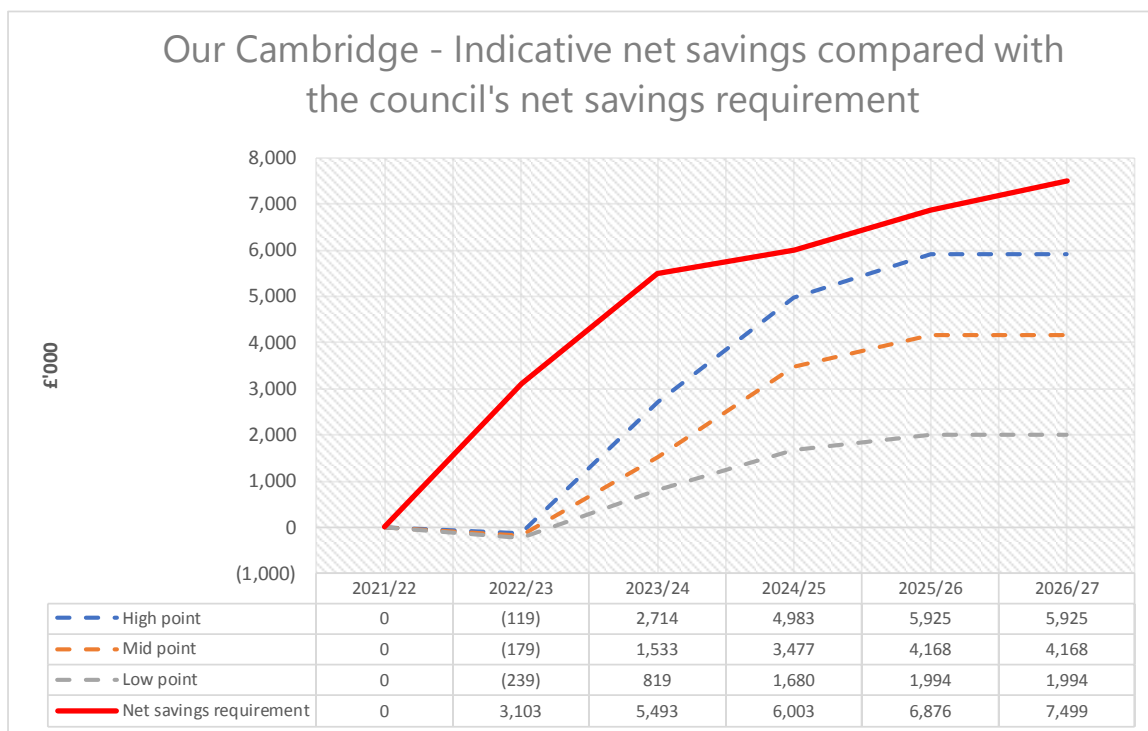
Further information about the structure, benefits and resourcing of the programme is set out in Appendix E to this report.

Financial implications

The programme is forecast to begin delivering financial benefits from 2023/24 onwards and will aim to achieve recurrent income growth and revenue savings of £4.7m (net) by 2025/26 with £4.2m of this attributable to the GF and £0.5m to the HRA. These financial benefits are indicative at this stage

and will go through further validation as the Our Cambridge programme develops, as well as being subject to policy decisions as specific proposals come forward.

The net savings profile of the programme has been forecast at three levels; low, mid and high points, to give an indication of the range of possible outcomes. These are shown in the graph below, alongside the council's net savings requirement as presented in Section 4 of this report.



To achieve these benefits within the timescales needed to meet the MTFS challenge, additional resource will be needed in addition to the existing transformation team to accelerate the scale and pace of change and ensure we can deliver transformation alongside existing work and the ongoing response to the pandemic. These roles will include:

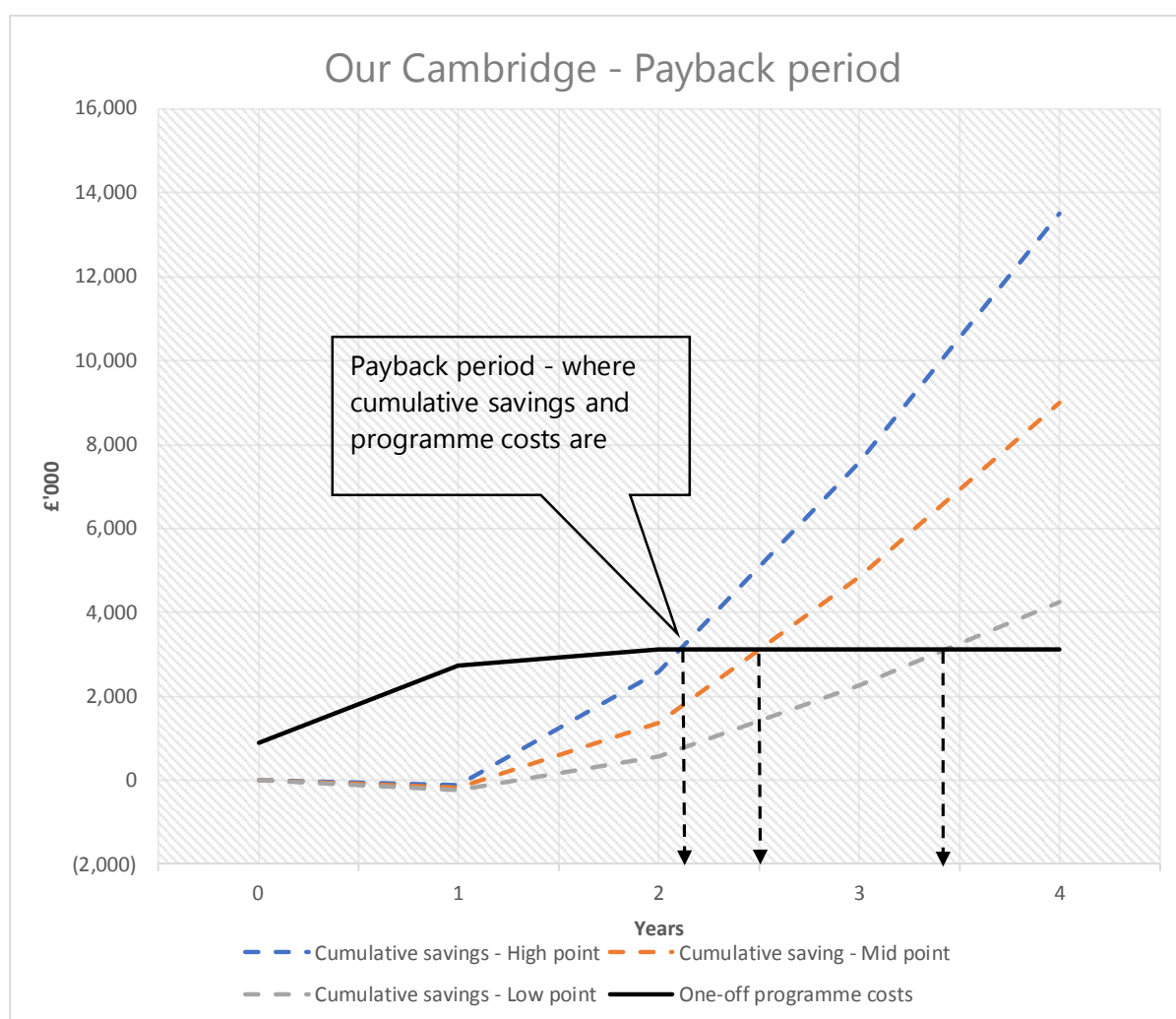
- A core team covering programme management, data analysis, communications and engagement, HR and finance capacity
- Project managers and business analysts

It is expected that these resources will include a mixture of fixed term contracts, internal secondments and backfilled roles with a small amount of support from external specialists.

The cost of this delivery team is forecast to be £3.1m over the lifespan of the programme with additional contingency of £800k to cover potential dual running or transition costs. The capital requirements of the programme relate to additional ICT and configuring our office accommodation to support new ways of working. These are being finalised but are not expected to exceed £400k.

In addition, some projects will give rise to recurrent revenue costs to support new ways of working. These are estimated at £498k in total with some costs starting to be incurred from April 2022. They will come forward through the budget setting process for the relevant year. The savings figure of £4.2m for the GF is net of these costs.

Based on the above costs and the three indicative levels of net savings, the payback period to cover the initial investment is shown below.



Unmet savings requirement

Based on current estimates, the Our Cambridge programme will not deliver all the savings required by the council in the next five years. In 2026/27 the unmet savings requirement will be £3.3m at the mid-point level (high point, £1.6m; low point £5.5m). Furthermore, the expected profile of savings delivery from the programme does not match the profile of net savings requirements. The council will therefore have to:

- Identify additional savings and income; and

- Use GF reserves to support services on a temporary basis.

The impact of using reserves to support service spending while the programme delivers the mid-point level of savings, with no reliance on business rates growth, is shown in the table below. In this illustration, the PMB level of reserves is breached in 2026/27 and all reserves are used by 2028/29. On average, an additional £670k of new net savings must be delivered per year to meet the five-year savings requirement.

Description / £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Balance at 1 April (b/fwd)	(16,594)	(19,688)	(16,406)	(12,446)	(9,920)	(7,212)
Contributions and carry forwards	2,098					
Business rates growth – indicative increase in growth element	(8,292)					
Funding for Our Cambridge transformation and recovery programme	3,100					
	(19,688)	(19,688)	(16,406)	(12,446)	(9,920)	(7,212)
Savings requirement - cumulative		3,103	5,493	6,003	6,876	7,499
Indicative net savings delivered by Our Cambridge Programme - cumulative		(179)	1,533	3,477	4,168	4,168
Call on reserves to balance budget		3,282	3,960	2,526	2,708	3,331
Balance at 31 March (c/fwd)	(19,688)	(16,406)	(12,446)	(9,920)	(7,212)	(3,881)

It is therefore important that all requests for additional service spending are closely scrutinised, and work is undertaken alongside the Our Cambridge programme to identify further reductions in expenditure or increases in income to meet this challenging target.

Achieving financial sustainability and resilience

Despite continuing pressures and uncertainties, the council's finances are currently healthy. However, there is no foreseeable end to scarce funding for local authorities and economic conditions remain challenging, particularly with no real end in sight to the Covid-19 pandemic or its economic effects. 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 work hard to: -

- Maintain healthy levels of reserves

- 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.

Appendix A: Capital Plan 2021/22 to 2026/27

Ref.	Description	Lead Officer	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
Capital-GF Projects								
PR031r	S106 Chesterton Rec Ground skate and scooter park	J Richards	47	0	0	0	0	0
PR032w	S106 Accordia open space improvements	A Wilson	5	0	0	0	0	0
PR040z	S106 Public art: Historyworks: Michael Rosen Walking Trail 2	N Black	10	0	0	0	0	0
PR042d	S106 Romsey Mill community facility grant	J Hanson	21	0	0	0	0	0
PR042g	S106 To the River - artist in residence	N Black	49	0	0	0	0	0
PR042l	S106 Public art grant - Faith and Hope	N Black	6	0	0	0	0	0
PR042m	S106 Public art grant - Chesterton village sign	N Black	10	0	0	0	0	0
PR050d	Mobile working (OAS)	D Prinsep	15	0	0	0	0	0
PR050g	Office optimisation (OAS)	D Prinsep	50	0	0	0	0	0
SC 745	S106 Chestnut Grove play area: benches and bins	J Parrott	4	0	0	0	0	0
SC 747	S106 Nightingale Avenue rec ground: new all-weather footpath	J Parrott	15	0	0	0	0	0
SC 778	S106 Jesus Green ditch biodiversity improvements	A Wilson	53	0	0	0	0	0
SC548	S106 Southern Connections Public Art Commission	A Wilson	13	0	0	0	0	0
SC571	Procurement of IT System to Manage Community Infrastructure Levy	S Kelly	20	0	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Car Parks	S Cleary	199	0	0	0	0	0
SC601	Replacement Telecommunications & Local Area Network	F Bryant	14	0	0	0	0	0
SC627	Guildhall Large Hall Windows refurbishment	W Barfield	101	0	0	0	0	0
SC644	Acquisition of land adjacent to Huntingdon Road Crematorium	G Theobald	37	0	0	0	0	0
SC645	Electric vehicle charging points - taxis	J Dicks	356	0	0	0	0	0
SC646	Redevelopment of Cambridge Junction	J Wilson	249	0	0	0	0	0
SC651	Shared ICT waste management software - Alloy/Yotta	J Carré	173	0	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	465	0	0	0	0	0
SC659	My Cambridge City online customer portal	E Rospigliosi	22	0	0	0	0	0
SC662	Shared Planning Service software implementation	S Kelly	32	0	0	0	0	0
SC672	Mill Road Redevelopment - Development Loan to CIP	C Ryba	5,300	0	0	0	0	0
SC674	Mill Road Redevelopment - Equity Loan to CIP	C Ryba	4,265	0	0	0	0	0
SC678	Crematorium - additional car park	G Theobald	339	0	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	304	0	0	0	0	0
SC684	Property Management software	P Doggett	88	0	0	0	0	0

Ref.	Description	Lead Officer	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC688	Environmental Health software	J Carré	23	0	0	0	0	0
SC689	Income management software	C Norman	78	0	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC692	Cromwell Road Redevelopment (GF)	C Flowers	5,516	0	0	0	0	0
SC692	CHUB - community extension to Cherry Hinton library	J Hanson	764	0	0	0	0	0
SC693	Lion Yard shopping centre investment	D Prinsep	6,000	0	0	0	0	0
SC694	Meadows Community Hub and Buchan St retail outlet	C Flowers	3,128	2,551	158	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	5,350	0	0	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	6,600	0	0	0	0	0
SC708	Replacement plantroom at Jesus Green outdoor pool	I Ross	140	0	0	0	0	0
SC710	Gulldhall Small Hall wooden floor	J Wilson	45	0	0	0	0	0
SC711	Gulldhall PA system	J Wilson	25	0	0	0	0	0
SC712	Automation of Bishops Mill sluice gate	A Wilson	90	0	0	0	0	0
SC713	Replacement air quality monitoring equipment	J Smith	200	0	0	0	0	0
SC714	Changing Places toilets at Quayside	A Wilson	100	0	0	0	0	0
SC715	Additional refuse vehicle for property growth shared with SCDC	M Parsons	375	0	0	0	0	0
SC716	Replacement telephony system with call centre	E Rospigliosi	150	0	0	0	0	0
SC721	Call management for 3C ICT service desk	F Bryant	7	0	0	0	0	0
SC724	Residential electric charging points	J Dicks	100	0	0	0	0	0
SC727	Logan's Meadow vehicular access	J Carré	32	0	0	0	0	0
SC731	Cambridge Food Hub	V Haywood	100	0	0	0	0	0
SC732	Park Street car park development	D Prinsep	35,700	18,534	29,396	7,173	0	0
SC736	S106 Grant for St George's Church improvements	J Hanson	13	0	0	0	0	0
SC738	Wilberforce Road artificial pitches (S106)	I Ross	250	0	0	0	0	0
SC739	S106 Abbey Pool improvements	I Ross	144	0	0	0	0	0
SC740	S106 Chesterton Rec pavilion	I Ross	167	0	0	0	0	0
SC741	S106 Nightingale Rec Ground pavilion	I Ross	503	0	0	0	0	0
SC742	L2 development loan to CIP	C Ryba	3,400	5,200	0	0	0	0
SC743	L2 equity loan to CIP	C Ryba	1,300	500	0	0	0	0
SC749	S106 Holbrook Road play area improvements	J Parrott	44	0	0	0	0	0

Ref.	Description	Lead Officer	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC688	Environmental Health software	J Carré	23	0	0	0	0	0
SC689	Income management software	C Norman	78	0	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0	0
SC692	Cromwell Road Redevelopment (GF)	C Flowers	5,516	0	0	0	0	0
SC692	CHUB - community extension to Cherry Hinton library	J Hanson	764	0	0	0	0	0
SC693	Lion Yard shopping centre investment	D Prinsep	6,000	0	0	0	0	0
SC694	Meadows Community Hub and Buchan St retail outlet	C Flowers	3,128	2,551	158	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	5,350	0	0	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	6,600	0	0	0	0	0
SC708	Replacement plantroom at Jesus Green outdoor pool	I Ross	140	0	0	0	0	0
SC710	Gulldhall Small Hall wooden floor	J Wilson	45	0	0	0	0	0
SC711	Gulldhall PA system	J Wilson	25	0	0	0	0	0
SC712	Automation of Bishops Mill sluice gate	A Wilson	90	0	0	0	0	0
SC713	Replacement air quality monitoring equipment	J Smith	200	0	0	0	0	0
SC714	Changing Places toilets at Quayside	A Wilson	100	0	0	0	0	0
SC715	Additional refuse vehicle for property growth shared with SCDC	M Parsons	375	0	0	0	0	0
SC716	Replacement telephony system with call centre	E Rospigliosi	150	0	0	0	0	0
SC721	Call management for 3C ICT service desk	F Bryant	7	0	0	0	0	0
SC724	Residential electric charging points	J Dicks	100	0	0	0	0	0
SC727	Logan's Meadow vehicular access	J Carré	32	0	0	0	0	0
SC731	Cambridge Food Hub	V Haywood	100	0	0	0	0	0
SC732	Park Street car park development	D Prinsep	35,700	18,534	29,396	7,173	0	0
SC736	S106 Grant for St George's Church Improvements	J Hanson	13	0	0	0	0	0
SC738	Wilberforce Road artificial pitches (S106)	I Ross	250	0	0	0	0	0
SC739	S106 Abbey Pool Improvements	I Ross	144	0	0	0	0	0
SC740	S106 Chesterton Rec pavilion	I Ross	167	0	0	0	0	0
SC741	S106 Nightingale Rec Ground pavilion	I Ross	503	0	0	0	0	0
SC742	L2 development loan to CIP	C Ryba	3,400	5,200	0	0	0	0
SC743	L2 equity loan to CIP	C Ryba	1,300	500	0	0	0	0
SC749	S106 Holbrook Road play area improvements	J Parrott	44	0	0	0	0	0

Ref.	Description	Lead Officer	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC781	[Completed] S106 Coleridge Recreational Grounds Improvements	D O'Halloran	1	0	0	0	0	0
SC782	Livestream/hybrid meetings at Council Chamber and Committee Rooms	G Clift	85	0	0	0	0	0
Capital-GF Projects			88,751	27,572	29,864	7,191	10	0
Capital-Programmes								
PR010	Environmental Improvements Programme	J Richards	137	0	0	0	0	0
PR010a	Environmental Improvements Programme - North Area	J Richards	4	0	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	56	0	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	61	0	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	47	0	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	1,009	0	0	0	0	0
PR035	Waste & Recycling Bins - New Developments (S106)	M Parsons	143	0	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	64	30	0	0	0	0
PR050	Office Accommodation Strategy Phase 2 (OAS)	D Prinsep	12	0	0	0	0	0
PR051	Building works at the Guildhall to reduce carbon emissions and improve energy efficiency	W Barfield	15	0	0	0	0	0
PR053	Commercial property repair and maintenance	W Barfield	372	300	300	300	300	0
PR054	Administrative buildings maintenance	W Barfield	285	166	166	166	400	0
Capital-Programmes			2,205	496	466	466	700	0
Capital-GF Provisions								
PV007	Cycleways	J Richards	382	0	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	60	0	0	0	0	0
PV554	Development Of land at Clay Farm	D Prinsep	275	14	15	705	0	0
PV682	Local investment bond	C Ryba	2,800	0	0	0	0	0
Capital-GF Provisions			3,517	14	15	705	0	0
Total GF Capital Plan			94,473	28,082	30,345	8,362	710	0

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	31,466,190	62,932
Premises costs	Low	7,636,420	15,273
Transport costs	Low	670,210	2,681
Supplies and services	Low	27,610,770	13,805
Grants and transfers	Low	29,718,130	29,718
Grant income	Low	37,283,260	37,283
Other income	High	56,994,510	1,282,376
Miscellaneous	Low	358,400	538
Total one year operational risk			1,444,607
Allowing three years cover on operational risk			4,334,000

General and specific risks	Amount (£)	Probability (%)	
Unforeseen events	1,000,000	30%	300,000
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	3,900,000	33%	1,287,000
Cover for lower level of earmarked and specific reserves	500,000	30%	150,000
General risks			2,312,000

Prudent Minimum Balance (PMB)	6,646,000
Target (PMB + 20%)	7,975,000

Operational cost risk profiles					
			Low	Medium	High
Employee costs		overspend	1.00%	3.00%	5.00%
	£31,466,190	probability	20.0%	15.0%	10.0%
		amount at risk	£62,932	£141,598	£157,331
Premises costs		overspend	1.00%	3.00%	5.00%
	£7,636,420	probability	20.0%	15.0%	10.0%
		amount at risk	£15,273	£34,364	£38,182
Transport costs		overspend	2.00%	4.00%	6.00%
	£670,210	probability	20.0%	15.0%	10.0%
		amount at risk	£2,681	£4,021	£4,021
Supplies and services		overspend	1.00%	3.00%	5.00%
	£27,610,770	probability	5.0%	10.0%	15.0%
		amount at risk	£13,805	£82,832	£207,081
Grants and transfers		overspend	1.00%	2.00%	3.00%
	£29,718,130	probability	10.0%	7.5%	5.0%
		amount at risk	£29,718	£44,577	£44,577
Grant income		overspend	1.00%	2.00%	3.00%
	£37,283,260	probability	10.0%	7.5%	5.0%
		amount at risk	£37,283	£55,925	£55,925
Other income		overspend	5.00%	10.00%	15.00%
	£56,994,510	probability	5.0%	10.0%	15.0%
		amount at risk	£142,486	£569,945	£1,282,376
Other		overspend	1.00%	2.00%	3.00%
	£358,400	probability	15.0%	10.0%	5.0%
		amount at risk	£538	£717	£538

Appendix C

Financial resilience assessment – risks to the financial resilience of the council

The table is presented from a council-wide perspective and in general terms. At this level, it cannot list every financial risk the council is exposed to but aims to cover the majority of risks by describing them in a generic way.

The risk score is presented as High, Medium or Low, giving an indication of the severity of the risk overall for the council. As the risk will manifest in different ways in each applicable service, and will be controlled in different ways, impact scores will be different for the risk in each service risk register.

Generic controls that operate across the council are recorded. Services will undertake specific controls depending on the particulars of the risk in their context.

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
1	Income	Sales, fees and charges fall short of budgeted levels	Unforeseen economic conditions Over-optimistic budgeting Service not perceived as value for the customer Competitor activity Delayed delivery of service	Contributes to service and council overspend Less money to support service delivery generally	Regular budget monitoring and reporting Performance and complaints reporting Increasing levels of debt / provisions In some cases expenditure will reduce, or can be controlled downwards, when levels if activity / income reduce.	High

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
2	Income	Sales, fees and charges income does not recover costs of delivering the service	Full costs not understood Activity levels below expectations Service costs are higher than the market will bear Standard of service provision too high and therefore too costly Charges not updated regularly Central regulatory changes eg planning reform, devolution, rent controls Potential for decommissioning services not evaluated. Competitive pricing in the marketplace	Contributes to service and council overspend Less money to support service delivery generally	Regular budget monitoring and reporting Review and update of recharge calculations Monitoring of activity levels and customer satisfaction Service accountant support Reprofiling of statutory income <u>required</u> – reduction in fees / greater emphasis on councils doing the heavy lifting	High
3	Income	Incorrect or incomplete income billed or collected	Processes / records for identifying amounts to be billed inadequate Out-of-date lists of charges used Cash handling errors Process for service refunds not effective	Contributes to service and council overspend Less money to support service delivery generally Reputational damage	Regular budget monitoring and reporting Challenge by Payables and Income Service accountant support	Low
4	Income	Amounts owed to the council cannot be collected	Invoices are inaccurate / late / not produced Debtors are unable to pay Recovery processes are ineffective	Contributes to service and council overspend Less money to support service delivery generally Reputational damage	Increasing levels of debt / provisions Level of customer queries / complaints	Low
5	Income	Risky commercial / income-generating projects	Pressure to generate income to support services Pressure to meet policy targets, eg climate change, housing Weaknesses in business model, due diligence, management challenge, market	Failure to deliver objectives, including financial return Financial loss Drains resources from other projects and services Reputational risk	Professional advice Internal governance structures Project management processes	High

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
6	Expenditure	Cost inflation exceeds expectations	Unforeseen political and economic conditions Over-optimistic budgeting Higher pay settlements Pressure from suppliers who are under contract	Contributes to service and council overspend Requires in-year management, expenditure and/or service reductions Potential impact on reserves	Reviewed twice yearly, for MTFS and budget setting Regular budget monitoring and reporting	Low
7	Expenditure	Unforeseen service demands and/or costs	Unforeseen political and economic conditions, increasing service demands New statutory requirements Over-optimistic budgeting Need to manage emergencies Expenditure required to address data breaches, complaints etc	Contributes to service and council overspend Requires in-year management, expenditure and/or service reductions Reputational damage Potential impact on reserves	Regular budget monitoring and reporting Head of Service / Director responsibility for monitoring new requirements Business continuity plans Information Governance processes and training	High
8	Expenditure	Costs of change / transformation exceed resources available	Extent of change required Availability of reserves for this purpose Timing of savings does not support their use to fund further change	Centralised expenditure controls required Service cuts implemented rather than transformation	Strategic management processes, including SMT, SLT, SLT/Executive meetings Corporate programme boards Project and programme management approach	Medium
9	Funding	Government funding reviews reduce council's Spending Power	Levelling up funding towards more deprived areas / councils under more financial pressure Reduced overall funding levels due to central government spending pressures / outcome of Spending Review	Increased savings targets Depending on timing, quicker, deeper transformation and/or cuts	Reviewed twice yearly, for MTFS and budget setting External advice and use of bought-in financial models to assess potential impacts on funding Longer term saving plans being developed in the Recovery and Transformation Programme	Medium

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
10	Funding	Reductions in business rates / council tax that can be retained by the council	Economic conditions Changes to BR retention scheme Reductions in rateable values / more appeals Increase in council tax support Recovery processes not effective	Greater uncertainty in funding streams Increased savings targets Depending on timing, quicker, deeper transformation and/or cuts Reserve levels impacted	Reviewed twice yearly, for MTFS and budget setting External advice and use of bought-in financial models to assess potential impacts on funding Longer term saving plans being developed in the Recovery and Transformation Programme	High
11	Funding	Specific grant funding	Government announces grant funding on ad hoc basis Grant funding increasingly requires lengthy applications / ready-to-deliver projects Cambridge seen as an affluent area not priority for additional funding Cessation of NHB, with no replacement announced to date	Unable to plan effectively Unable to access funding for projects	Services knowledge and networking re. funding announcements Identification of projects through strategies (housing, climate change etc) that can be put forward for funding at short notice	Medium
12	Third parties	Shared service issues	Competing demands from partners Disagreement on service specifications Cost sharing agreements challenged Loss of key officers Service failure Governance arrangement not capturing the best efficiencies	Unsatisfactory service delivery Lack of progress on service objectives / developments Savings not delivered / additional costs Requirement to re-provide or repatriate Complaints	Shared services management board Business planning and quarterly reporting processes	Medium

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
13	Third parties	Supplier issues	Business failure Loss of key employees Unforeseen increase in costs Contract issues Supply chain fracture (long tail from COVID, Brexit, recession, shortages and supply chain issues Suppliers unable to meet demand Suppliers unable to meet technical requirements – water, energy, decarbonisation	Unsatisfactory service delivery / unable to deliver service Complaints / Reputational damage Additional contract management effort required Re-procurement needed Budget pressures	Contract management Financial assessment of potential contractors Regular budget monitoring and reporting	Medium
14	Third parties	Partnership issues	Competing demands from partners Disagreement on objectives / actions Cost sharing agreements challenged Cost shunting / cost avoidance Lack of effective strategic governance / accountability across organisational boundaries	Pressure on officer time / workload Budgeting uncertainty Financial pressures Strategic decisions are not made at an appropriate level, impasse, speed of decision-making does not allow for progress at the required rate of change	Senior management involvement Clear objectives of partnership working	Low, but likely to increase due to current strategic direction of travel
15	Assets	Administration and service delivery premises not fit for purpose	Change in service requirements (too big, too small, in the wrong place etc) Suitability for shared services Inadequate maintenance Expensive, inefficient and carbon-intensive to run	Capital receipts and/or cost savings may be achievable Costs of selling and movement to new premises would have to be met Delayed maintenance could give rise to additional costs Income generation could be compromised Difficult and expensive to meet net-zero carbon targets	Asset management plans Transformation programme Climate Change Strategy Revenue and capital maintenance budgets	High

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
16	Assets	Income from commercial properties	Change in economic conditions Types, sizes and locations of properties do not meet market need Inadequate maintenance Expensive, inefficient and carbon-intensive to run	Properties may not be attractive to prospective tenants leading to void periods and lower rents Delayed maintenance could give rise to additional costs Difficult and expensive to meet net-zero carbon targets Increased officer time to manage	Asset management plan Market knowledge and advice Maintenance budgets Service accountant support	Medium
17	Assets	ICT resources, plant and equipment not fit for purpose	Items not correctly specified when procured Inadequate maintenance Replacement cycles too long Users not adequately trained resulting in equipment damage, data issues, incorrect processing	Value for money not achieved Service delivery compromised Complaints User safety could be compromised User dissatisfaction	ICT road map Intelligent client Project approach, including business cases Procedure notes Maintenance plans	Medium
18	Assets	Treasury and cash management	Low interest rates lead to more risky investments Application of revised PWLB lending rules more restrictive than expected Availability of short term borrowing from other local authorities reduces	Losses of capital PWLB borrowing not available, so more expensive alternatives have to be used Borrowing becomes significantly more expensive leading to reductions in the capital programme	Treasury investment strategy Qualified and experienced officers Use of additional lenders, such as UKMBA Professional advisers	Low
19	Assets	Financial compensation from ICT threats	Costs associated with recovery of ICT systems from external threats such as ransomware	Impact on cashflow and reserves Commitment to a central government led external assurance review focused on financial position	ICT security controls	Low

Ref	Source	Risk title	Cause (Examples)	Consequence	Controls	Residual risk level (H,M,L)
20	People	Workforce does not meet the needs of the council	Poor recruitment decisions Management not effective Adequate training not undertaken Excessive use of agency staff High level of vacancies Competition for skilled resources in the marketplace Failure to manage poor performance Lack of staff engagement Lack of forward view on crucial need for emerging skill sets – data, digital, UX – restricting rate of change	Unable to recruit or retain skilled staff Service delivery compromised, including service development and transformation activities Additional costs Workload pressures for delivery teams and management Lack of continuous improvement in services and policy making	HR policies and procedures Learning and development offering, including e-learning HR support for managers Communications with employees	Medium
21	People	Pension costs	Changes in pension rules Actuarial assumptions change significantly - longevity, investment returns etc	Significant changes required to long-term financial projections, with little scope to manage additional costs Impact on savings requirements	Reviewed regularly at budget setting Updates from LGSS Pensions and scheme actuary	Low
22	Projects	Projects not delivered to time, quality or cost	Resource pressures Project / programme governance fails Projects poorly planned and executed Political objectives override management advice Unforeseen external factors – regulation, partner / supplier issues	Savings not delivered Additional costs, putting pressure on revenue and capital funding Delays in achieving commercial / investment income Increased management time required Time-limited funding lost, creating budget pressures	Programme office and boards providing support and oversight Quality Assurance Group providing professional challenge Project management training	High

Appendix D

Principal earmarked and specific funds

Fund	Balance at 1 April 2021	Anticipated contributions	Forecast expenditure	Forecast balance at 31 March 2026
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,142)	(496)	5,638	0
Sharing Prosperity Fund	(85)	0	85	0
Climate Change Fund	(179)	(200)	379	0
Asset Replacement Fund (R&R)	(1,156)	0	1,156	0
Bereavement Services Trading Account	(923)	(800)	1,723	0
Local Plan Development Fund *	(602)	(750)	1,352	0
A14 Mitigation Fund	(1,500)	0	1,500	0
Cambridge Live Development Plan	(213)	0	213	0
Covid Grants	(1,352)	0	1,352	0
NNDR Additional Income	(31,809)	0	31,809	0
Total	(42,961)	(2,246)	45,207	0

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

Appendix E

Our Cambridge – Transformation and recovery programme

Introduction to Our Cambridge

The “Our Cambridge” programme is designed to enable our local communities, the council and our partners to work together to build a sustainable future for Cambridge.

It is about working hand-in-hand to change how we, as a council, do things. It is about building on the assets that exist and what already works well; but also ensuring that, as we adapt to the severe challenges that face us, we consistently put people at the heart what the council does. As much as anything, it is about making “**One Cambridge – Fair For All**” the reality that underpins of all of our work.

The COVID-19 pandemic has shown how we can work differently, find new ways of meeting essential needs and respond rapidly to local challenges. It has also highlighted the terrible impact of inequalities in our society, against the backdrop of a growing global climate emergency. We need to build on these experiences as we shape our shared future.

Our ambition is to create a prosperous and sustainable future where people are able to get the help and support they need, when they need it; where our teams feel valued and part of a council that is investing in that future; and where our financial position enables our ambitions as a council and does not hold them back.

In this context, the Our Cambridge programme will need to:

Apply learning from the past 18 months	Develop a clear and shared vision for Cambridge	Support our response to the climate emergency
Improve outcomes for local people	Tackle poverty	Reduce inequalities
Engage staff and communities in transforming the way we work	Enhance how we collaborate with our partners	Achieve genuine financial sustainability for the council

Overall context – what are we proposing?

The ambitions of the Our Cambridge programme extend to every aspect of our work as a council and the outcomes we deliver, with and for the communities we serve.

This programme is a core part of Cambridge's response to the climate emergency, and to One Cambridge - Fair For All.

We understand that this programme will only be successful – and positive outcomes will only be sustainable – if we face up to the longer-term financial pressures confronting all local authorities in England, including councils like ours.

The COVID-19 pandemic has highlighted how we can adapt rapidly and successfully to meet local needs.

It has also shown a harsh spotlight on the inequalities that exist across our communities and exacerbated pressures on both council expenditure and income,

We recognise that we will need to do things differently in the future if we are to achieve the ambitions that we are setting out. Our Cambridge is our response to the need to invest in a broader, fairer recovery through transforming how we work as staff and communities, as a council, as a city, and as part of the development of our broader region.

Key outcomes – what we want to achieve through this work

The Our Cambridge programme is designed to deliver benefits, across Cambridge, for our residents and customers, our communities, and our staff and partners. These benefits will fall within three areas, which also support one another:

Customer First	Community Focused	Empowered Staff
Aligning our council resources with the priorities of our communities and our customers, understanding and focussing on the areas of greatest need, and ensuring we demonstrably address existing and new inequalities in our society.		Creating a culture that frees people to work in the most effective way possible, to respond to new opportunities and changing needs, and to focus on the outcomes that deliver the most value to our communities.
An innovative and sustainable model including applying new technology to provide better services and support.	Thriving communities, economic development and a city recovery from Covid building community capacity.	
A more efficient model for delivering services providing a better customer experience, improved outcomes, and meeting all of our customers' needs.	Developing our shared future in partnership with local people, other public sector bodies, our voluntary and community sector, universities and local businesses.	Enabling staff to collaborate across traditional boundaries, to innovate, and to apply an entrepreneurial mindset in improving how we work.

How we will organise ourselves - delivering through our five themes

Customer First	Community Focused	Empowered Staff	Cross-cutting programme themes	
Delivering together <ul style="list-style-type: none"> • We can't deliver these outcomes on our own and we will need to work with partners around each aspect of the shared vision. • At the heart of the vision will be a very different relationship with each of our communities. • This vision and new relationship change how we deliver our services, building on the assets that exist and what is good, but ensuring that in future we are consistently putting people at the heart of everything we do. • To do this sustainably we will need to maximise value and, wherever appropriate, the income that supports key services and our work. • We will need to develop together as an organisation to do all of this successfully. 			Partnerships	Acting as leader and facilitator, bringing partners together around key priorities
			Community	Working in true partnership with communities to address inequalities and build capacity
			Customer Focused	Consistently putting customers at the heart of how we plan and deliver our services
			Entrepreneurial	Developing an 'enterprising', innovative mindset to increase both income and social value
			Organisational Change	An organisational and cultural shift to enable us to deliver against these themes

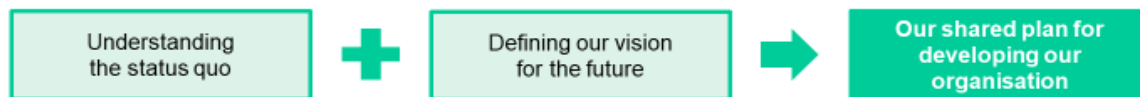
Our Cambridge Conversation: a catalyst for change

At the heart of the development of the Our Cambridge programme, we are proposing wide-ranging engagement through a set of rich and interconnected conversations, delivered through a variety of routes to ensure everyone is able to participate.

The "Cambridge Conversation" will:

- **Provide staff, partners, communities and residents with an opportunity to share their views.** We will focus on creating safe, but honest, spaces for people to share what is working, and what could work better.
- **Spark creativity and ideas about the Council of the future**, building on what we have achieved already, and exploring what is possible.
- **Provide regular "feedback loops"** to enable people to feel a sense of progress and development - providing confidence that every conversation builds on the last, and that no input is 'lost'.
- **Give people confidence in the process** through regular updates and clear and consistent communications.
- **Give a sense that missing one conversation doesn't mean missing "the" conversation** – there are many opportunities to contribute.

Initially the focus is on **engaging our staff**, to ensure we **make the most of their knowledge and expertise** and that they are able to **shape and influence** the development of 'Our Cambridge'



Benefits summary

Workstream	Benefit
Customer	This theme will ensure our council consistently puts the customer first. This will ensure easier access to services and a joined-up customer journey. It will include enabling more dynamic ways of interacting with us as a council and a continued shift to providing online services for customers who want them, whilst being open for all. Staff will be enabled to work in an agile way to produce a better working experience, to better meet our customers' needs, and to enable effective delivery across all areas
	Support services, and wider strategic services, across our council will be aligned around the "customer first" model, ensuring that the work of these teams delivers the best possible value to the council and our communities, and that staff, as our 'internal customers', also receive a great customer experience from the teams that support them.
	Closer working with system partners will ensure public and VCSE services are aligned and provide the best possible experience for residents who require support from a number of different organisations and agencies. We will look at "coalition" models to deliver services together, and opportunities to share delivery with communities and community interest groups, to create greater alignment around local people's priorities.
	We will have high quality office space which supports staff to work together in the best way possible and make their jobs as easy as possible. Long term shift to 'hybrid' working (between the office and other locations) will provide opportunities for improving collaboration, accessibility and flexibility in how we work and in the quality of life of our workforce.

Benefits summary (continued)

Workstream	Benefit
Partnerships	A shared vision and focus for the city that brings partners and communities to work together, and creates greater connection across all parts of Cambridge's society.
Community	Empowered communities able to shape their future with confidence and to support those in Cambridge most in need. Measurable reductions in inequality across our city.
	A more effective approach to connecting with our communities, engaging everyone including less seldom-heard groups. A dynamic approach to listening to people's priorities and following this with action (including strengthening local decision-making).
	Partnerships which connect people living and working in communities and areas that matter to them. Stronger and more resilient communities and "places" (at a city, district and neighbourhood level) that enable people to thrive in the ways that they choose.
Entrepreneurial	Our commercial services will be realising the best possible social and financial return, generating income which can be reinvested into delivery of the council's priorities.
	The services we deliver by choice will be aligned to our and our communities' priorities, our principles and our values; delivering social value as well as a financial return.
	Major capital projects will be delivered successfully and in doing so, will help us deliver our future vision for a fair and sustainable Cambridge.
Organisational change	Empowered, engaged workforce with the skills, knowledge and confidence to drive a culture of continuous improvement and innovation.
	Decisions are made as efficiently and effectively as possible.

Financial benefits – approach and next steps

The Our Cambridge programme will deliver financial benefits through both cashable and non-cashable savings. These will be achieved through individual projects and through how we work collectively to invest in the future of Cambridge.

Current estimates are based on both "bottom-up" modelling (using data about what we currently do, how this aligns to outcomes and spend) and "top-down" estimates (looking at the opportunities and challenges facing the council as a whole, and how we can best respond to these).

For some projects the full scale of potential financial benefits will not be evident until we have carried out the first phase of the work and we will review these through a series of agreed "gateways" as the programme progresses. This may result in additional income generation or savings not currently included in the business case (though we may also need additional resource to deliver them). Any further savings, and any additional investment, will be subject to a robust process of review and approval including council officers, members, and as appropriate, broader communities and partners.

This business case is a "living" document.

We are continuing to refine our modelling, and there are some uncertainties still needing to be resolved. These include some additional opportunities not yet quantified – for example, financial benefits resulting from major capital projects, changes to fees and charges, and further opportunities to improve demand management.

Potential financial benefits: revenue improvement

Based on a joint review of current income and spend, the range of potential recurrent benefits realisable by 2024/2025 identified to-date are summarised below:

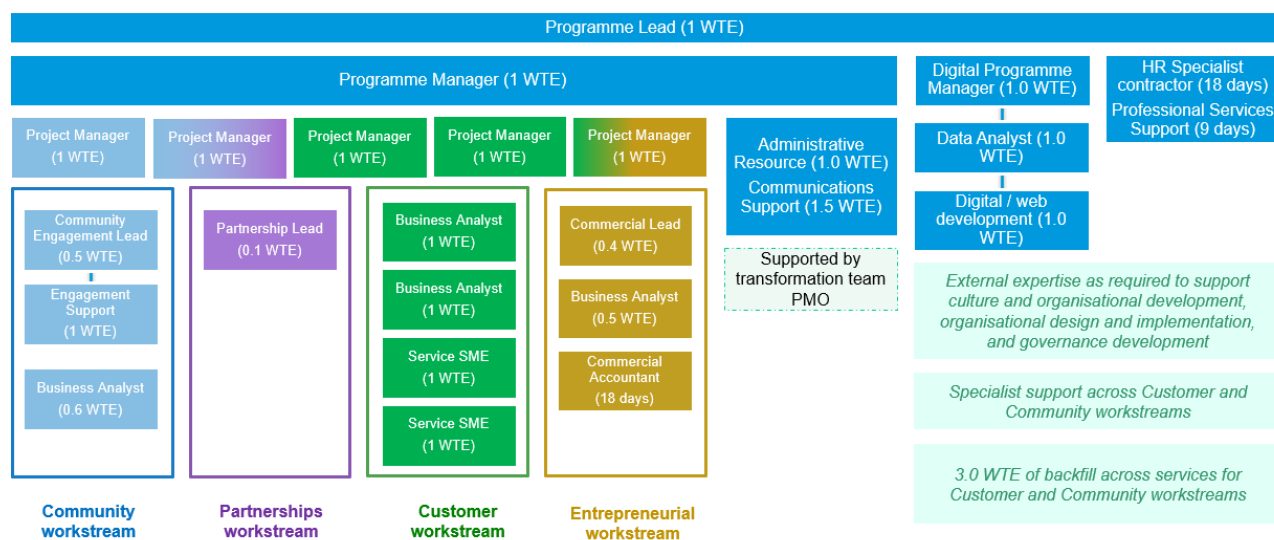
Potential recurrent income growth and revenue savings by workstream	Lower estimate	Mid-point estimate	Higher estimate
Customer	(£1.7m)	(£3.6m)	(£4.9m)
Partnerships	(£0.0m)	(£0.0m)	(£0.0m)
Community	(£0.0m)	(£0.0m)	(£0.0m)
Entrepreneurial	(£0.5m)	(£1.1m)	(£1.7m)
Organisational Change	(£0.0m)	(£0.0m)	(£0.0m)
Total	(£2.2m)	(£4.7m)	(£5.6m)

Programme costs - assumptions

We have developed a set of shared assumptions around costs that underpin the financial model. This programme will be managed by a team that is fully embedded within Cambridge City Council – that is one of the guiding principles behind the ‘Our Cambridge’ approach

- **We will deliver the programme through a mixed resourcing model** based on:
 - fixed-term contracts and internal secondments to staff programme delivery roles.
 - additional backfilled posts across service areas involved in delivery of Customer and Community projects.
 - support provided where appropriate by externally sourced specialists and consultancy support.
- **Council, secondment and fixed-term contract costs** have been estimated on the 2020/21 mid-spinal point for PO grades:
 - for planning purposes these have been uplifted by 1.5% for 2021/22,
 - with 25% on-costs applied.
- **We have used an averaged day rate for external specialists** based on market rates.
- **Transition costs have been accounted for** as follows:
 - our current planned timeframes would make any reductions in resourcing achievable through natural attrition.
 - this is based on current staff turnover which is estimated at 4% per annum.
 - however, we have included a contingency of 15% of the estimated full-year savings,
 - covering any double-running of service models and any related costs to changes in roles and structures.

Indicative levels of resourcing (2022/23)



Estimated programme staffing by theme

Programme area	Roles	Potential Resourcing (indicative)					
		2021/22 (five months)		2022/23 (full year)		2023/24 (full year)	
		WTE	Total Cost	WTE	Total Cost	WTE	Total Cost
Core Programme Team	Programme director, programme manager, comms, data analyst, PMO support	4.8	£146,000	5.3	£352,000	3.6	£229,000
Community	Project manager, business analyst, consultancy engagement and facilitation	4.5	£121,000	5.0	£317,000	0.2	£15,000
Customer	Business analysts, project manager, digital/web developer, systems specialists, ICT input, backfill	12.4	£425,000	10.8	£894,000	1.6	£116,000
Entrepreneurial	Business analyst, commercial leads	3.6	£122,000	1.7	£165,000	0.3	£35,000
Organisational development	External specialist support to organisational design, development, communications and engagement	1.0	£46,000	0.7	£62,000	0.0	£0
Partnerships	City vision project lead, project management and engagement support	1.3	£38,000	0.6	£40,000	0.0	£0
Sub Totals		27.8	£898,000	24.1	£1,830,000	5.8	£395,000
Total		£3.1m					

Key risks & mitigations (1/2)

Risk	Impact	Mitigation Actions	Unmitigated Risk	Mitigated Risk
1. There is a risk of delay in delivery based on potentially over-ambitious timescales.	Delay will impact benefits realisation and the council's medium term financial outlook, and may undermine confidence in future delivery.	Robust programme and project management, clear and ongoing executive oversight, and effective project resourcing and support to each area.	High probability, High impact	Medium probability, Medium impact
2. There is a risk that proposed changes will negatively impact existing staff and teams.	Changes including to resourcing model may impact current staff morale, recruitment and retention, performance, existing service delivery and the successful introduction of future models.	Dedicated cross-cutting workstream focussing on engaging staff and staff representatives; ring-fenced investment to support staff development, redeployment and training; co-design of the future model with staff, building on a shared focus on delivering better outcomes for Cambridge.	High probability, High impact	Medium probability, Medium impact
3. A failure to engage local people in the programme objectives and aims.	A lack of citizen engagement will impact the design process, the quality of the final model, and may lead to opposition to changes and / or an inability to deliver envisaged benefits.	A focus on "Plain English" communication, genuine co-design (vs. consultation and engagement) around key changes, early identification of quick-wins and sharing of benefits, close working with and through elected members.	Medium probability, High impact	Low probability, High impact
4. Changes lead to changes that worsen rather than tackle inequalities.	A failure to develop changes in a way which supports and engages all communities will lead to longer term dissatisfaction, costs, demand pressures and poorer outcomes.	Co-design process will ensure that seldom-heard voices are effectively engaged in the conversation. Robust equalities impact assessments, acting on findings, will help to prevent unintended consequences from service changes.	Medium probability, High impact	Low probability, Medium impact
5. Failure to engage effectively with partners limits opportunities and benefits.	Inability to agree with partners on the priorities and future model, including for existing shared services, will limit room for innovation and for realising potential shared benefits.	Strong focus on partnership engagement including through the visioning and strategy work; development of clear and transparent partnership governance arrangements, including to manage benefits realisation across the shared services.	Medium probability, High impact	Medium probability, Low impact

Key risks & mitigations (2/2)

Risk	Impact	Mitigation Actions	Unmitigated Risk	Mitigated Risk
6. There is a lack of data to support detailed business case development and / or key assumptions underpinning current financial modelling prove overly optimistic.	Failure to set appropriate expectations impacts confidence in council plans; budgets fail to reflect actual costs leading to unplanned overspends and the need for increased / prolonged requirement to draw on reserves, or lower service standards and quality.	Ongoing, iterative review of assumptions and modelling with finance teams, transformational and operational leads. Regular reviews of actual performance against plan and proactive escalation of potential issues through new programme governance structures. Development of best / worst / mid case scenario and sensitivity modelling with appropriate phasing and contingencies.	High probability, High impact	Medium probability, Medium impact
7. Potential savings fail to be translated into actual reductions in current council spend.	For example, reductions in requirements for individual office working are only cashable if this allows for an existing site or portion of a site to be re-let, sold or re-used in a way which contributes to the financial sustainability of the council.	Assumptions are being developed with relevant officers and teams to ensure that the range of savings and benefits reflect the need for a phased and managed transition. This will be supported by a cross-council benefits management process to ensure cashable gains are appropriately identified, realised, and are not double-counted.	High probability, High impact	Medium probability, Medium impact
8. Lack of clarity around capital and revenue investment requirements impacts the ability to develop a holistic model of costs and benefits for the Our Cambridge programme.	An overstating of benefits due to a failure to offset gross savings with accompanying costs required to maintain them; or a lack of budget to deliver on commitments, including around required capital investment.	Review of the investment requirements in parallel with commencement of project delivery, with a focus on prioritising areas such as around specific capital schemes and requirements which require the most work to develop detailed, evidence-based estimates and plans.	High probability, High impact	Medium probability, Medium impact
9. Inability to staff the required programme roles in the time required to mobilise the programme effectively.	A lack of availability of key staff and / or inability to source appropriately skilled and experienced individuals hampers the ability to ramp-up transformation efforts in line with the required plan for delivery.	A mixed resourcing model based around seconding and backfilling internal staff, sourcing external support on a fixed-term basis, and the use of specialist interims and consultancy partners, to ensure that the programme mobilises in a timely way whilst minimising costs and maximising skills transfer and ownership internally.	Medium probability, High impact	Medium probability, Medium impact