

Version 1.0  
10 October 2022  
Strategy and Resources  
Scrutiny Committee

# General Fund Medium Term Financial Strategy

October  
2022

2022/23 to 2031/32

Cambridge City Council



# Contents

Section No.	Topic	Page No.
	Foreword by the Leader of the Council and the Executive Councillor for Finance and Resources	2
1	Executive summary	5
2	Local context and external factors	6
3	Key assumptions	10
4	Revenue	12
5	Capital	15
6	Risks and reserves	18
7	Budget strategy	21
8	Budget process and timetable	25

# Appendices

Reference	Topic	Page No.
A	General Fund expenditure and funding 2022/23 – 2031-32	26
B	Capital plan	27
C	General Fund reserves - calculation of Prudent Minimum Balance (PMB) and target level	31
D	Principal earmarked and specific funds	32

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

## **Introduction**

The two most important financial documents produced by the Council each year, are the Budget Setting Report (BSR) in the Spring, 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.

Even though to many the pandemic appears to have ended it continues to have a profound impact on the daily life of the people of Cambridge. Regardless of the fact there remains a genuine health hazard, the impact on the City's economy have been significant and ongoing. Whilst there are encouraging signs of recovery in the business, hospitality, and tourist sectors, there is much still to do, and we will continue to work in partnership with the University, businesses and other stakeholders. But perhaps more important is the way we serve our residents. There has been a disproportionate impact upon our most deprived communities and those in most need, and it is therefore vital we maintain a commitment to one of the core priorities of the Council, namely tackling poverty. This will be exacerbated by the cost of living crisis and particularly the increase in heating costs. We can only do this if we are financially viable as a Council.

## **Uncertainty in Government Funding**

Our ability to make accurate forecasting is made more problematic by the uncertainty surrounding central Government Financing. As was said last year funding reform of Local Government has been anticipated for some years, however, there is no news on either the Fair Funding Review or the Business Rates Review. Therefore, we are again forced to make a series of assumptions which are outlined within the report.

## **The Transformation Programme; “Our Cambridge”**

The Council's ambitious Transformation Programme, “Our Cambridge” has moved on considerably over the last twelve months. At the time of writing the Accommodation Strategy is being taken through the Council processes, a review of Digital processes is being implemented and the proposals about the future organizational design of the organization are being considered. We aim to encourage an enhanced customer focus, strengthen strategic partnerships whilst encouraging an entrepreneurial approach to the work of the Council. We believe this will make us a Council fit for purpose for the future whilst making us financially sustainable.

## **Use of Reserves**

Through prudent and responsible financial management in the past we have been able to build a healthy balance in our reserves. Whilst this does not mean a fundamental change to our ongoing strategy of primarily using reserves for investment, we are proposing to take some funding out of reserves in the course of the next year. We would wish to highlight the financing of the Waterbeach Renewable Energy Network, thereby fulfilling previous commitments to investing in Green initiatives. In addition, however, and at variance to stated principles, we will have to use some reserves for immediate pressures e.g. the pay settlement and any failure to meet the savings targets for this financial year. Whilst we are fortunate to have reserves available, we will continue to be guided by the simple mantra ‘you can only spend reserves once’.

## **Managing the ‘unknowns’**

The challenge of managing the impact of leaving the EU remains, is ongoing and remains largely unknown, although in the past year we have seen the impact of supply chain demand problems on our extensive building programmes with some, albeit manageable implications for the work of Cambridge Investment Partnership. Having said that it is worth noting however that this Partnership has continued to deliver beyond expectations and CIP have again been nominated for a number of national awards. The sudden and dramatic rise in inflation has already started to impact upon the finances of the Authority and that is before we know the full impact of managing our increase in energy costs. The Council therefore faces an uncertain and challenging twelve months, although this has been the case for the last three years. It has become the “steady state”.

## **Our Strategy**

It remains the case that these are challenging and uncertain times. The MTFs has identified the pressures we face in the years ahead and the way we will address those challenges. However, the long-term financial prospects look, if anything, bleaker than last year. The Council's five-year net saving requirement has increased from £7.8m to £11.5m. Whilst we anticipate that Our Cambridge will address some of the challenge, it cannot deliver all. However, 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. Perhaps most importantly in the coming year we will focus our attention on supporting those residents in most need. We will invest for the future and strive to create 'one Cambridge, fair for all.'

**Cllr Mike Davey – Executive Councillor for Finances, Resources and Transformation**

**Cllr Anna Smith - Leader of the Council**

# Section 1

## Executive summary

### Context

Cambridge City Council produces two main financial documents each year, the Budget Setting Report (BSR) and this, the Medium Term Financial Strategy (MTFS). The MTFS draws together a review of the 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.

### Savings requirement

MTFS 2021 identified a five year net new savings requirement of £7.5m. This MTFS revises the requirement to £11.5m, driven largely by inflationary increases for pay and other costs. Scenario modelling indicates that this savings requirement could range from £9.7m to £19.0m, illustrating the risks and uncertainties surrounding the assumptions made.

### Budget strategy

The Our Cambridge Transformation and Recovery Programme has identified indicative recurring savings of £3.65m deliverable for the General Fund (GF) over the next three financial years. Whilst this is a good start, a further £7.85m of recurring savings are required to balance the council's budgets over the next five years. Reserve balances will be used to support service delivery while savings are identified and delivered but cannot be relied on indefinitely. Depletion of reserves balances will weaken the council's financial resilience, putting service delivery at risk.

# Section 2

## Local context and external factors

### The council's local context

Whilst the Cambridge economy is generally well-placed to recover from the impacts of the Covid pandemic and manage pressures from supply chain problems and increasing inflation, some residents and businesses are more exposed to these challenges. Additional pressures on services arise from local growth - the 2021 census has shown that the city's population has grown by 17.6% to 145,700 in 10 years.

The council is working hard to provide support to those in need, whilst engaging with partners and stakeholders to explore ways of working more collaboratively. As identified in previous MTFs, the council faces considerable financial challenges, exacerbated by growth. £3.9m was set aside in MTFs 2021 to deliver a far-reaching programme of transformational change to address these challenges and to modernise the way the council works.

### Council priorities

The council's Corporate Plan 2022-2027, approved in February 2022, sets out four key priorities to address these challenges and 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 priorities are:

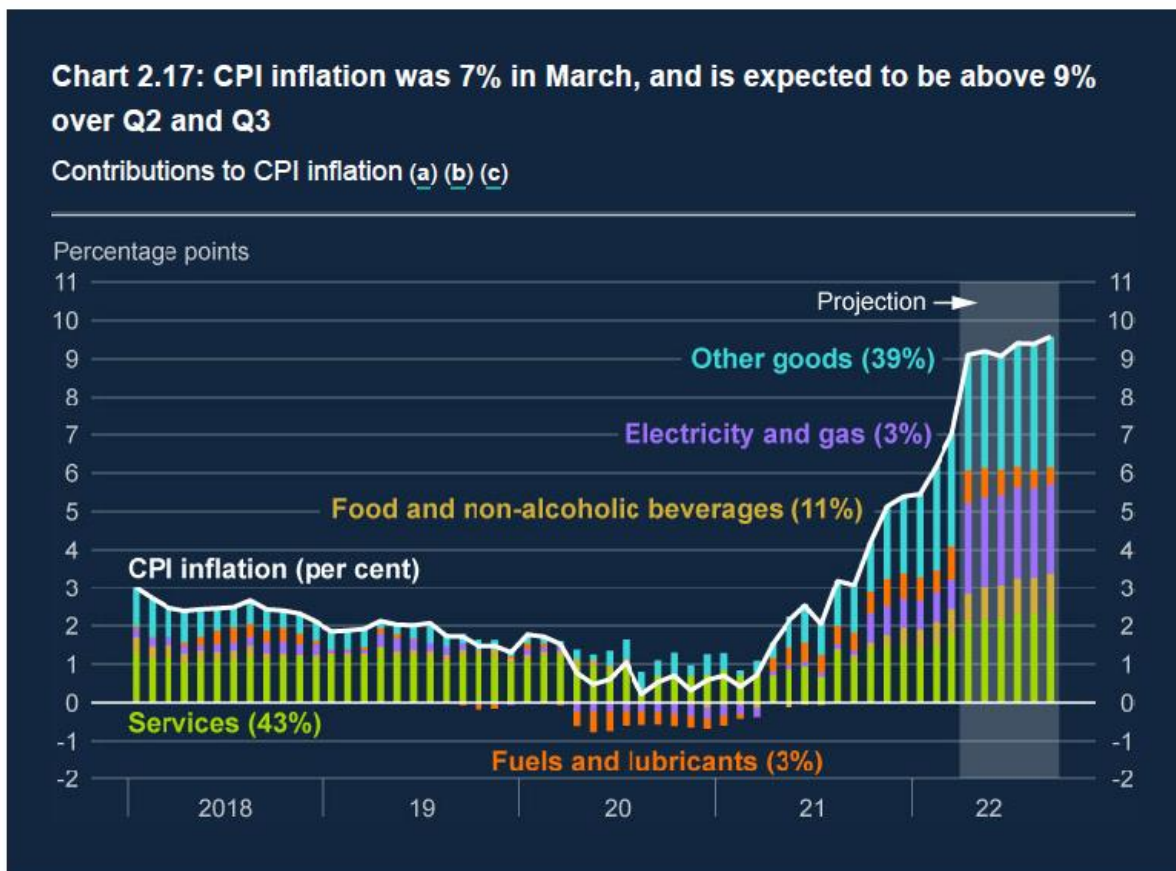
- Leading Cambridge's response to the climate and biodiversity emergencies and creating a net zero council by 2030
- Tackling poverty and inequality and helping people in the greatest need
- Building a new generation of council and affordable homes and reducing homelessness
- Modernising the council to lead a greener city that is fair for all

### External factors

The council's finances are impacted by global and national factors, such as inflation on electricity, gas and fuel, supply chain issues, shortages of skilled workers and the need to decarbonise its operations. It is therefore difficult to estimate how the council's costs will increase next year and over the 10 year period of this financial strategy. Similarly, the council's income will be affected by levels of economic activity and the cost of living crisis.

## Inflation rates

The base rate of inflation used to drive expenditure assumptions in this MTF5 is the Consumer Price Index (CPI). As shown below, from the Bank of England May 2022 Monetary Policy Report, this has been rising through the year. CPI reached 9.4% in June 2022.

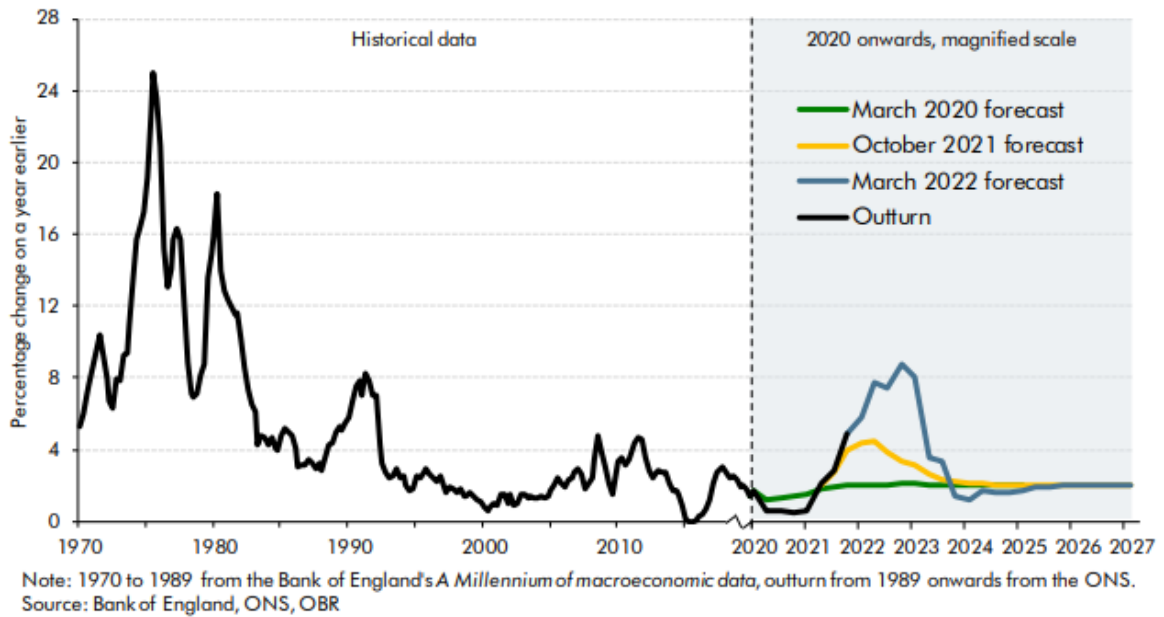


Sources: Bloomberg Finance L.P., Department for Business, Energy and Industrial Strategy, ONS and Bank calculations.

The chart below shows the Office of Budget Responsibility (OBR) forecasts for CPI from their March 2022 Economic and Fiscal Outlook, which is due to be updated in autumn 2022. At this stage it shows CPI returning to the 2% target level by 2024.



Chart 2.6: CPI inflation



## Interest rates

Cash balances are invested on a short-term basis, generating interest income, whilst managing both security and liquidity of the cash. The Bank of England base rate was increased to 1.75% on 3 August 2022 and is due for review on 15 September. Further rises are expected as the Bank of England Monetary Policy Committee seeks to manage inflation towards its target of 2%.

The council currently has no external GF borrowing but uses its cash balances to fund capital spending and loans to the Cambridge City Housing Company (CCHC) and the Cambridge Investment Partnership (CIP). Use of cash balances in this way is known as 'internal borrowing' and indicates 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.

## Local government finance

Figures released with the provisional settlement for 2022/23 indicated average increases in Core Spending Power (CSP) for authorities of 3.1% for 2023/24 and 2024/25, largely driven by Council Tax increases. Furthermore, Michael Gove, then Minister for Levelling Up, Housing and Communities, confirmed that there would be a two year settlement for local government covering those years. However, following ministerial changes and increased pressure on public finances, these expectations are unlikely to be fulfilled. Long-awaited reforms to local government funding may now be delayed until 2024/25 or even 2025/26.

The level of uncertainty now within the local government funding system makes forecasting of the overall funding available to the council over the period of this MTFS extremely problematic. Recent and potential future ministerial changes add to this uncertainty. For example, will there be more funding for inflation, including pay awards? How much will ministers allow local authorities to increase council tax by?

The base assumptions modelled in this MTFS are:

- There will be roll-over settlements for 2023/24 and 2024/25 with grant funding held at 2022/23 amounts with no inflationary increases
- Changes resulting from local government funding reform will be implemented for 2025/26, with no damping or transitional support
- There will be no further payments of New Homes Bonus after 2022/23
- Band D Council Tax increases will be limited to 2% or £5, whichever is greater

<b>Core Spending Power</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>	<b>2029/30 £m</b>	<b>2030/31 £m</b>
Business rates income	<b>9.607</b>	<b>11.027</b>	<b>11.676</b>	<b>6.197</b>	<b>6.285</b>	<b>6.373</b>	<b>6.537</b>	<b>6.862</b>	<b>6.955</b>
Less: Business rates growth	(5.335)	(6.755)	(7.404)	(1.933)	(1.936)	(1.937)	(2.012)	(2.247)	(2.247)
<b>Settlement Funding Assessment</b>	<b>4.272</b>	<b>4.272</b>	<b>4.272</b>	<b>4.264</b>	<b>4.349</b>	<b>4.436</b>	<b>4.525</b>	<b>4.615</b>	<b>4.708</b>
Grants	4.347	2.905	2.773	0.408	0.399	0.391	0.386	0.382	0.381
Council Tax	9.371	9.839	10.262	10.576	10.943	11.275	11.615	11.945	12.271
	<b>17.990</b>	<b>17.016</b>	<b>17.307</b>	<b>15.248</b>	<b>15.691</b>	<b>16.102</b>	<b>16.526</b>	<b>16.942</b>	<b>17.360</b>

Business rates growth is considered to be high risk and not to be a reliable source of funding for service delivery. These amounts have been taken into the projection of reserves shown in section 6.

# Section 3

## Key assumptions

Key assumptions have been reviewed taking account of changes in external factors, government announcements, latest forecasts and circumstances.

Key area	Assumption	Comment / Sensitivity
Pay inflation	Pay progression – 1% Pay inflation – 2023/24 – 3% and on-going - 2.0% (previously 2.0% all years)	An additional 1% increase would cost the council approximately £307k
Employee turnover	4%	Specific vacancy factors are applied where experience indicates that a different vacancy factor is more applicable.
Pension costs	17.4% plus £2.083m deficit payment	Subject to outcome of triennial valuation, which will be applied in the budget setting report.
General inflation	2023/24 – 9.4% and after – 2.0% (previously 2.0% all years)	The same inflation factors are applied to Central and Support Services as for direct services.
Major contracts	Inflation per contract	Major contracts and agreements, in term, are rolled forward based on the specified indices in the contract or agreement
Income and charges	Matched to general inflation, 2023/24 – 9.4% and after – 2.0% (previously 2.0% all years)	Income and charges – specific reviews of all charges required by committees. Some income streams, such as property rental income, based on specific factors.
Investment interest rate	Investment specific	
Interest paid on HRA cash balances	0.69% for 2022/23, then 0.75%	Based on current projections
Council Tax increase	Greater of £5.00 or 1.99% in each year	A 1% change in council tax represents about £90k p.a. for the council.
Council Tax Base	Based on local housing trajectory forecasts Collection rate 98.7%	Collection rate returned to pre-Covid level

Key area	Assumption	Comment / Sensitivity
Core spending power (local government funding)	As outlined in section 2	

# Section 4

## Revenue

### 2021/22 outturn

Total net portfolio expenditure in year was £2.6m below budget, spread across nearly all service groupings. After variances on government funding and other 'below the line' adjustments, there was an overall increase in the GF reserve of £9.0m (2020/21: decrease of £0.7m). This increase was driven largely by the release of a large Covid-related business rates provision and additional government grants addressing the impacts of the pandemic. No budget adjustments are proposed as a result of this outturn, as it is clear that levels of income and spending were still affected by the pandemic and give no certainty to future income or expenditure.

### 2022/23 forecasts

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. As at the end of June 2022, the council is forecasting an adverse variance of £0.9m against its GF budget for 2022/23. This variance incorporates the impacts of inflation at rates prevailing at the end of June, and the impacts of the proposed pay offer (£1,122k), mitigated by in-year management of expenditure.

### In-year revenue proposals

Revenue proposals are usually considered during the budget-setting process so that they can be prioritised, and a holistic view taken. They are considered here for approval by exception only.

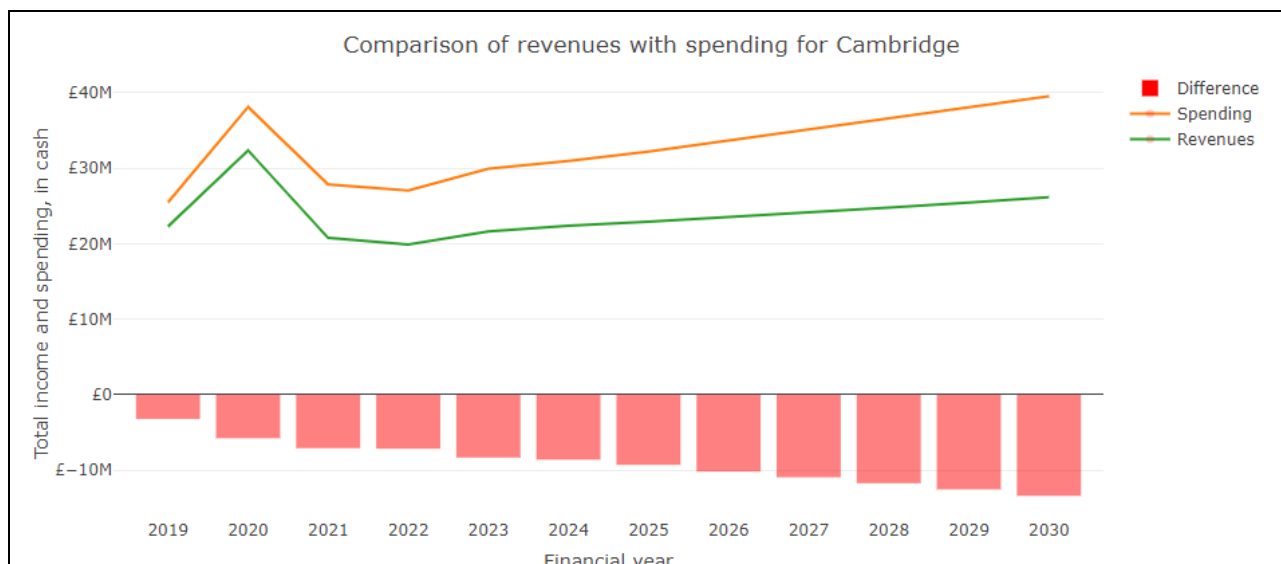
#### **2022/23 pay offer (£1,122k)**

The 2022/23 budget includes an effective pay increase of 2.75% (2% budgeted for the 2022/23 and 0.75% carried forward from 2021/22). The current pay offer is for £1,925 per annum per full time equivalent (FTE), with other proposals having limited financial impact. As outlined above, 2022/23 budgets are under considerable pressure due to cost inflation,

therefore it is proposed to increase 2022/23 pay budgets to reflect the excess of the pay offer over the 2.75% already budgeted.

## Savings requirements

The IFS/CIPFA/DCN Local Government Finance Model, illustrates the council's financial challenge, based on published data and general modelling assumptions.

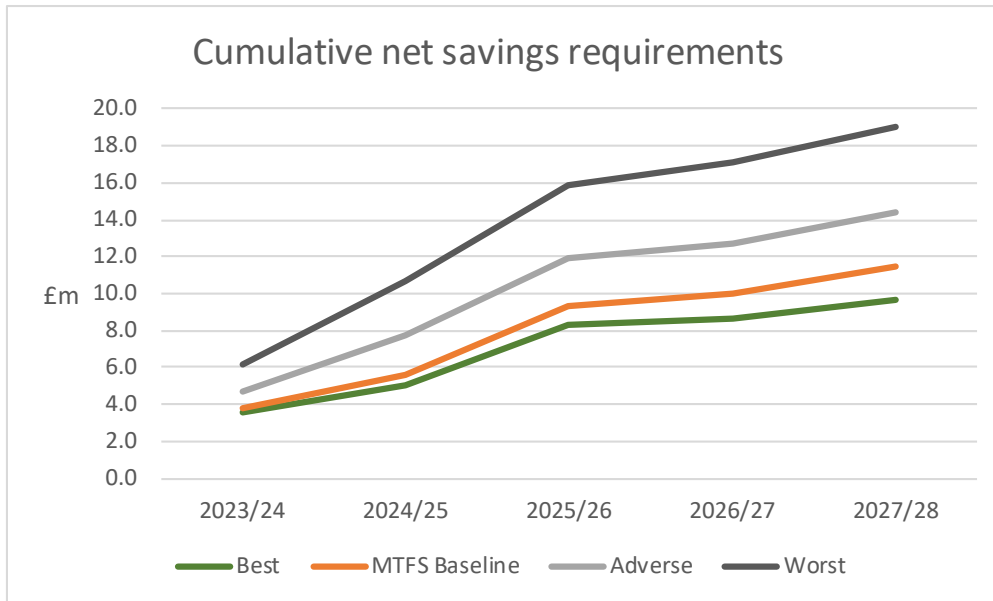


Applying revised assumptions to the council's own financial model and allowing for indicative pressures, the baseline net savings requirement totals around £11.5m for the 5-year period.

Description	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
<b>Net savings requirement – new each year (BSR Feb 2022)</b>	<b>5,459</b>	<b>229</b>	<b>604</b>	<b>655</b>	<b>874</b>	<b>7,821</b>
In-year revenue proposals	1,122	1,122	1,122	1,122	1,122	
Changes to assumptions and technical adjustments	(1,708)	(927)	2,030	1,963	2,592	
Changes to indicative unavoidable pressures – not yet proposals	(1,082)	(221)	(121)	(20)	(20)	
<b>Total changes to savings requirement</b>	<b>(1,668)</b>	<b>(26)</b>	<b>3,031</b>	<b>3,065</b>	<b>3,694</b>	
<b>Revised (MTFS) net savings requirement (new each year)</b>	<b>3,791</b>	<b>1,871</b>	<b>3,661</b>	<b>689</b>	<b>1,503</b>	<b>11,515</b>

## Scenarios

As noted throughout this report, the financial situation of the council is currently subject to exceptional levels of uncertainty, particularly with regard to inflation and local government funding. We have therefore considered a number of scenarios to assist with financial planning, with the resulting cumulative savings requirements shown in the graph below. In 2023/24, these scenarios show the budget gap ranging from £3.5m to £6.1m. By 2027/28, the range has increased from £9.7m to £19.0m, a difference of £9.3m.



## Our Cambridge - Transformation and recovery programme

In MTFS 2021, funding of £3.1m and a further contingency of £0.8m were set aside in earmarked reserves to fund a fundamental review and transformation of the way the council delivers its services and works with local partners. By 2024/25, the programme is expected to deliver a significant contribution towards the savings requirement identified above. A report on the progress of the programme will be presented to Strategy and Resources Scrutiny Committee alongside this MTFS. Section 7 of this report considers the financial impact of indicative savings identified to date and the use of reserves required to support service budgets whilst the savings are delivered.

# Section 5

## Capital

### Capital plan

The table below summarises capital schemes agreed since the capital plan was approved by council in February 2022.

Ref.	Description - £'000s	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	<b>Approved since BSR Feb 2022:</b>							
	Various S106 funded projects	-	308	-	-	-	-	308
SC806	Acquisition of nursery, Timberworks, Cromwell Road, Cambridge	1,548	-	-	-	-	-	1,548
SC809	Green Homes Grant (GF)	-	2,099	-	-	-	-	2,099
SC822	Loan to CIP to purchase land off Wort's Causeway	-	33,940	-	-	-	-	33,940
	<b>Total Approved since BSR Feb 2022</b>	<b>1,548</b>	<b>36,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,895</b>

#### Mid-year capital proposals

These proposals will be funded from capital receipts or borrowing unless alternative funding sourcing have been identified.

#### **Waterbeach Renewable Energy Network (WREN) solar project (£1,300k)**

Match-funding contribution towards the capital delivery cost of the project: The project is subject to scrutiny and approval at the Environment and Community Scrutiny Committee on 6 October 2022 and is included here for allocation and approval of funding. The project will develop an integrated renewable energy and storage solution including a ground-mounted solar photovoltaic (PV) array (1MWp) on land adjacent to the Greater Cambridge Shared Waste Service (GCSWS) Depot at Waterbeach. Electric vehicle charging infrastructure will service approximately 35 electric Refuse Collection Vehicles



(eRCVs). South Cambridgeshire District Council is leading the client-side project management and a funding bid to Cambridgeshire and Peterborough Combined Authority for £2.7m has been made. £100k of the £1,300k will be funded from the climate Change Fund (CCF), with the remaining £1,200k to be taken from the GF reserve in line with aspirations to fund green energy investments from this source.

### **Silver Street toilets (£141k)**

This scheme was originally approved in the BSR 2018/19 and has a current budget of £613k. This bid is for additional funding required to complete the project, with funding to be taken from the 2023/24 allocation of capital funding of £4.0m, see below.

Ref.	Description - £'000s	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	<b>Proposals</b>							
SC826	WREN solar project	-	1,170	130	-	-	-	1,300
SC654	Redevelopment of Silver Street Toilets	141	-	-	-	-	-	141
	<b>Total proposals</b>	<b>141</b>	<b>1,170</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,441</b>

## Financing of capital

Capital expenditure, where not funded from specific grants or contributions, is funded firstly from capital receipts and then from internal and external borrowing. The use of borrowing creates 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 £4.0m per year should be set for new capital proposals without specific grant or contribution funding. This capital spending limit requires 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 is reviewed annually.

<b>Capital Receipts - £000</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Unallocated capital receipts at 1 April 2022	12,198	-	-	-	-	-	<b>12,198</b>
Forecast receipts	8,423	6,648	-	-	2,000	-	<b>17,071</b>
<b>Total receipts available to finance capital spending</b>	<b>20,621</b>	<b>6,648</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>29,269</b>

# Section 6

## Risks and reserves

### Risks

The council identifies, assesses, and manages risk throughout the year at the corporate, service and project levels. Some key risks will impact on the council's financial position. These include:

- Increasing inflation on energy and fuel costs, employee costs, and other supplies and services including construction and maintenance costs
- The impact of economic slowdown or recession and the rising cost of living on the council's income streams, including council tax, business rates, car parking and commercial property income
- Increased service demand, due to the cost of living crisis, shortages of affordable accommodation and continuing growth in the city
- Ongoing uncertainty relating to the local government funding system
- Delivery of transformational change and savings to time and within budgeted costs

### 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. The prudent minimum balance (PMB) and target level of the GF reserve has been reviewed in the light of current risks, see Appendix C, and a small increase in PMB is recommended, driven by increased inflationary pressure.

General Fund reserve - £m	February 2022 BSR	October 2022 MTFS
- Target level	7.590	8.225
- Minimum level (PMB)	6.330	6.854

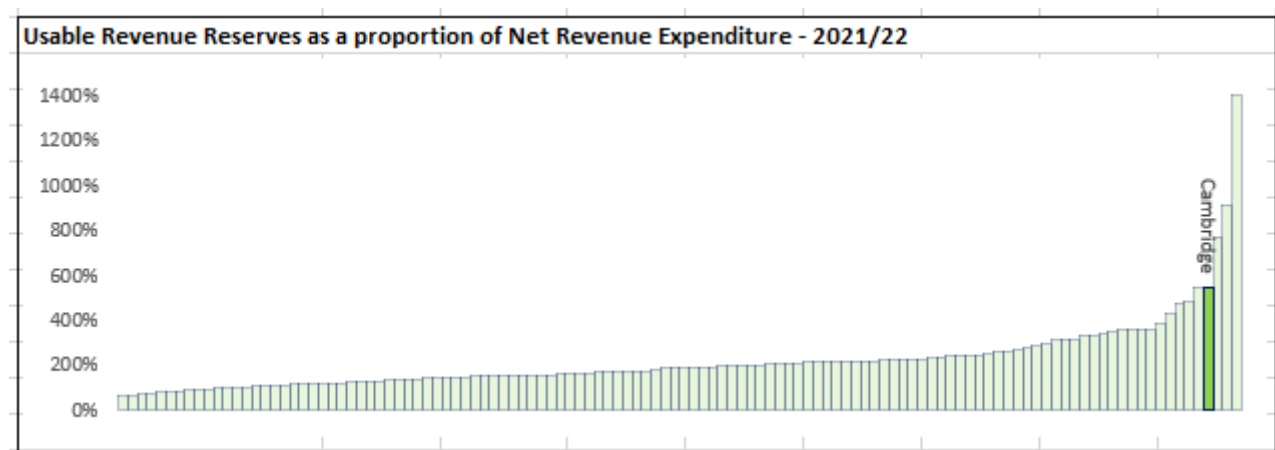
The table below shows current and projected levels of the GF reserve, assuming that all savings requirements are delivered in the year to which they relate, as identified in Section

4. Potential business rates growth is highly dependent on the local economy and central government decisions and is therefore shown separately as amounts and timings cannot be relied on for financial planning purposes.

GF reserve £'000s	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Balance at 1 April (b/fwd)</b>	<b>(25,533)</b>	<b>(22,115)</b>	<b>(21,055)</b>	<b>(20,815)</b>	<b>(20,765)</b>	<b>(20,715)</b>
Contribution (to) / from reserves per BSR 2022/23	256	60	60			
Carry forwards	2,133					
Use of reserves to support revenue spending in services – MTFS proposals	1,122					
Closure of the Cambridge Live Development Fund	(213)					
WREN solar project		1,070	130			
Colville III redevelopment – rephasing of revenue budget	120	(120)				
Indicative funding for the Climate Change Fund (CCF)		50	50	50	50	50
<b>Balance at 31 March before business rates growth (c/fwd)</b>	<b>(22,115)</b>	<b>(21,055)</b>	<b>(20,815)</b>	<b>(20,765)</b>	<b>(20,715)</b>	<b>(20,665)</b>
Business rates growth – indicative growth element (at risk)	(5,335)	(6,755)	(7,404)	(1,933)	(1,936)	(1,937)
<b>Balance at 31 March including business rates growth</b>	<b>(27,450)</b>	<b>(33,145)</b>	<b>(40,309)</b>	<b>(42,192)</b>	<b>(44,078)</b>	<b>(45,965)</b>

Due to the level of savings required, the risk to the financial sustainability of the council is considerable. However, the council is fortunate to have reserves available to support its transformational journey and allow some time to deliver the savings it requires.

As shown below, the council holds a good level of useable reserves compared with other district councils.



LGImprove: Compiled from unaudited Statement of Accounts 2021/22, as published by 24 August 2022

## Earmarked and specific funds

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.

Type of earmarked or specific fund	Balance at 31 March 2021 £000	Balance at 31 March 2022 £000
Major policy-led funds	(2,187)	(6,280)
Asset replacement funds (R&R)	(2,144)	(2,029)
Statutory and accounting reserves	(6,744)	(6,611)
Shared / partnership funds	(7,221)	(7,248)
Other – to be closed once committed balances are spent	(32,947)	(7,514)
<b>Total</b>	<b>(51,243)</b>	<b>(29,682)</b>

The balance of £213,429 on the Cambridge Live Development Fund is no longer required and approval is sought to return this balance into the GF reserve.

A summary of principal earmarked funds is included at Appendix D.

# Section 7

## Budget strategy

### General Fund savings requirements

Description - £000	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Net savings requirement – new each year - Section 4 of this report	3,791	1,871	3,661	689	1,503	11,515

### General Fund budget strategy

#### Budget process

The detailed GF budget process for 2022/23 will remain broadly similar to that for previous years, working within an overall cash limit. However, the process of scrutiny and approval will be changed to reflect best practice as recommended in the recent review of the budget process. 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 MTFS process has shown that there is an urgent 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

The council approved the commission of the Our Cambridge Programme within MTFS 2021. It described that the 'Our Cambridge' programme would be designed to enable our communities, the council, and our partners to work together to build a sustainable future for Cambridge, where 'One Cambridge – Fair for All' underpins all our work; that the programme would extend to every aspect of our work as a council and the outcomes we deliver, with and for the communities we serve. At that stage, forecast costs of transformation totalled £4.275m across revenue and capital budgets, with additional contingency of £0.8m. Scenarios were provided for potential financial benefits that could be achieved, including a mid-point estimate of £4.7 million revenue improvement from 2025/26.

A report was brought to S&R Scrutiny Committee in July 2022, providing an update on approach and progress of the programme, with proposals for establishing a future overarching design. The design will show how the council will operate in the future, including how the council will deliver essential cost reductions while also how it intends to work alongside others to reduce duplication and create smoother, more joined up services that meet the needs of residents both now and as they change in the future.

A further report, 'Update on the Direction of the Future Council and Organisational Design as Part of the Wider Cambridge System' is to be considered at the S&R Scrutiny Committee in October 2022 alongside this MTF. Work on the detailed organisational design will be organised in three design sections:

- Leadership and decision making
- People, accommodation and digital
- Service delivery

Indicative costs and savings from each of the sections have been identified. Further detailed work is required to refine these estimates, develop additional proposals, and produce business cases for approval. The following paragraphs consider the potential impact of the delivery of these savings on the council's net savings requirements and reserve levels.

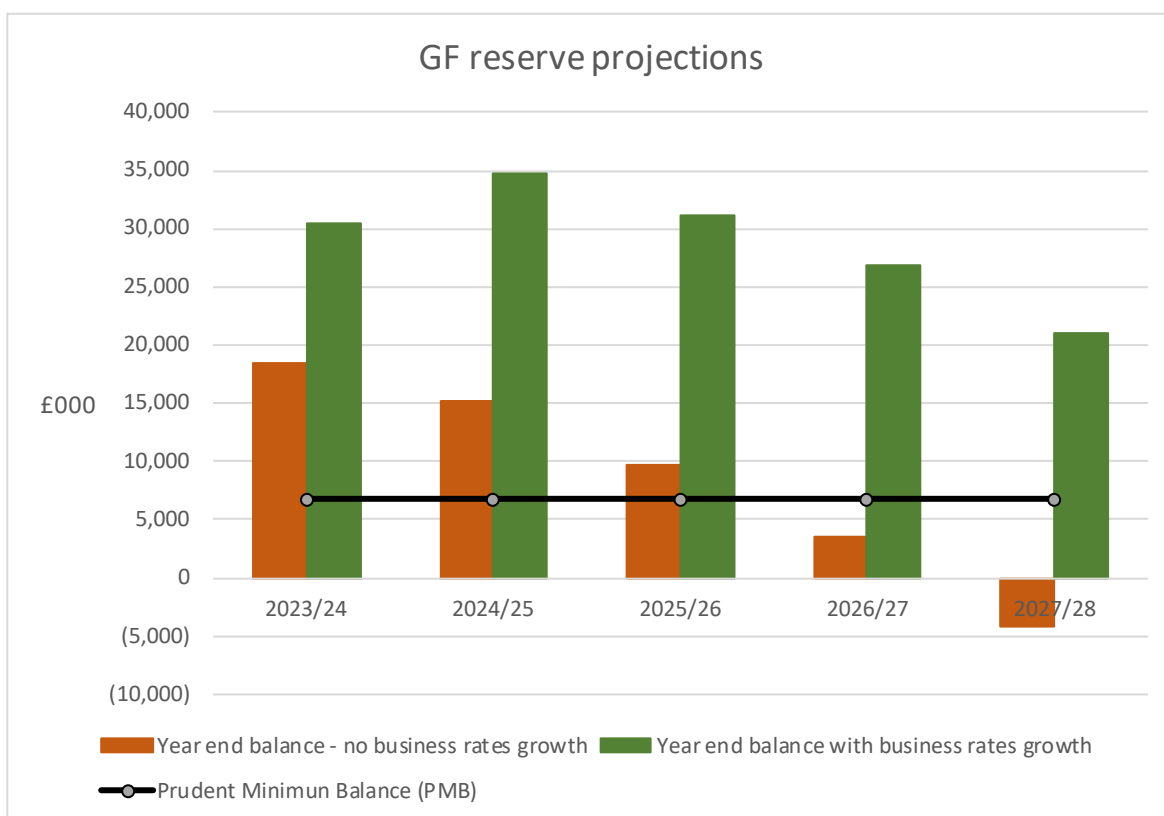
<b>Our Cambridge indicative savings - £m</b>	<b>Low</b>	<b>High</b>	<b>Achievable</b>	
Efficiency savings	(1.30)	(4.00)	(2.50)	
Flexible savings (based on political decisions)	(0.20)	(6.00)	(3.50)	
	<b>(1.50)</b>	<b>(10.00)</b>	<b>(6.00)</b>	
Reduce to allow for optimism bias			<b>(5.00)</b>	
Potential allocation of savings to Housing Revenue Account (23%)			1.15	
			<b>(3.85)</b>	
<b>Timing of indicative savings</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total</b>
Percentage by year	30%	40%	30%	100%
<b>General Fund saving (£m)</b>	<b>(1.16)</b>	<b>(1.53)</b>	<b>(1.16)</b>	<b>(3.85)</b>

Additional one-off and recurring expenditure will be needed to deliver these savings, with further work expected to identify increases in both potential savings and costs. Therefore, at this point, the impact of the indicative savings identified above have been used to model

the impact of the programme on the council's savings requirements and GF reserve levels, assuming that no additional savings are delivered and no further expenditure is required.

£000	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Net savings requirement – new each year - Section 4 of this report	3,791	1,871	3,661	689	1,503	11,515
Remaining savings requirement - new each year	<b>2,636</b>	<b>331</b>	<b>2,506</b>	<b>689</b>	<b>1,503</b>	<b>7,665</b>

If all savings identified are delivered as expected, with minimal additional expenditure, the council will still face a five-year new net savings requirement of over £7.6m, and a total budget gap over the five years of nearly £25.0m. The diagram below shows the impact of funding this budget gap from reserves. If no business rates growth is assumed, the council will breach PMB in 2026/27. Whilst this is a 'worst case' scenario, the level of future retained business rates growth is dependent on the extent and timing of changes to the business rates system and local economic conditions. The council, therefore, cannot rely on business rates growth to remove the need to make further substantial savings.



The financial position of the council intensifies the pressure to progress Our Cambridge expeditiously, to develop detailed proposals, to take decisions to implement them and to maximise savings wherever possible. However, the indicative savings from the programme are not enough to ensure the financial capacity to continue to deliver for its residents and



businesses. It is imperative that the council finds further savings to meet the identified budget gap.

As noted, the longer term outlook for local government finances and the economy in general is uncertain. Financial pressures will continue to build; from inflation, from increased service demand and from circumstances that we are not yet aware of. This MTFS supports the council to plan for the next two to three years and will be regularly updated to enable longer term planning.

# Section 8

## Budget process and timetable

### Context and approach

This MTFS draws together a review of internal and external financial information halfway through the year, makes assumptions and forecasts for the future and provides the basis on which to prepare the budget for the year ahead.

During the year, the budget setting process has been reviewed and changes to the process have been recommended. The revised approval process is set out in the timetable below, subject to approval by the Civic Affairs Committee in September 2022.

The Council expects to publish a draft budget for public consultation in December, subject to a decision of The Executive. We will use our online engagement platform, CitizenLab, to seek views from all residents, businesses and others on the proposals and themes of the budget and some of the ideas for new ways of working in the council and with our communities. The results of the consultation will be reported to Strategy & Resources scrutiny committee and will inform the final Budget that is presented to Council for decision in February.

### Timetable

Date	Task
<b>2022</b>	
10 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council
20 October	Council considers and approves the GF MTFS
8 December	The Executive approves a draft GF budget for consultation
<b>2023</b>	
30 January	Draft GF budget considered by Strategy & Resources Scrutiny Committee
9 February	The Executive consider and recommend the GF BSR and council tax level to Council
23 February	Council considers the GF BSR and amendments, approves the Gf budget and sets the level of council tax for 2022/24

# Appendix A

## General Fund expenditure and funding 2022/23 – 2032/33

Description / £'000s	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
<b>Expenditure</b>											
Net service budgets - base and inflation	28,078	26,469	28,094	28,568	29,059	30,427	31,391	32,374	33,377	34,399	35,441
Savings delivered from prior years	0	0	(3,791)	(5,662)	(9,323)	(10,012)	(11,515)	(12,601)	(13,714)	(14,845)	(15,996)
<b>Net service budgets</b>	<b>28,078</b>	<b>26,469</b>	<b>24,303</b>	<b>22,906</b>	<b>19,736</b>	<b>20,415</b>	<b>19,876</b>	<b>19,773</b>	<b>19,663</b>	<b>19,554</b>	<b>19,445</b>
Capital accounting adjustments	(6,337)	(6,337)	(6,337)	(6,337)	(6,337)	(6,337)	(6,337)	(6,337)	(6,337)	(6,337)	(6,337)
Capital expenditure financed from revenue	1,208	0	0	0	0	0	0	0	0	0	0
Indicative cost of revised capital financing strategy	40	279	817	1,944	2,585	3,131	3,677	4,223	4,769	5,315	5,861
Collection fund deficit	2,474	3,247	0	0	0	0	0	0	0	0	0
Contributions to earmarked funds	879	395	395	395	395	395	395	395	395	395	395
<b>Net spending requirement before in-year savings</b>	<b>26,343</b>	<b>24,054</b>	<b>19,179</b>	<b>18,909</b>	<b>16,380</b>	<b>17,605</b>	<b>17,612</b>	<b>18,055</b>	<b>18,491</b>	<b>18,928</b>	<b>19,365</b>
In-year savings	0	(3,791)	(1,871)	(3,661)	(689)	(1,503)	(1,086)	(1,113)	(1,131)	(1,151)	(1,206)
<b>Net spending requirement</b>	<b>26,343</b>	<b>20,263</b>	<b>17,308</b>	<b>15,248</b>	<b>15,691</b>	<b>16,102</b>	<b>16,526</b>	<b>16,942</b>	<b>17,360</b>	<b>17,777</b>	<b>18,159</b>
<b>Funded by:</b>											
Settlement Funding Assessment (SFA)	(4,272)	(4,272)	(4,272)	(4,264)	(4,349)	(4,436)	(4,525)	(4,615)	(4,708)	(4,801)	(4,894)
Locally Retained Business Rates – Growth Element	(4,302)	(6,755)	(7,404)	(1,933)	(1,936)	(1,937)	(2,012)	(2,247)	(2,247)	(2,247)	(2,247)
New Homes Bonus (NHB)	(2,059)	(2,905)	(2,773)	(408)	(399)	(391)	(386)	(382)	(381)	(381)	(381)
Covid grant and furloughing income	(1,957)	0	0	0	0	0	0	0	0	0	0
Appropriations from earmarked funds	(5,195)	(3,247)	0	0	0	0	0	0	0	0	0
Council Tax	(9,364)	(9,839)	(10,263)	(10,576)	(10,943)	(11,275)	(11,615)	(11,946)	(12,271)	(12,595)	(12,884)
Contributions to / (from) reserves	805	6,755	7,404	1,933	1,936	1,937	2,012	2,247	2,247	2,247	2,247
<b>Total funding</b>	<b>(26,343)</b>	<b>(20,263)</b>	<b>(17,308)</b>	<b>(15,248)</b>	<b>(15,691)</b>	<b>(16,102)</b>	<b>(16,526)</b>	<b>(16,942)</b>	<b>(17,360)</b>	<b>(17,777)</b>	<b>(18,159)</b>

# Appendix B

## Capital Plan

Ref.	Description	Lead Officer	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
<b>Capital-GF Projects</b>							
PR031r	S106 Chesterton Rec Ground skate and scooter park	J Richards	47	0	0	0	0
PR040z	S106 Public art: Historyworks: Michael Rosen Walking Trail 2	N Black	10	0	0	0	0
PR042g	S106 To the River - artist in residence	N Black	40	0	0	0	0
PR042m	S106 Public art grant - Chesterton village sign	N Black	10	0	0	0	0
SC 745	S106 Chestnut Grove play area: benches and bins	J Parrott	4	0	0	0	0
SC 778	S106 Jesus Green ditch biodiversity improvements	A Wilson	47	0	0	0	0
SC 785	S106 The Art of Play	N Black	5	0	0	0	0
SC 792	S106 public art grant for Abbey People's Creative Canopy	N Black	12	0	0	0	0
SC590	Structural Holding Repairs & Lift Refurbishment - Car Parks	S Cleary	199	0	0	0	0
SC627	Guildhall Large Hall Windows refurbishment	W Barfield	101	0	0	0	0
SC644	Acquisition of land adjacent to Huntingdon Road Crematorium	G Theobald	37	0	0	0	0
SC645	Electric vehicle charging points - taxis	J Dicks	220	0	0	0	0
SC651	Shared ICT waste management software - Alloy/Yotta	S Tovell	117	0	0	0	0
SC654	Redevelopment of Silver Street Toilets	D O'Halloran	601	0	0	0	0
SC659	My Cambridge City online customer portal	N Kemp	22	0	0	0	0
SC662	Shared Planning Service software implementation	S Kelly	32	0	0	0	0
SC678	Crematorium - additional car park	G Theobald	339	0	0	0	0
SC679	Crematorium - cafe facilities	G Theobald	294	0	0	0	0
SC684	Property Management software	P Doggett	59	0	0	0	0
SC688	Environmental Health software	Y O'Donnell	23	0	0	0	0
SC689	Income management software	C Norman	78	0	0	0	0
SC690	Secure phone payments	C Norman	24	0	0	0	0
SC692	Cromwell Road Redevelopment (GF)	M Wilson	3,430	0	0	0	0
SC694	Meadows Community Hub and Buchan St retail outlet	J Smith	3,111	158	0	0	0
SC695	Cromwell Road Redevelopment - equity loan to CIP	C Ryba	5,350	0	0	0	0
SC696	Cromwell Road Redevelopment - development loan to CIP	C Ryba	4,600	0	0	0	0
SC708	Replacement plantroom at Jesus Green outdoor pool	I Ross	140	0	0	0	0
SC711	Guildhall PA system	F Alderton	25	0	0	0	0
SC712	Automation of Bishops Mill sluice gate	A Wilson	88	0	0	0	0
SC713	Replacement air quality monitoring equipment	J Smith	200	0	0	0	0

Ref.	Description	Lead Officer	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC714	Changing Places toilets at Quayside	A Wilson	100	0	0	0	0
SC715	Additional refuse vehicle for property growth shared with SCDC	M Parsons	420	0	0	0	0
SC716	Replacement telephony system with call centre	N Kemp	52	0	0	0	0
SC721	Call management for 3C ICT service desk	H Jones	7	0	0	0	0
SC724	Residential electric charging points	J Dicks	61	0	0	0	0
SC727	Logan's Meadow vehicular access	G Belcher	32	0	0	0	0
SC731	Cambridge Food Hub	V Haywood	100	0	0	0	0
SC732	Park Street car park development	D Prinsep	48,148	29,396	7,173	0	0
SC736	S106 Grant for St George's Church improvements	I Ross	3	0	0	0	0
SC738	S106 Wilberforce Road artificial pitches	I Ross	250	0	0	0	0
SC739	S106 Abbey Pool improvements	I Ross	144	0	0	0	0
SC740	S106 Chesterton Rec pavilion	I Ross	33	0	0	0	0
SC741	S106 Nightingale Rec Ground pavilion	J Parrott	503	0	0	0	0
SC742	L2 development loan to CIP	C Ryba	8,045	0	0	0	0
SC743	L2 equity loan to CIP	C Ryba	1,800	0	0	0	0
SC752	S106 Byron's Pool ecological mitigations	G Belcher	237	10	13	0	0
SC753	S106 Nine Wells ecological mitigations	G Belcher	89	0	5	10	0
SC754	Cambridge Corn Exchange - infrastructure improvements and upgrades	I Ross	1,000	0	0	0	0
SC755	Carbon saving investments within the Leisure portfolio	I Ross	279	0	0	0	0
SC756	EV infrastructure at the Cambridge City Council depot	S Cleary	57	0	0	0	0
SC758	Charging infrastructure for electric vehicles - Cambridge City council only	M Parsons	50	0	0	0	0
SC759	Creation of a new boat pumping station at Stourbridge Common	A Wilson	60	0	0	0	0
SC760	Investment programme for public toilet re-purposed property asset	A French	325	300	0	0	0
SC761	Installation of cattle ramp on Midsummer Common	A Wilson	38	0	0	0	0
SC763	Refurbishment of 125 Newmarket Road and refurbishment and alterations of 451 Newmarket Road	J McWilliams	60	0	0	0	0
SC764	Environmental Improvements Programme (EIP) options	A Wilson	526	0	0	0	0
SC765	Introduction of car parking charges at Cherry Hinton Hall	A French	19	0	0	0	0
SC767	Mobile phone replacement	H Jones	117	0	0	0	0
SC768	Extend data capacity in shared data centre	H Jones	60	0	0	0	0
SC769	Network equipment refresh	H Jones	73	0	0	0	0
SC770	ICT project delivery: project management, technical resource, business analysis and change management	N Kemp	40	0	0	0	0
SC771	Data and analytics - putting building blocks in place for future use of data and information management	N Kemp	70	0	0	0	0

Ref.	Description	Lead Officer	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC772	Market Square project	S French	318	0	0	0	0
SC773	Colville Rd Phase 3 - replacement of commercial units	D Prinsep	583	0	0	0	0
SC774	Information at work consolidation	H Jones	29	0	0	0	0
SC775	City centre recovery - Combined Authority grant funding	J Richards	515	0	0	0	0
SC776	BEIS grant for Parkside pools decarbonisation works	I Ross	867	0	0	0	0
SC777	BEIS grant for Abbey pool decarbonisation works	I Ross	354	0	0	0	0
SC779	Parker's Piece tree planting	M Magrath	5	0	0	0	0
SC780	S106 Darwin Green community centre equipment and furnishings	V Haywood	13	0	0	0	0
SC783	S106 tree planting at Coleridge Rd rec and Lichfield Rd play areas	M Magrath	5	0	0	0	0
SC784	S106 Restoration of natural habitats at Norman cement works Coldhams Lane	G Belcher	3	0	0	0	0
SC787	S106 Thorpe Way Rec Ground: new footpath	J Parrott	15	0	0	0	0
SC788	S106 bee banks	G Belcher	5	0	0	0	0
SC789	S106 Jubilee Gardens open space improvements	J Ogle	43	0	0	0	0
SC790	S106 Chesterton Rec wheelsport project	P Mullord	76	0	0	0	0
SC791	S106 Coldhams Common BMX track	D O'Halloran	81	0	0	0	0
SC793	Sustainable Warmth Grant - Local Authority Delivery Phase 3	J Smith	1,840	0	0	0	0
SC794	Sustainable Warmth Grant - Home Upgrade Grant	J Smith	4,625	0	0	0	0
SC795	CHUB - community extension to Cherry Hinton library	A Conder	764	0	0	0	0
SC796	Building Control software	H Jones	120	0	0	0	0
SC797	Waste - electric replacement vehicles	F Bryant	970	0	0	0	0
SC799	Closed churchyard wall repairs	A French	70	0	0	0	0
SC800	New vehicle to support S&OS Assets multi skilled operatives	A Wilson	45	0	0	0	0
SC801	Replacement vehicle lift	D Cox	40	0	0	0	0
SC802	Replacement roller brake test rollers	D Cox	45	0	0	0	0
SC803	Market Square electrics upgrade	T Jones	60	0	0	0	0
SC804	ICT & Digital Capabilities	N Kemp	300	0	0	0	0
SC805	ANPR at the Meadows Community Centre Car Park	C Flowers	37	0	0	0	0
SC806	Acquisition of Nursery, Timberworks, Cromwell Rd, Cambridge	D Prinsep	1,548	0	0	0	0
SC808	Our Cambridge transformation - Office Accommodation Strategy	N Kemp	77	0	0	0	0
SC809	Green Homes Grant (GF)	J Smith	2,040	0	0	0	0
SC810	S106 kettlebell frame for outdoor fitness area at Abbey Leisure Complex	I Ross	20	0	0	0	0
SC811	S106 Mill Road Centre fit out	A Conder	75	0	0	0	0

Ref.	Description	Lead Officer	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)
SC812	S106 Clay Farm community centre improvements	A Conder	17	0	0	0	0
SC813	S106 Trumpington Rec ground environmental enhancements	J Ogle	70	0	0	0	0
SC814	S106 public art grant for Ride with Pride (City-wide)	N Black	19	0	0	0	0
SC815	S106 Alexandra Gardens Rec - additional seating	J Parrott	5	0	0	0	0
SC816	S106 Jesus Green seating, benches and additional trees	J Parrott	13	0	0	0	0
SC817	S106 Coldhams Lane play area: benches, bins and noticeboards	J Parrott	10	0	0	0	0
SC821	S106 Nightingale Community Garden - informal kitchen	I Ross	9	0	0	0	0
SC822	Loan to CIP to purchase land off Wort's Causeway	C Ryba	33,940	0	0	0	0
SC823	S106 public art grant for Cherry Hinton Brook mural	N Black	5	0	0	0	0
SC824	S106 public art grant for Birdwood area art	N Black	4	0	0	0	0
SC825	S106 public art grant for Park Street Residents' Association	N Black	8	0	0	0	0
SC826	WREN solar project at Waterbeach	J Elms	0	1,170	130	0	0
<b>Capital-GF Projects</b>			<b>131751</b>	<b>31034</b>	<b>7321</b>	<b>10</b>	<b>0</b>
<b>Capital-Programmes</b>							
PR010	Environmental Improvements Programme	J Richards	86	0	0	0	0
PR010b	Environmental Improvements Programme - South Area	J Richards	41	0	0	0	0
PR010c	Environmental Improvements Programme - West/Central Area	J Richards	58	0	0	0	0
PR010d	Environmental Improvements Programme - East Area	J Richards	38	0	0	0	0
PR017	Vehicle Replacement Programme	D Cox	978	0	0	0	0
PR039	Minor Highway Improvement Programme	J Richards	71	0	0	0	0
PR053	Commercial property repair and maintenance	W Barfield	400	300	300	300	0
PR054	Administrative buildings maintenance	W Barfield	251	166	166	400	0
PR055	Depot Relocation programme to create Operational Hub	S Cleary	9,976	0	0	0	0
<b>Capital-Programmes</b>			<b>11,899</b>	<b>466</b>	<b>466</b>	<b>700</b>	<b>0</b>
<b>Capital-GF Provisions</b>							
PV007	Cycleways	J Richards	379	0	0	0	0
PV192	Development Land on the North Side of Kings Hedges Road	P Doggett	0	0	60	0	0
PV554	Development Of land at Clay Farm	D Prinsep	251	15	705	0	0
<b>Capital-GF Provisions</b>			<b>630</b>	<b>15</b>	<b>765</b>	<b>0</b>	<b>0</b>
<b>Total GF Capital Plan</b>			<b>144,280</b>	<b>31,515</b>	<b>8,552</b>	<b>710</b>	<b>0</b>

# Appendix C

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

Estimate of prudent level of General Fund reserves 2022/23			
Description	Level of risk	Amount at risk £	Risk £
Employee costs	Low	33,234,170	66,468
Premises costs	Medium	7,751,190	34,880
Transport costs	Medium	612,590	3,676
Supplies and services	Medium	29,012,910	87,039
Grants and transfers	Low	27,226,850	27,227
Grant income	Low	38,594,020	38,594
Other income	High	55,800,060	1,255,501
Miscellaneous	Low	312,850	469
Total one year operational risk			1,513,854
<b>Allowing three years cover on operational risk</b>			<b>4,542,000</b>
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
<b>General risks</b>			<b>2,312,000</b>
<b>Prudent Minimum Balance (PMB)</b>			<b>6,854,000</b>
<b>Target (PMB + 20%)</b>			<b>8,225,000</b>



# Appendix D

## Principal earmarked and specific funds

Fund	Balance at 1 April 2022	Anticipated contributions	Forecast expenditure	Forecast balance at 31 March 2027
Greater Cambridge Partnership (formerly City Deal) Investment and Delivery Fund	(5,214)	(196)	5,410	0
Climate Change Fund	(379)	0	379	0
Asset Replacement Fund (R&R)	(1,228)	0	1,228	0
Bereavement Services Trading Account	(801)	(960)	1,761	0
Local Plan Development Fund *	(411)	(900)	1,311	0
A14 Mitigation Fund	(1,500)	0	1,500	0
Cambridge Live Development Plan**	(213)	0	213	0
Covid Grants	(593)	0	593	0
NNDR Additional Income	(6,377)	0	6,377	0
Our Cambridge Transformation and Contingency Funds	(3,543)	0	3,543	0
<b>Total</b>	<b>(20,259)</b>	<b>(2,056)</b>	<b>22,315</b>	<b>0</b>

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.

\*\* Approval is sought to close this Fund.