AMENDMENT – CIVIC QUARTER PROJECT

Full Council, 26 November 2026 – Item 8B, Civic Quarter

Proposed by Councillor Flaubert

Seconded by Councillor tbc

Cabinet recommendations
Cabinet resolved unanimously on 16 November 2026 to recommend that Full Council:

1. Approve new capital expenditure of £86.880 million to deliver Option 1, securing the long-term future of the Guildhall, Corn Exchange, Market Square and associated public realm.
2. Delegate authority to the Section 151 Officer to carry out technical virements between capital and revenue budgets in respect of costs which form part of the project but cannot be capitalised under accounting regulations, for example support to market traders.
3. As an additional recommendation, increase the proposed new capital expenditure by a further £2.5 million to incorporate the EnerPHit standard as part of attaining Net Operational Zero for the Guildhall, bringing the total proposed new capital expenditure for Option 1 to £89.380 million.

Proposed amendment

That the Executive's recommendations concerning:

1. The approval of £86.880 million in new capital expenditure to deliver Option 1 of the Civic Quarter Project;
2. The proposed delegation of authority to the Section 151 Officer to carry out technical virements between capital and revenue budgets in respect of project costs which cannot be capitalised under accounting regulations; and
3. Cabinet's additional recommendation to increase the proposed new capital expenditure by £2.5 million to incorporate the EnerPHit standard, bringing the total proposed new capital expenditure to £89.380 million;
4. be referred back to Cabinet for reconsideration before Full Council makes its decision on the proposed capital commitment and associated financial delegation.

Full Council notes

The detailed project cost increased from approximately £92 million in 2025 to £109.4 million in August 2026, comprising £97.5 million for remaining work and £11.9 million described as already spent or committed.

The Section 151 Officer subsequently clarified that the £11.9 million related to the costs of completing RIBA Stage 4, some of which could be avoided if the project did not proceed.

Subsequent value engineering identified savings of approximately £13.7 million, reducing the revised overall project budget to £95.73 million, including the £11.9 million. The proposed

£86.880 million new capital expenditure represents this budget less £8.85 million previously approved.

The value-engineering proposals replaced the higher EnerPHit specification with Part L compliance, identifying an estimated capital saving of approximately £2.5 million. Reinstating EnerPHit increases the overall project budget to approximately £98.23 million.

Appendix 4 identifies an estimated 30-year net cost of approximately £1.8 million for Option 1 after utility savings and financing costs, compared with approximately £3.8 million for Option 2. However, its modelling is based on the £95.73 million budget before reinstatement of EnerPHit and does not clearly set out gross projected energy savings or the payback period.

The original Cabinet recommendation was for £86.880 million in new capital expenditure and the associated technical virement delegation. Cabinet subsequently added a further recommendation for £2.5 million to reinstate EnerPHit, increasing the proposed new capital expenditure to £89.380 million.

The additional EnerPHit recommendation represents a material change to the original financial proposal and requires corresponding updated financial modelling and affordability assessment.

The Chief Executive has advised that the Section 151 Officer's draft update concludes that reinstating EnerPHit would not alter the overall affordability assessment of Option 1, but that this update was due to be published after the deadline for Councillors to submit amendments.

The Chief Executive has advised that the £11.86 million expenditure figure relates to a project cost code containing other items, and that an initial estimate suggested approximately £8–9 million may actually have been spent. The confirmed figure was expected on 26 November 2026.

The Chief Executive has advised that contractual commitments may be subject to different interpretations by the Council and contractors if the project does not proceed or only some elements proceed, potentially requiring legal advice on individual contracts.

The Section 151 assessment identifies anticipated Park Street hotel rental income of approximately £3.8 million annually under a 30-year lease, approximately £1.9 million above the prudent budget assumption. The financial proposals provide for the additional income to be placed in reserve for two years, followed by the use of approximately £954,000 annually over 15 years.

Approximately £11.7 million of unspent Park Street borrowing is also being redirected to support the Civic Quarter.

Park Street borrowing totals £85 million and extends over 50 years, compared with the proposed 30-year hotel lease. The relationship between borrowing, debt servicing, rental

income and the amount genuinely available to support the wider General Fund requires transparent examination.

Appendix 4 identifies a construction contingency of approximately £2.3 million, equivalent to around 3% of construction costs, and examines 5% and 10% cost overruns. It also identifies moderate and severe downside scenarios requiring additional General Fund savings of approximately £1.1 million and £2.5 million annually respectively.

Appendix 4 identifies projected financial headroom of approximately £1.8 million by 2030/31, while recognising that Local Government Reorganisation could create additional costs of up to £1.5 million and substantially reduce that headroom.

The Section 151 assessment recommends a revenue contingency reserve of £4.8 million, but its establishment and funding arrangements are not included as a separate recommendation to Full Council.

The financial affordability of Option 1 is not based on the project being self-financing. Its implications for the wider General Fund, reserves and future Council budgets therefore require transparent consideration before the capital commitment is approved.

The proposed technical virement delegation also requires clear safeguards to ensure that the transfer of costs between capital and revenue budgets does not obscure the true financial implications of the project or result in unapproved additional expenditure.

Local Government Reorganisation introduces further uncertainty concerning the future ownership, management and financial responsibilities associated with the Guildhall and other Civic Quarter assets. Cambridge City Council should establish its own position on these matters before making substantial long-term financial commitments.

Cabinet is therefore requested to reconsider its proposals and address the following matters.

1. Independent financial review and assurance
Cabinet is requested to commission an independent financial review of the Civic Quarter business case, undertaken by suitably qualified external financial professionals who have not been involved in preparing, approving or auditing the business case.

The review should build on existing financial modelling and external advice, rather than simply repeat it, and have access to all relevant financial models, contracts, cost reports, risk registers and supporting information.

The review should examine:

a) Project budget, value engineering and contingency
Verify the revised £95.73 million project budget, increasing to approximately £98.23 million with EnerPHit.
Verify the approximately £13.7 million value-engineering savings, including their deliverability and any implications for operating costs or long-term performance.

Assess whether the approximately £2.3 million construction contingency is adequate against the 5% and 10% cost-overrun scenarios identified in Appendix 4.
Confirm that all necessary construction costs, professional fees and associated expenditure have been properly identified and included.
Assess the impact of construction inflation, delays and increased material and labour costs.
Identify what financial approvals and safeguards would apply if the construction contingency were exhausted.
b) Expenditure and contractual commitments
Provide a complete and independently verified reconciliation of Civic Quarter expenditure since project inception, distinguishing between:

- Actual payments made and unpaid invoices.
- Outstanding contractual commitments.
- Estimated future expenditure.
- Discretionary expenditure and costs that could be avoided if the project, or individual elements, did not proceed.
- This should include:
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- Verification of the approximately £11.86 million expenditure figure, including the actual amount spent and the balance relating to commitments or future work.
- Reconciliation of the Chief Executive's provisional estimate that approximately £8–9 million may actually have been spent.
- A breakdown of the £5.5 million multidisciplinary consultancy contract, including its original value, variations, payments, outstanding liabilities and remaining work.
- Identification of other significant professional fees and consultancy costs.
- Identification of potential termination liabilities, disputed contractual commitments and the financial consequences of stopping, suspending or changing the project.
- The review should establish the Council's actual financial exposure and distinguish sunk costs from future expenditure and avoidable commitments.

c) Borrowing, income and General Fund implications
Examine borrowing requirements, interest-rate exposure, debt servicing and the assumptions underpinning projected commercial income, including Guildhall rental income and Corn Exchange trading income.

The review should assess the sensitivity of the forecasts to lower income, higher operating costs and increased borrowing costs, including the consequences for the wider General Fund.

d) EnerPHit whole-life assessment and additional Cabinet recommendation
Independently assess the financial and environmental implications of Cabinet's additional recommendation to increase new capital expenditure by £2.5 million to incorporate EnerPHit as part of attaining Net Operational Zero for the Guildhall.

This should include:

Confirmation that the revised £98.23 million overall project budget and £89.380 million new capital expenditure have been incorporated into updated financial modelling.

The additional £2.5 million capital expenditure and associated borrowing costs.
Gross projected annual energy savings and resulting net savings.
Estimated payback period and 30-year financial impact.
Projected carbon reduction benefits.
The corresponding financial and environmental consequences of retaining Part L compliance.
Confirmation that the revised EnerPHit proposals have been subject to appropriate financial scrutiny and affordability assessment.
The review should explain the assumptions behind the approximately £1.8 million net 30-year cost identified in Appendix 4 and establish whether the additional investment represents value for money.

e) Reconciliation of project funding and overall budget
Reconcile the proposed £89.380 million new capital expenditure with the revised overall project budget of £95.73 million, increasing to approximately £98.23 million with EnerPHit.

This should identify:

The £8.85 million previously approved.
The approximately £11.86 million expenditure figure.
The additional £2.5 million EnerPHit provision.
All funding sources.

Any expenditure not included within the proposed capital approval.
Any revenue expenditure arising from the project.

f) Park Street income, borrowing and financial dependency
Examine the relationship between the Park Street and Civic Quarter projects, including:

The outstanding balance of the original £85 million Park Street borrowing and annual interest and principal repayment obligations.
The 30-year hotel lease, rental arrangements, tenant reliability and risks to the continuity of rental income.
The difference between gross annual rental receipts of approximately £3.8 million and the net contribution available after borrowing repayments and associated costs.
The basis on which approximately £1.9 million additional annual income is considered available above the prudent budget assumption.
The proposed two-year reserve arrangement and subsequent use of approximately £954,000 annually over 15 years.
The allocation of approximately £11.7 million of unspent Park Street borrowing to the Civic Quarter and its opportunity cost.
The financial contribution that would otherwise be available to support the wider General Fund.
The consequences of reduced or interrupted rental income, tenant default or changes to the lease.
The position when the 30-year lease expires, given the 50-year borrowing period.
The review should provide a year-by-year cash-flow analysis showing the relationship between Park Street rental receipts, interest payments, principal repayments, reserves and

the net contribution genuinely available to the General Fund throughout the borrowing period.

The review should establish whether allocating Park Street income and borrowing to the Civic Quarter represents a sustainable use of Council resources and whether adequate safeguards exist to protect the wider General Fund.

g) Financial sustainability and downside scenarios
Independently examine the moderate and severe financial scenarios in Appendix 4, including:

The assumptions underpinning each scenario and the Council's ability to deliver the required additional savings.
The consequences for reserves, future budgets and essential services.
The impact of construction cost increases beyond the existing contingency.
The combined effect of lower commercial income, higher operating and borrowing costs and reduced Park Street income.
The impact of higher interest rates, inflation and construction delays.
The ability of the Council to manage these pressures without undermining its wider financial position.
The independent review, together with the Section 151 Officer's written response and updated assessment, including an updated public version of Appendix 4 and supporting financial schedules, should be provided to all Councillors before the revised proposals return to Full Council.

The findings should be published, subject to necessary protection of genuinely commercially confidential or legally privileged information. Where information is withheld, the Council should publish the reasons and provide the fullest possible non-confidential financial summary.

2. Full financial comparison of the four options
Cabinet is requested to provide an updated, like-for-like financial comparison of all four options, incorporating the reinstatement of EnerPHit where applicable and reflecting the latest project costs, borrowing requirements, income assumptions and financial risks.

The options are:

Option 1: Full Civic Quarter refurbishment incorporating value engineering.
Option 2: Guildhall refurbishment, with the majority of the building leased commercially while retaining civic functions.
Option 3: Proceed with Market Square and Corn Exchange improvements while deferring the Guildhall decision.
Option 4: Proceed with Market Square and Corn Exchange improvements while selling the Guildhall.
Option 3 is included for comparison only and does not imply that the Guildhall decision should be deferred.

The comparison should identify:

a) Capital costs and borrowing requirements.

b) Projected commercial income and operating costs.

c) Long-term General Fund implications and net present value.

d) Financial, operational and delivery risks.

e) The consequences of proceeding with Market Square and Corn Exchange independently of the Guildhall investment.

f) The assumptions concerning Park Street rental income, borrowing and the opportunity cost to the wider General Fund.

g) The whole-life financial and environmental implications of including or excluding EnerPHit.

h) Long-term maintenance, repair and compliance liabilities under each option, including the consequences of deferring expenditure rather than eliminating it.

Cabinet should explain the financial and strategic reasoning underpinning its preferred option and demonstrate how it represents long-term value for Cambridge residents.

3. Determining and protecting the future of the Guildhall
Cabinet is requested to establish a clear and agreed position on the future purpose, ownership, use and long-term protection of the Guildhall before committing to the proposed investment.

Cambridge City Council should not leave the future of this important historic civic asset entirely to a successor unitary authority.

The Council should take responsibility for determining what the Guildhall is intended to provide for Cambridge residents, including its civic, public, cultural and commercial functions.

This assessment should:

a) Establish a clear long-term vision for the Guildhall, recognising its historic significance and importance to Cambridge.

b) Identify which civic and public functions should be retained and protected.

c) Examine alternative approaches to refurbishment, maintenance, commercial letting and future use, including phased refurbishment, essential repairs and retention of historic civic and public functions.

d) Establish the financial implications and long-term liabilities associated with the proposed investment and alternative approaches.

e) Consider safeguards against disposal or fundamental changes of use without transparent public consultation, democratic scrutiny and a fully evidenced business case.

f) Ensure that the Council's intentions concerning the Guildhall are formally recorded and presented as part of any future Local Government Reorganisation and asset-transfer arrangements.

g) Ensure that the implications of transferring the building, its borrowing, contractual commitments and future maintenance liabilities are fully assessed before any transfer takes place.

h) Identify what protections can lawfully be secured to recognise the Guildhall's historic, civic and public importance in any future reorganisation arrangements.

The Council should not proceed on the assumption that a successor authority will automatically retain the Guildhall's intended civic and public functions or adopt the current Council's investment decisions.

The objective is to establish a clear position now, protect Cambridge's interests and avoid committing substantial public resources without properly considering the consequences of Local Government Reorganisation.

4. Protection of Cambridge's financial interests during Local Government Reorganisation
Recognising that the Government has paused the reorganisation process, Cabinet is requested to provide clear financial assurances concerning the potential implications of Local Government Reorganisation for the Civic Quarter Project and the Council's wider financial position.

Should reorganisation proceed, this should address:

a) How Civic Quarter assets, borrowing, contractual commitments, reserves and liabilities may be treated under future unitary arrangements.

b) How the financial consequences of the investment would be recognised and allocated between the existing Council and any successor authority.

c) Safeguards to protect Cambridge's financial resources, reserves and essential services from additional transition costs.

d) Transparent recording of capital commitments, grants, borrowing, projected income and outstanding liabilities before any transfer of assets or responsibilities.

e) How Cambridge's financial interests can be properly represented in transition arrangements.

f) Confirmation that a successor authority should not be assumed to automatically adopt the existing Council's investment, borrowing or commercial income assumptions without its own consideration.

g) The potential additional costs of reorganisation and their impact on the projected General Fund headroom identified in Appendix 4.

h) An assessment of the risk that the Guildhall could subsequently be sold, commercially redeveloped, have its civic functions removed or be subject to fundamental changes of use by a successor authority.

i) The extent to which the Council's intentions, the public investment made and the reasons for that investment can be formally recorded and represented in any reorganisation and asset-transfer arrangements.

j) The financial consequences of transferring the Civic Quarter assets and associated liabilities, including any mismatch between the duration of borrowing, contractual commitments, projected income and the expected transfer arrangements.

Cabinet should identify what protections can lawfully be secured and what matters would remain subject to decisions by the successor authority.

5. Financial monitoring and safeguards
Cabinet is requested to establish clear financial monitoring and control arrangements for the Civic Quarter Project, including:

a) Clear project cost limits and appropriate construction and financial contingencies.

b) Regular financial reporting and appropriate approval requirements before material increases in expenditure are committed.

c) A bespoke capital project monitoring process to identify emerging overspends and allow early mitigating action.

d) Controls ensuring that financial commitments take account of Local Government Reorganisation and do not create avoidable risks for Cambridge residents or any successor authority.

e) Regular financial updates to Councillors covering actual and forecast expenditure, borrowing, commercial income, contingency usage and emerging risks.

f) Technical virement delegation
Establish clear limits, reporting arrangements and safeguards for the proposed delegation to the Section 151 Officer to carry out technical virements between capital and revenue budgets for project costs which cannot be capitalised under accounting regulations.

These arrangements should:

Confirm that the delegation is restricted to genuine accounting and budget adjustments necessary to reflect the correct treatment of project expenditure.
Ensure that all revenue expenditure arising from the project is identified, quantified and reported.
Confirm that the delegation cannot increase the overall approved project budget or authorise additional project expenditure.
Ensure that virements cannot be used to disguise overspending, obscure the true cost of the project or circumvent Full Council approval.
Require material virements and their financial consequences to be reported transparently to Councillors.
Establish appropriate approval and reporting requirements where proposed changes have material implications for the General Fund or other Council budgets.
g) Revenue contingency reserve
Confirm that the £4.8 million revenue contingency reserve recommended by the Section 151 Officer will be established, identifying its funding source, arrangements for maintaining it, how its adequacy will be reviewed, how its use will be authorised and how it will be reported to Councillors.

Cabinet should also clarify whether the reserve represents additional financial provision or the reallocation of resources from existing reserves or other budget commitments.

h) Park Street income and protection of the General Fund
Establish specific monitoring and reporting arrangements for Park Street rental income and its contribution to the Civic Quarter and wider General Fund.

These should include:

- Actual rental income received against budget and projections.
- The financial performance and contractual position of the hotel lease.
- Outstanding Park Street borrowing and associated debt servicing costs.
- Net income allocated to the Civic Quarter and the amount remaining available to support the wider General Fund.
- The status and adequacy of the proposed income reserve arrangements.
- The remaining borrowing obligations following the expiry of the 30-year hotel lease.
- Any material change in rental income, tenant position, lease arrangements, borrowing costs or financial assumptions should be reported promptly to Councillors, together with an assessment of the implications for the Civic Quarter Project and wider General Fund.
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- Cabinet should establish arrangements for managing any shortfall and ensure its financial consequences are assessed before additional General Fund resources, reserves or borrowing are committed.
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- Any proposal to meet a shortfall through additional General Fund resources, reserves or borrowing should be subject to transparent financial assessment and appropriate democratic approval.

The Council should not assume that the General Fund can automatically absorb any shortfall without consequences for other priorities and essential services.

6. Full Council oversight and approval
Cabinet is requested to ensure that the revised proposals, together with the independent financial review, the updated Section 151 Officer assessment and all relevant supporting financial information, are provided to Councillors in sufficient time for proper consideration before Full Council makes its decision on the proposed capital commitment.

No further material discretionary expenditure or new contractual commitments beyond those already authorised should be entered into pending Full Council's consideration, except where necessary to discharge existing contractual or legal obligations, protect the Council's interests or prevent deterioration of its assets.

Full Council should have the opportunity to consider the complete financial position, outstanding risks, contractual commitments and recommendations before deciding whether to approve the proposed investment, amend its scope or defer any part of the project.

Purpose of the amendment

The purpose of this amendment is not to prevent investment in the Civic Quarter, but to ensure that substantial public expenditure is supported by robust financial evidence, appropriate independent scrutiny and a clear understanding of the long-term consequences for Cambridge residents and essential Council services.

It seeks to ensure that Cambridge City Council takes responsibility for determining the future purpose and role of the Guildhall now, rather than leaving its future entirely to a successor authority.

A central concern is the allocation of Park Street rental income and borrowing to support the Civic Quarter investment. Although the hotel is let on a 30-year lease and the rental income is described as relatively secure, the Council's borrowing extends over 50 years. The amendment therefore seeks proper scrutiny of the relationship between rental income and borrowing obligations, the risks associated with the tenant and lease arrangements, and the opportunity cost of allocating these resources to the Civic Quarter rather than retaining them to support the wider General Fund.

It also seeks clarity on how much Park Street income genuinely remains available after borrowing repayments and associated costs, how the proposed income reserve arrangements will operate and what safeguards are needed to protect the Council's wider financial position.

The amendment recognises that the proposed investment is not self-financing and that the financial scenarios identified in Appendix 4 could require substantial additional General Fund savings. It therefore seeks independent examination of the business case assumptions, the adequacy of the construction contingency and the potential consequences for reserves, future budgets and essential Council services.

It also seeks clarity on the additional EnerPHit expenditure introduced by Cabinet, its whole-life financial and environmental implications, and the arrangements for establishing and maintaining the £4.8 million revenue contingency reserve recommended by the Section 151 Officer.

The comparison of all four options is for financial transparency and scrutiny purposes only. Inclusion of Option 3, involving deferral of the Guildhall decision, and Option 4, involving potential sale of the Guildhall, should not be interpreted as an endorsement of either course of action.

The amendment also recognises that Local Government Reorganisation creates uncertainty about the future ownership, control and financial responsibilities associated with the Civic Quarter. Cambridge City Council should establish its own position on the Guildhall, protect its financial interests and ensure that the public investment and its intended benefits are properly documented before any transfer to a successor authority.

The objective is to protect Cambridge's financial interests, preserve its important historic civic assets and ensure that decisions are made transparently and in the long-term interests of the city.