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**South Cambridgeshire**
District Council

28 January 2020

To: The Leader – Councillor Bridget Smith
Deputy Leader (Statutory) – Councillor Dr. Aidan Van de Weyer
Members of the Cabinet – Councillors Neil Gough (Deputy Leader), Bill Handley, Dr. Tumi Hawkins, Hazel Smith and John Williams
Quorum: Majority of the Cabinet including the Leader or Deputy Leader (Statutory)

Dear Councillor

You are invited to attend the next meeting of **CABINET**, which will be held in the **COUNCIL CHAMBER - SOUTH CAMBRIDGESHIRE HALL** at South Cambridgeshire Hall on **WEDNESDAY, 5 FEBRUARY 2020** at **9.30 a.m.**

Yours faithfully
**Liz Watts**
Chief Executive

**The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.**

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## AGENDA

**PAGES**

**1. Apologies for Absence**
To receive Apologies for Absence from Cabinet members.

**2. Declarations of Interest**

**3. Minutes of previous meeting** **1 - 6**
To authorise the Leader to sign the Minutes of the meeting held on 8 January 2020 as a correct record.

**4. Announcements**

**5. Public Questions**

Mr. Daniel Fulton is asking this question on behalf of the Fews Lane Consortium.

> "As the Cabinet will likely be aware, the Council is already facing two claims for judicial review over allegedly unlawful planning decisions. The Cabinet should also be aware that two further claims, on separate and distinct grounds of illegality, will also be issued in the coming weeks if the Council continues to refuse to acknowledge

that any errors have been made.

As local planning authority, the Council can continue to issue illegal planning permissions if it wishes to do so. However, as the Council's elected political leadership, I would like to respectfully suggest that issuing further illegal planning permissions only to have them publicly quashed by the High Court after years of litigation may not be a politically expedient method of the Council discharging its statutory functions as the local planing authority.

Officers' strategy for dealing with the issues raised by the Consortium is obviously not working. Will the Cabinet please consider, in closed session if necessary, whether officers require more oversight from the council's elected leadership in order to work towards successfully resolving the issues raised by the Consortium?"



**17. Date of next meeting**
Wednesday 4 March 2020 at 9.30am

**18. Exclusion of Press and Public**
The law allows Councils to consider a limited range of issues in private session without members of the Press and public being present. Typically, such issues relate to personal details, financial and business affairs, legal privilege and so on. In every case, the public interest in excluding the Press and Public from the meeting room must outweigh the public interest in having the information disclosed to them. The following statement will be proposed, seconded and voted upon.

"I propose that the Press and public be excluded from the meeting

during the consideration of the following item numbers 19, 20 and 21 in accordance with Section 100(A) (3) of the Local Government Act 1972 on the grounds that, if present, there would be disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act." (Information relating to the financial or business affairs of any particular person (including the authority holding that information).

If exempt (confidential) information has been provided as part of the agenda, and Cabinet chooses to discuss that information, the Press and public will not be able to view it, or be present while it is being discussed.

There will be an explanation on the website however as to why the information is exempt.

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# Agenda Item 3

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

Minutes of a meeting of the Cabinet held on
Wednesday, 8 January 2020 at 9.30 a.m.

PRESENT: Councillor Bridget Smith (Leader of Council)
Councillor Dr. Aidan Van de Weyer (Deputy Leader of Council (Statutory))

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| Councillors: | Neil Gough | Deputy Leader |
| | Bill Handley | Lead Cabinet Member for Environmental Services and Licensing |
| | Dr. Tumi Hawkins | Lead Cabinet member for Planning |
| | Hazel Smith | Lead Cabinet member for Housing |
| | John Williams | Lead Cabinet member for Finance |

Officers in attendance for all or part of the meeting:

| | |
|---|---|
| Emma Davies | Principal Sustainability Consultant |
| Johanna Davies | Economic Development Officer |
| Paul Frainer | Assistant Director (Strategy & Economy) |
| Susan Gardner Craig | Interim Director of Corporate Services |
| Peter Maddock | Head of Finance |
| Jonathan Malton | Cabinet Support Officer |
| Rory McKenna | Deputy Head of Legal Practice |
| Ian Senior | Democratic Services Officer |
| Liz Watts | Chief Executive |

Councillors Dr. Claire Daunton, Heather Williams and Nick Wright were in attendance, by invitation.

## 1. APOLOGIES FOR ABSENCE

While there were no apologies from Cabinet members, Councillors Anna Bradnam, Grenville Chamberlain, Dr. Douglas de Lacey and Brian Milnes sent Apologies for Absence.

## 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

## 3. MINUTES OF PREVIOUS MEETING

Cabinet authorised the Leader to sign, as a correct record, the Minutes of the meeting held on 11 December 2019.

## 4. ANNOUNCEMENTS

There were no announcements.

## 5. PUBLIC QUESTIONS

There were no public questions.

## 6. ISSUES ARISING FROM THE SCRUTINY AND OVERVIEW COMMITTEE

Cabinet **received and noted** a report from Councillor Grenville Chamberlain (Chairman, Scrutiny and Overview Committee) and Councillor Brian Milnes (Vice-Chairman, Scrutiny and Overview Committee), informing it about the discussions at, and recommendations from the Committee's meeting held on 17 December 2019.

The report related to

- Housing Revenue Account Capital Programme update
- Update on the Greater Cambridge Shared Planning Service
- An Economic Action Plan and new Business Support Service for South Cambridgeshire
- Proposed Scrutiny Review

Cabinet noted that neither the Chairman nor Vice-Chairman of the Scrutiny and Overview Committee was able to attend the Cabinet meeting to present the report.

## 7. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME UPDATE

Cabinet received a report updating it about the Housing Revenue Account (HRA) Capital programme reprofiling spend in line with current expectations, and amending the programme where budgets were inconsistent with expected spending needs.

Those present noted that such inconsistencies sometimes arose because projects were taking longer than expected or because projects had been spread over several years whereas the budget figures represented a single year.

Cabinet

**(a)** **Noted** the outturn position of a £2.742 million underspend for the Housing Revenue Account (HRA) Capital Programme and that, of this, £1.124 million was at that time proposed for reprofiling into future years;

**(b)** **Considered** the updated HRA capital programme at Appendix B which had been re-profiled in line with the expected timing of spend and amended in line with expected levels of spend where appropriate;

**(c)** **Noted** that, in order to finance the updated Capital Programme, borrowing of around £10 million was likely to be required during 2021/22;

**(d)** **Noted** that, following the abolition of the HRA debt cap, a local debt cap had been calculated as £250 million at 1st April 2019 rising to £300 million as at 31st March 2022;

**(e)** **Recommended to Full Council** the revised HRA capital programme for the period 2019/2020 to 2024/2025, at Appendix B, to reflect amendments to, and the reprofiling of expenditure identified in the report.

## 8. COLLECTION FUND - ESTIMATED COUNCIL TAX SURPLUS

Cabinet considered a report setting out the estimated Council Tax Surplus.

Opposition Councillors expressed concern that, should future decisions be delegated, there would be little or no opportunity for non-Executive Councillors to consider the information.

Councillor John Williams, Lead Cabinet Member for Finance, said that this matter was merely part of the process and, in itself, attracted little public interest.

The Head of Finance observed that collection details would form part of the Budget report and help to inform all precepting Authorities,

Cabinet

**(a)** **approved** an estimated surplus at 31 March 2020 in relation to the Council Tax element of the Collection Fund of £0.774 million be declared for 2019/2020 and shared between the Council, Cambridgeshire County Council, Cambridge Police & Crime Commissioner and the Cambridgeshire Fire Authority in proportion to their 2019/2020 precepts on the Collection Fund;

**(b)** agreed that, in future financial years, the determination of the estimated Collection Fund surplus for distribution to precepting bodies be **delegated** to the Lead Cabinet Member for Finance.

## 9. ADOPTION OF THE GREATER CAMBRIDGE SUSTAINABLE DESIGN AND CONSTRUCTION SUPPLEMENTARY PLANNING DOCUMENT

Cabinet considered a report on the Greater Cambridge Sustainable Design and Construction Supplementary Planning Document (SPD) which had been prepared to provide guidance on the implementation of policies related to climate change and sustainable design and construction within the adopted South Cambridgeshire and Cambridge Local Plans in order to support the Greater Cambridge growth agenda and delivery of sustainable development.

The report detailed representations made to South Cambridgeshire District Council and responses given as a result of the public consultation exercise.

Cabinet noted comments made by Councillor Dr. Douglas de Lacey, who had

been unable to attend this meeting, and by the Scrutiny and Overview Committee.

Those present noted that the intention underpinning the SPD would be to encourage developers to exceed the standards expected by the South Cambridgeshire Local Plan 2018.The SPD would become a material consideration in determining future planning applications.

Councillor Nick Wright urged measures to support the aspirations of the owners of Listed Buildings wanting to improve the sustainability of their homes. Officers said that, while the Supplementary Planning Document made no specific provision itself, South Cambridgeshire District Council was working with Historic England to find a suitable solution. The Leader said that the emerging Greater Cambridge Local Plan would present an opportunity to be radical in terms of design and sustainability.

Following further comments, Cabinet

a) **Considered** the main issues raised in the public consultation; **agreed** responses to the representations received and agreed consequential proposed changes to the Supplementary Planning Document (SPD) as set out in the Consultation Statement and the tracked changed version of the SPD for adoption (See Appendices A and B);

b) Subject to a), **adopted** the Greater Cambridge Sustainable Design and Construction SPD; and

c) **Delegated** to the Joint Director of Planning and Economic Development, in liaison with the Lead Cabinet Member for Planning, the authority to make any editing changes to the SPD prior to publication.

## 10. AN ECONOMIC ACTION PLAN AND NEW BUSINESS SUPPORT SERVICE FOR SOUTH CAMBRIDGESHIRE

Cabinet considered a report on the Greater Cambridge Economic Action Plan drawn up jointly by South Cambridgeshire District Council, the Greater Cambridge Partnership and Cambridge City Council.

Cabinet noted several points made by Councillor Dr. Douglas de Lacey, who had been unable to attend the meeting.

During the ensuing debate, the Leader said that discussions had taken place between South Cambridgeshire District Council and the Chamber of Trade with regard to measures aimed at mitigating the impact of Brexit.

The Chief Executive highlighted the steps being taken by the Council to recruit a small Business Support Service dedicated, among other things, to working with Small and Medium-sized Enterprises (SMEs).

Councillor Nick Wright welcomes the initiative and expressed the hope that it

would help encourage the take up of available space in Enterprise Zones across South Cambridgeshire.

The Leader concluded by thanking officers, and emphasising the importance of joint-working.

Cabinet

a) **Approved** the Greater Cambridge Economic Action Plan;

b) **Delegated** authority to the Joint Director of Planning and Economic Development to make minor typographical/factual changes or changes to improve legibility/understanding prior to the publication of the Economic Action Plan;

c) Agreed the proposal for a new Business Support Service for South Cambridgeshire.

## 11. DATE OF NEXT MEETING

Cabinet noted that its next scheduled meeting would be on Wednesday 5 February 2020 starting at 9.30am.

## 12. EXCLUSION OF PRESS AND PUBLIC

Cabinet **agreed** by affirmation that the Press and public be excluded from the meeting during consideration of Appendices 1 and 2 to the following item number 13 (but not the covering report - Response to Anglian Water) in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972 (as amended) (exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act). Paragraph 3 refers to information relating to the financial or business affairs of any particular person (including the authority holding that information).

## 13. RESPONSE TO ANGLIAN WATER

Cabinet considered a publicly-available report and two confidential appendices relating to the Anglian Water project to relocate the Cambridge Waste Water Treatment Works. A similar report and appendices would be considered by Cambridge City Council.

On 18 December 2019, South Cambridgeshire District Council and Cambridge City Council had received communications outlining Anglian Water's proposed arrangements for public consultation. The project represented an important part in the two Councils' Joint Area Action Plan for North East Cambridge, which envisaged the area becoming a major area for change. The proposed Statement of Community Consultan had been the subject of informal engagement with Anglian Water's team prior to its submission. The Councils had until 15 January 2020 to reply with comments on the proposed consultation. A response from South Cambridgeshire District Council had been drafted and attached as a

confidential appendix to the report.

Those present discussed several issues arising from the confidential appendices.

The Leader asked that proposed locations and ‘footprints’ of the Waste Water Treatment Works should be more specific.

Cabinet:

a) **Noted** the details of the proposed statement of community consultation

b) **Delegated** to the Joint Director of Planning and Economic Development the submission of South Cambridgeshire District Council’s response to the proposed statement of community consultation as set out in Appendix 2 to the confidential report, subject to

   i. Anglian Water undertaking additional public consultation as proposed at the meeting; and
   ii. Ensuring enough flexibility in the proposals to allow for amendment should there be a change in circumstances as discussed at the meeting.

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**The Meeting ended at 10.40 a.m.**

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South Cambridgeshire District Council

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| **REPORT TO:** | Cabinet | 4 February 2020 |
| **LEAD MEMBER:** | Councillor Grenville Chamberlain, Chairman, Scrutiny and Overview Committee and Councillor Brian Milnes, Vice Chairman, Scrutiny and Overview Committee | |

# Update from Scrutiny and Overview Committee

## Purpose

1. This report is to inform Cabinet of the discussions and recommendations agreed by the Scrutiny and Overview Committee at its meeting of 21 January 2020, which Cabinet may wish to consider in its decision making.

## 2020-25 Business Plan

2. The committee considered and commented on the proposed 2020-25 Business Plan and action grid. Committee members suggested some changes and subject to the incorporation of these, supported the Business Plan's onward submission to Cabinet for consideration and to Council for approval.

## Property Investment

3. The committee considered this item in confidential session. The committee heard representations from the local members and Town Clerk. The committee had no specific recommendations. The committee supported the continuation of negotiations and for the final decision on this matter to be taken by full Council.

## Review of Reserves & Provisions

4. The committee considered and commented on the review of the Council's Revenue Reserves and Provisions as part of the 2020/21 budget setting process.

5. Committee members thanked officers and the Lead Cabinet Member for the very clear reports, all of which were easy to understand.

6. The committee endorsed the recommendations to Cabinet.

## Capital Strategy

7. The committee considered the updated Capital Strategy.

8. Accessibility of the document was queried for those with visual impairment in relation to the design of the front cover which had text against colour. The inclusion of a glossary was suggested. At paragraph 9.3 of the Strategy, the committee suggests that wording be changed from 'The Council accepts higher risk on commercial property investment', to 'the Council acknowledges/recognises the higher risk on commercial property investment'.

9. The committee endorsed the recommendations.

## Capital Investment Programme

10. The committee considered and commented on the Council's Capital Programme for the financial years 2020/21 to 2024/2025.

11. The committee had no specific comments to make on this and endorsed the recommendations to Cabinet.

## Treasury Management Strategy

12. The committee considered and commented on the Treasury Management Strategy.

13. As with the Capital Strategy, the accessibility of the document for those with visual impairment was queried in relation to the design of the front cover.

14. Some concern was raised by committee members regarding the potential risk to the Council of future interest rate rises. Members were reassured that the Council was doing all it reasonably could to balance the risks.

15. The committee endorsed the recommendations to Cabinet.

## Summary General Fund Revenue Budget 2020/21

16. The committee considered and commented on the summary General Fund Revenue Budget for 2020/21.

17. Concerns regarding the economic outlook were discussed, as was the economic resilience of the district. The anticipated impact of the fair funding review on the Council was also discussed.

18. The committee endorsed the recommendations to Cabinet.

## Report Author:

Victoria Wallace – Scrutiny and Governance Adviser 01954 713026

South Cambridgeshire District Council

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| **REPORT TO:** | Cabinet | 05 February 2020 |
| **LEAD CABINET MEMBER:** | Cllr Neil Gough | |
| **LEAD OFFICER:** | Director of Corporate Services | |

# Greening South Cambridgeshire Hall – Investment Grade Proposal

1. This report presents Investment Grade Proposal details for a range of measures to reduce the emissions from our South Cambridgeshire Hall office building, generate savings on energy bills and a long-term revenue stream for the organisation.

2. This is a key decision.

## Recommendations

3. Cabinet is requested to:

   a) review the Investment Grade Proposal (IGP) key points contained within this report and the IGP Executive Summary document at **Appendix A**
   b) provide approval for the full business case as detailed within this report and **Appendix A**, and to progress the project to the implementation phase.

## Reasons for Recommendations

4. 'Being Green to Our Core' has been identified as a key priority within the council's 2019-24 Business Plan. As part of this priority South Cambridgeshire District Council has declared a Climate Emergency and is committed to reaching zero carbon by 2050.

5. South Cambridgeshire Hall is the main base from which the Council operates. It is the landmark from which we want to show how the Council is responding to zero carbon agenda. As such, the greening of South Cambridgeshire Hall forms a central part of our 'Green to our Core' programme.

6. These recommendations are required to enable this project to progress to implementation stage, which would see the installation of a range of measures to reduce the emissions from the South Cambridgeshire Hall office building, achieving savings on energy bills and revenue from generation of heat and electricity.

7. The recommendation is for Cabinet to provide approval for all seven ‘energy conservation measures’ included within the IGP. These include both energy efficiency and renewable energy generation measures. The successful completion of all seven measures is integral to the achievement of overall return on investment and emissions savings.

8. This project will be delivered through an energy performance contract with our procured contractor Bouygues. The energy performance contract will guarantee the cost saving, payback and carbon reduction outlined within the IGP document. The contract is based on an integrated programme of energy conservation measures. The removal of any individual energy conservation measure would have a detrimental impact on the overall guaranteed financial business case and guaranteed emissions savings.

### Project Summary

9. A summary of the key project details is included for quick reference below:

- Guaranteed maximum capital cost - £1,870,000
- Guaranteed maximum payback period - 16 years
- Average annual payback over 16 years - £116,500 per year
- Average savings and revenue over 20 year project term - £130,549
- Guaranteed minimum carbon emissions savings – 171 tonnes CO2 per year (49%*)
- Guaranteed renewable energy generation - 617,000 kWh per year (42%*)
- Minimum energy savings guarantee – 827,000 kWh per year (57%*)

*of existing baseline levels for South Cambs Hall.

## Details

### Energy Conservation Measures

10. As detailed within Appendices A and B, seven Energy Conservation Measures (ECMs) are proposed. These are:

ECM1 – Solar Carport
420 solar PV modules providing partial coverage of our staff carpark and delivering on-site electricity.

ECM2 – Ground Source Heat Pump
A heat pump and system of bore holes in the car park connecting to the main heating and hot water system of the building, reducing our natural gas usage.

ECM3 – LED Lighting Upgrade
The replacement of internal office lighting with high-efficiency LED lighting to deliver energy savings.

ECM4 – Building Energy Management System (BEMS) renewal
A new Building Energy Management System that will be programmed to avoid excessive energy demands associated with heating and cooling of the building.

ECM5 – Chiller Efficiency Improvements
Modifications to increase the efficiency and lifespan of our Chiller unit and delivery energy savings.

ECM6 – Air Handling Unit Fan Replacement
Replacement of fans on Air Handling Unit to increase efficiency and deliver energy savings.

ECM7 – Electric Vehicle Chargers
20 Electric Vehicle Chargers integrated into solar carports allowing staff and Members to charge during the day.

## Project Costs

11. The maximum cost of the implementation of all of these measures is £1,920,000 (made up of the costs set out in paragraph 9 above and detailed at Appendix A plus the estimated additional expenditure to cover potential costs, e.g. additional off-site parking and planning related investigations).

12. The IGP has been developed to include further technical options to maximise wider benefits. These benefits include:
    - Reduction in ongoing maintenance costs associated with statutory monthly emergency lighting tests. At present this equates to approximately £12,000 per year.
    - Enhanced staff comfort and productivity to achieve optimal working conditions, through individual lighting controls.
    - Increased commercial attractiveness of the South Cambridgeshire Hall building for potential tenants and building hire.
    - A streamlined solar carport design to minimise visual and physical impact.

## Payback and Carbon Savings

13. The primary objective of this project is to reduce emissions from the South Cambridgeshire Hall office building. The installation of these measures will enable the Council to achieve savings on energy bills, operational costs and revenue from generation of heat and electricity.

14. The payback for the capital cost of £1,870,000 outlined in paragraph 9 above is 16 years. This is based only on the guaranteed income and savings as outlined in the IGP. Upon implementation of all measures listed at paragraph 10, the project will achieve a minimum combined annual savings and income of £94,473 in the first year. This will increase annually in line with inflation. The project will achieve a 20 year IRR of 2.8%.

15. This payback period does not include wider cost-related benefits that can be taken into consideration, including:

- Potential to generate income through the adoption of a charging strategy for Electric Vehicle charging.
- Decreased maintenance costs (e.g. emergency light testing as detailed above and ability to utilise the BEMS at new commercial buildings).
- Potential to review our pool car and fleet arrangements with the availability of charging facilities on-site.
- Potential increased commercial attractiveness and value of the building asset.

16. In total the measures outlined above would be guaranteed to achieve 171 tonnes of carbon per year. This equates to 49% of the building's current carbon footprint; however, carbon savings increase to a 90% reduction on 2019 levels by 2050 if decarbonisation of the electricity grid is taken into account (at the rates forecast by the Department for Business, Energy and Industrial Strategy (BEIS) - see 'Carbon Emissions Reduction' section of **Appendix A** for further details).

17. If a cost equivalent was applied to these emissions savings, then using the Greater London Authority's (GLA) approach of £60 per tonne, this would equate to in excess of £200,000 over the next 15 years (see 'Carbon Cost Savings' section of **Appendix A** for further details).

18. The Ground Source Heat Pump underpins this carbon reduction by significantly reducing our reliance on the mains gas supply. Undertaking this aspect of the project now allows us to register the installation to the Renewable Heat Incentive ahead of the April 2021 reform, which may mark the end of the subsidy.

### Other Considerations

19. The implementation of the energy conservation measures detailed within this proposal will result in some inevitable disruption to the Council's carparking arrangements. We are exploring options to mitigate disturbance and to avoid disruption to the democratic process, including:

- Scheduling of works to avoid periods of high usage of the building and carpark.
- Working with local partners to identify alternative parking within the vicinity of the building.
- Exploring possibilities to use land assets for additional carparking.
- Devising an engagement programme with staff to consider how we travel to work and make decisions on when to travel into the office.

## Implications

20. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:

## Financial

21. If approved the costs of this budget will be allocated from the Renewables Reserve. A budget bid was originally submitted for this project, for a total of £1.3 million. This was based on information and costs that were provided within the initial High-Level review completed by Bouygues.

22. The costs have increased since this point primarily due to the additional costs relating to the lighting (difficulties identifying retrofit for existing bespoke installation) and the Ground Source Heat Pump (30% increase in the number of boreholes required due to geothermal properties of the carpark) elements of the project, plus agreed enhancements.

## Legal

23. Our obligations are outlined within the Energy Performance Contract, due to be reviewed by 3C Legal and Local Partnerships (Re:fit framework owners).

## Staffing

24. This project is being resourced from existing staff and budgets.

## Risks/Opportunities

25. There is a strict programme and project management structure in place which reviews risk and issues logs on a fortnightly basis at the project board, with escalation to the Green to Our Core Cluster Board and the Transformation Board (EMT).

## Equality and Diversity

26. A full Equalities Impact Assessment will be undertaken prior to implementation. No accessible parking bays will be lost as a result of this project.

## Climate Change

27. The primary purpose of this project is to address climate change and the guaranteed to be achieved emissions savings are set out above.

## Consultation responses

28. The Project Brief was developed in collaboration with key members of the Climate and Environment Advisory Committee. Following submission of the High Level Assessment Document, this was shared with this committee and circulated to all members of Cabinet. The draft IGP document has been presented to EMT and Lead Cabinet Member.

## Effect on Council Priority Areas

29. The Greening of South Cambridgeshire Hall has been identified as a key action within the Council's 2019-24 Business Plan, forming a key component of the 'Being Green to Our Core' Business Plan priority. It is also relevant to the 'Modern and Caring Council' priority in that it will deliver savings and income to the organisation.

## Background Papers

None.

## Appendices

Appendix A: Investment Grade Proposal Executive Summary

## Report Author:

Kevin Ledger – Project Manager and Senior Policy and Performance Officer
Telephone - (01954) 713018

Phil Bird - Project Sponsor and Corporate Programme Manager
Telephone - (01954) 713309

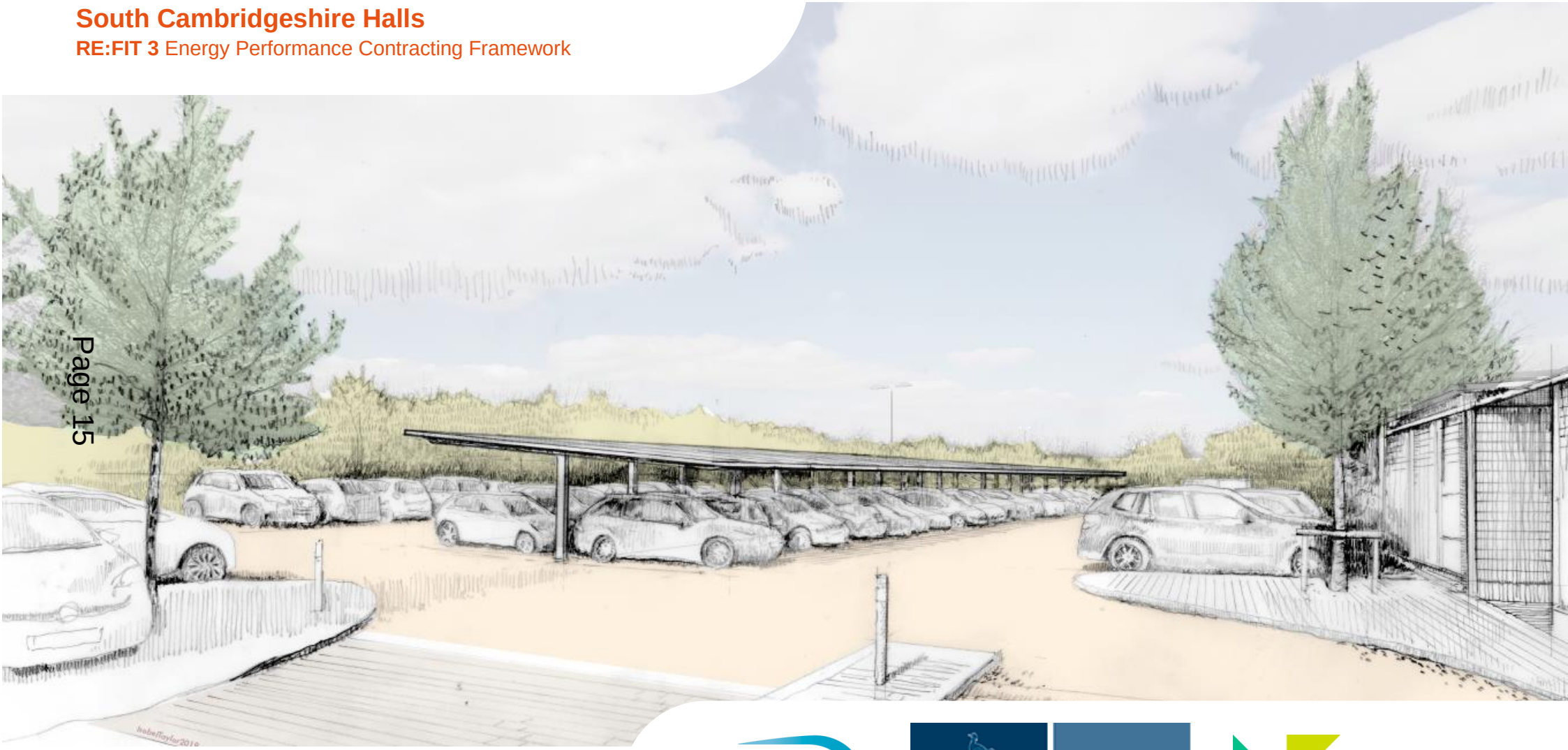
Alex Snelling-Day – Project Team Member and Green Energy Investment Officer
Telephone – (01954) 713240

# South Cambridgeshire District Council

## Executive Summary

### South Cambridgeshire Halls

**RE:FIT 3** Energy Performance Contracting Framework





*Please note that this document is commercial in confidence and should not be released to third parties without written approval from the author.*

BOUYGUES ENERGIES & SERVICES

South Cambridgeshire District Council

LOCAL PARTNERSHIPS

**136kW Solar Carport**
Delivers 20% of the site's annual peak electricity demand

**LED Lighting Upgrade**
1052 fluorescent lights replaced with LED, generating 17% site electricity savings

**15,000L thermal store**
To enable balancing of renewable heat supply with demand

**GSHP Ground Loop**
35 boreholes to deliver up to 400kW heat

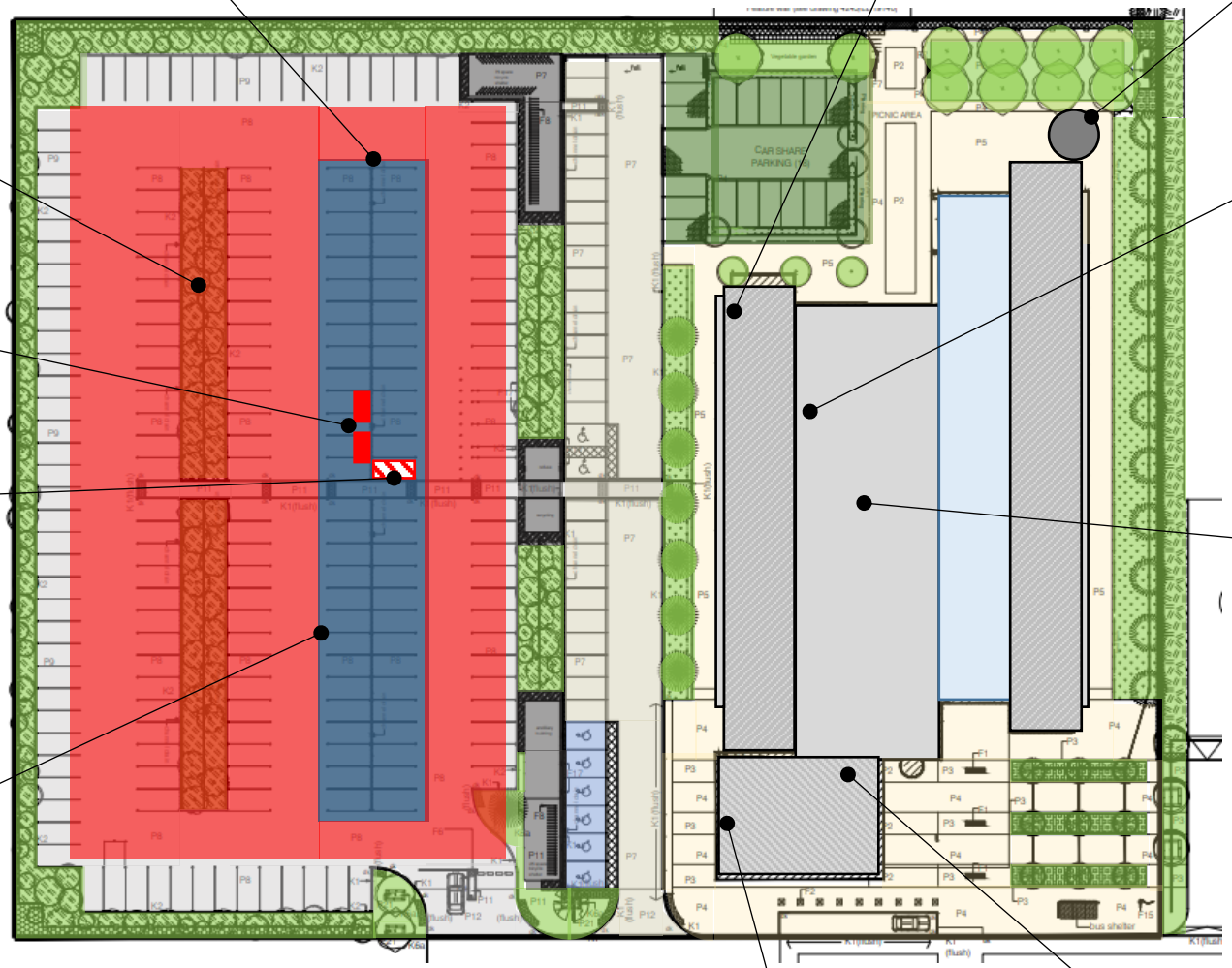
**515kWt GSHP**
To offset 79% of site's mains gas consumption with renewable heat

**20 EV Charges**
Integrated into the car port design to promote electric vehicle use

**DC/AC Distribution**
PV Carport DC/AC cabinet at the expense of 1 parking space

**BEMS Renewal**
Smart controls to replace the site's existing building management system

**Carport LED Lighting**
Integrated into the car port design for efficient, low light pollution lighting



**Chiller Efficiency**
New controls and fans to improve the efficiency of the chiller plant

**AHU Fan Upgrades**
Improve the efficiency of the ventilation system by 18%

## Executive Summary

South Cambridgeshire District Council (SCDC) has commissioned Bouygues E&S to complete an Investment Grade Audit (IGA) for an Energy Performance Contract at South Cambs Hall, Cambourne. This is SCDC's headquarters and is the centre of the council's operations. Whilst modern in its construction, the building represents the largest single energy consumer of the council's estate. The council has an ambition to significantly reduce their carbon footprint, so this site is a key focal point in the delivery of this goal.

Bouygues E&S' appointment was made following the production of a High Level Assessment (HLA) which was undertaken at no cost to SCDC. Our initial options appraisal evaluated a series of technical solutions to meet the council's brief and an outline business case was developed to evaluate the economic viability of the selected scheme. The Investment Grade Proposal summarises the detailed investigations, analysis and outcomes of the audit and the proposed project. It is supported with a numerical business case, which provides a breakdown of capital, operational and lifecycle costs, savings against baseline counterfactual costs, carbon emissions projections and energy performance. Technical designs, product information, tenders and supplier proposals are also appended for South Cambridgeshire District Council's review.

Whilst the IGA and resultant IGP are formed on the basis of the solution proposed as part of the HLA, the additional investigations and research, competitive engagement with supply-chain and optioneering has resulted in a more significant proposition. The differences between the HLA and IGP are explained in the body of the technical documentation.

Pending SCDC's approval, the parties will enter into an Energy Performance Contract for the delivery of the project, in which Bouygues E&S will assume ultimate responsibility for the project's implementation and its ongoing performance. This project is delivered under the RE:FIT 3 framework agreement, which sets out our obligations under this Energy Performance Contract, which include a binding guarantee to achieve the energy savings set out in the Investment Grade Proposal for the duration of the Payback Period.

**South Cambridgeshire District Council has declared a Climate Emergency.**

Members of all parties at South Cambridgeshire District Council unanimously backed a motion proposing that "South Cambs shows responsible climate leadership by supporting the transition to zero carbon by 2050 in the next Local Plan."

**We share this commitment and hope that the proposed project will support the Council in meeting this objective.**

## Recap of Project Brief & High Level Assessment Outcomes

An initial project brief was agreed between SCDC and Bouygues E&S prior to the commencement of the High Level Assessment. This set out SCDC's main objectives and criteria upon which a decision to proceed would be based. These are as follows:

To explore any potential technology option (to include the investigation of solar car ports located in the carpark) to deliver the following benefits:

- Lower emissions through energy efficiency and renewable energy generation
- Savings on energy bills
- Long-term revenue stream and return on investment
- Increase energy self-sufficiency for the organisation

Our initial High Level Assessment largely accomplished the above objectives and allowed SCDC to make a decision to proceed to the Investment Grade Proposal stage.

The key outcomes of the High Level Assessment formed the targets to be achieved by the Investment Grade Proposal. These included a maximum payback of 13.99 years, a minimum energy saving of 691,981kWh/annum and a minimum renewable energy generation of 570,907kWh/annum. The details of how the IGP matches up to these targets are included under the 'Investment Grade Proposal Key Outcomes' section later in this document.

## Summary of Proposal

This proposal combines a series of innovative energy efficiency and renewable energy technologies to form a system that significantly reduces the Hall's carbon footprint. This includes the following:

| | | |
|---|---|---|
| **Solar Car Port** | A 136.5kW double-bay car port, equipped with 420 translucent bi-facial monocrystalline high-efficiency solar PV modules and SolarEdge power-optimised inverters to maximise solar yield. The system will have a premium T-Frame mounting system which minimises the risk of collisions when compared to the standard V-Frame | We have designed the solar car port to best match the load profile of the building. The proposed installation would offset over 20% of South Cambs Halls peak electricity demand. |
| **Ground Source Heat Pump (GSHP)** | A closed-loop ground source heat pump system, comprising 515kW high-temperature heat pump, 35 200m closed-loop boreholes, located in the car park around the car ports. Subject to agreement, the heat pumps will be located in the ground-floor server room (to be repurposed), with pipework connecting to the main heating and hot water system at roof level. | The renewable heat generated will directly offset the demands placed on the gas boilers, thus reducing gas consumption. We anticipate a minimum of 79% saving in the annual volume of gas consumed by the site. |
| **LED Lighting Upgrade** | The replacement of 1,052 existing fluorescent luminaires with high-efficiency LED luminaires throughout the Halls building. We will also incorporate the innovative Light IP lighting controls system to give full, fitting by fitting dimmable control over the luminaires yielding significant operational and occupancy comfort benefits. | The electricity drawn by the LED lights is approximately 60% less than that of the existing fluorescent lighting. Over the course of the year, we anticipate a saving of 15% of site peak electricity demand. |
| **Building Energy Management System Renewal** | The replacement of the existing obsolete TREND IQ2 building management system with a cutting edge Priva BlueID building energy management system. This will be programmed to minimise the energy expended to meet the required comfort conditions and maximise renewable energy use via a new demand-driven control strategy. The controls will integrate with the proposed GSHP and new chiller controls (below). | The BEMS will avoid excessive energy demands associated with heating, cooling and air conditioning and will reduce the loads placed on the plant. This in turn will result in avoiding unnecessary gas and electricity consumption. |

| | | |
|---|---|---|
| **Chiller Efficiency Improvements:** | The modification of the existing chiller and chilled water system to improve its coefficient of performance and delivery efficiency. This will be achieved through the replacement of the existing condenser fans with high-efficiency EC plug fans, replacement of the chiller's controller and floating head pressure system. | We estimate that the chiller modifications will result in a reduction in associated electricity demand of approximately 28%. The new controller will improve the operational efficiency, as well as extend the chiller's lifespan. |
| **Air Handling Unit (AHU) Fan Replacement** | The replacement of AHU 01's inefficient belt-driven supply and extract fans and motors with new ultra-high EC backward curve plug-fans with variable speed controls. | This will result in a dramatic improvement in the specific fan power of the AHU by 20%, thus reducing the amount of electricity used to move the same volume of air. Coupled with the proposed BEMS, this will generate significant electricity demand savings. |
| **Electric Vehicle Chargers** | We have included for the installation of twenty 11kW smart EV chargers as part of this proposal. These will be integrated into the car ports, essentially allowing a direct supply of renewable electricity to the EV chargers (with mains electricity available when the solar car port is not producing electricity). The original proposal was for six but this has been increased to incentivise further uptake of electric vehicles. | The addition of electric vehicle chargers will provide SCDC with the option to charge for the use of this service, and thus reclaim the energy costs associated with charging. We have not factored any savings or revenues with this measure. |

In its entirety, the project will deliver a reduction of 56% in mains gas and electricity demands, 617MWh of renewable energy, 35% reduction in energy supply cost and £47,666/annum revenue via renewable energy subsidies. The overall payback period for the project is just over 16 years. The project is delivered under an energy performance contract, meaning that Bouygues E&S will underwrite the energy performance of all energy conservation measures, as well as guarantee the maximum price of the project. Hence, SCDC may make this significant investment with enhanced confidence and assurance on the delivery of the proposed outcomes.

## Investment Grade Proposal Key Outcomes

The project has developed significantly since we embarked upon the High Level Appraisal. We are conscious of the increase in capital cost and in payback duration associated with the works; however, the results of the IGP incorporate various benefits that cannot be measured financially. It can be observed that we have significantly improved upon three of the five HLA Key Performance Parameters, namely:

- **Renewable energy generation increased by 8%**
- **Carbon emissions savings increased by 17.5%**
- **Energy savings increased by 17.5%**

The strategic objectives of this project have evolved over the course of the development of the Investment Grade Proposal. The priorities have shifted toward long-term carbon abatement and realising an improvement in the workspace environment – our aim has been to ensure that the final project specification aligns with these objectives. With these elevated ambitions to maximise the carbon emissions savings involved with the project, we have expanded the scope of the project and incorporated additional requirements that have been raised throughout the IGP development.

The site team at SCDC has seen some changes since we first embarked on this proposal; the new team is focused on maximising comfort for building occupants as well as futureproofing the building. We have worked closely with the team to satisfy these priorities and have incorporated solutions that significantly improve working conditions, allow systems to be used easily, reduce O&M costs and promote sustainable technologies to the buildings occupants.

We are confident that the proposal we have put forward satisfies the carbon emissions targets that were laid out before us and we look forward to delivering such an innovative, significant and ground-breaking project.

**Should SCDC decide to move forward with the works then we would enter into a maximum fixed price contract, all foreseeable project costs have to be included within the final project capital cost meaning that SCDC can invest with confidence.**

### IGP Key Performance Outcomes

| | |
|---|---|
| **Project Maximum Capital Cost** | £1,869,674 |
| **Maximum Payback Period** | 16.05 Years |
| **Renewable Energy Generation** | 617,036kWh/yr (42%*) |
| **Carbon Emissions Saving** | 171TCO$_2$/yr (49%*) |
| **Minimum Savings Guarantee** | 827,331kWh/yr (57%*) |

*of existing annual baseline values

## Project Benefits

The project will deliver a number of SCDCs strategic goals, minimising South Cambs Hall's carbon emissions being the obvious outcome but also supporting the local economy. Bouygues has a proud history of delivering energy performance contracts in Cambridgeshire and has a diverse network of local delivery partners. The delivery of the GSHP and the Solar Carport will be carried out by companies within Cambridgeshire with other energy conservation measures being delivered by partners located throughout the region.

Comfort level for occupants will be significantly improved. The BEMS proposals will regulate and improve the thermal comfort of the building while minimising energy consumption. This will also improve resilience and the ability to identify and rectify faults with the mechanical engineering infrastructure in the building.

The Lighting controls take this occupancy satisfaction priority one step further, allowing individual fitting dimmable control to tailor work station lighting to individual occupant's preferences. This feature will also promote flexibility in the use of the workspace, noting that SCDC may wish to change the use of areas within the building in future.

The project will significantly increase the value of South Cambridgeshire Hall as an asset. The GSHP and the Solar Car Port will demonstrate that the building is capable of meeting the challenges faced with future energy supply. The flexibility afforded through installing the LED lighting, lighting controls and the new Building Management System will improve the conditions of the building and make the building an even more attractive location for businesses and members of the public should SCDC seek to sublet or hire out areas of the building.

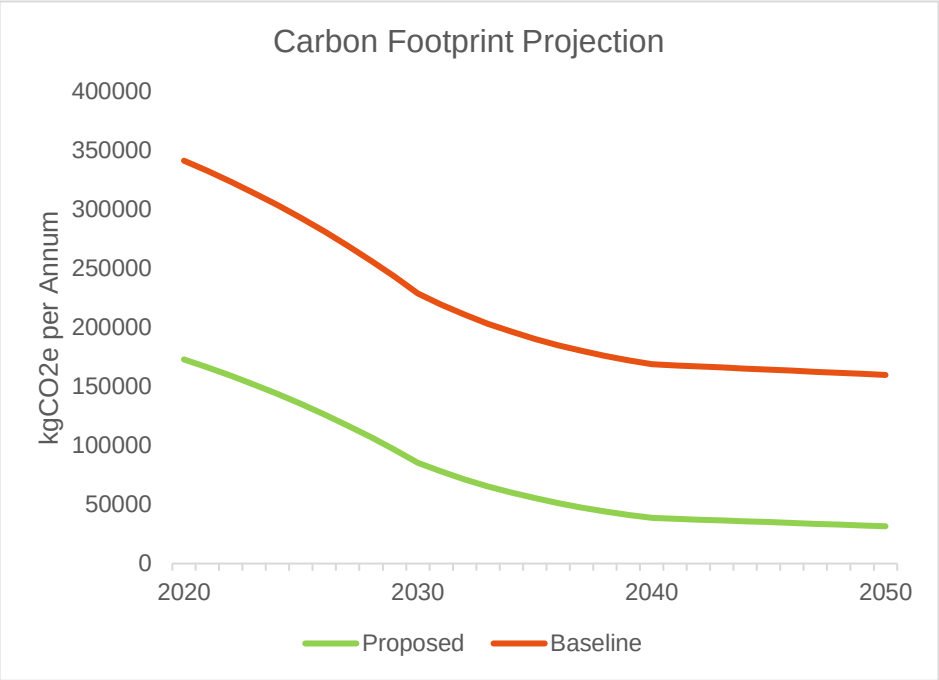
We have proposed a premium solar car port frame that is specifically designed to minimise inconvenience in parking. The T-frame system we have proposed offers the same structural integrity of the industry standard V-frame but designs out one of the main objections to solar car ports. The T-frame system does not introduce any additional obstacles to vehicles when parking, meaning that the risks of collisions is mitigated as far as is possible.

There will also be significant reductions in ongoing maintenance costs. The AHU and chiller upgrades, LED lighting and controls and BEMS upgrades will yield significant O&M savings throughout the length of the project. The lighting controls in particular giving both a cost saving and allowing the site team to perform automatic, scheduled emergency lighting tests rather than the time consuming and expensive evening/weekend manual testing.

## Carbon Emissions Reduction

The carbon abatement associated with the project at present (49%) may seem low in comparison with the overall energy savings of 57%. This is due to the difference in current carbon factor between mains electricity and natural gas. At present, the carbon factor for electricity is 0.307kg/CO2e and natural gas is 0.184kg/CO2e. However, this differential is expected to reduce over time.

The Department for Business, Energy & Industrial Strategy (BEIS) predicts a continuous decarbonisation of electricity, due to the continued deployment of renewable energy and nuclear energy generation plants. Comparatively, decarbonisation of the mains gas supply is expected to be less significant in the short to medium term future. Although research is being undertaken into options such as hydrogen injection and gas from renewable sources, decarbonising is likely to be a slow process, even if successful. Hence, the prediction is that the carbon factors associated with gas will remain largely static in the years to come.

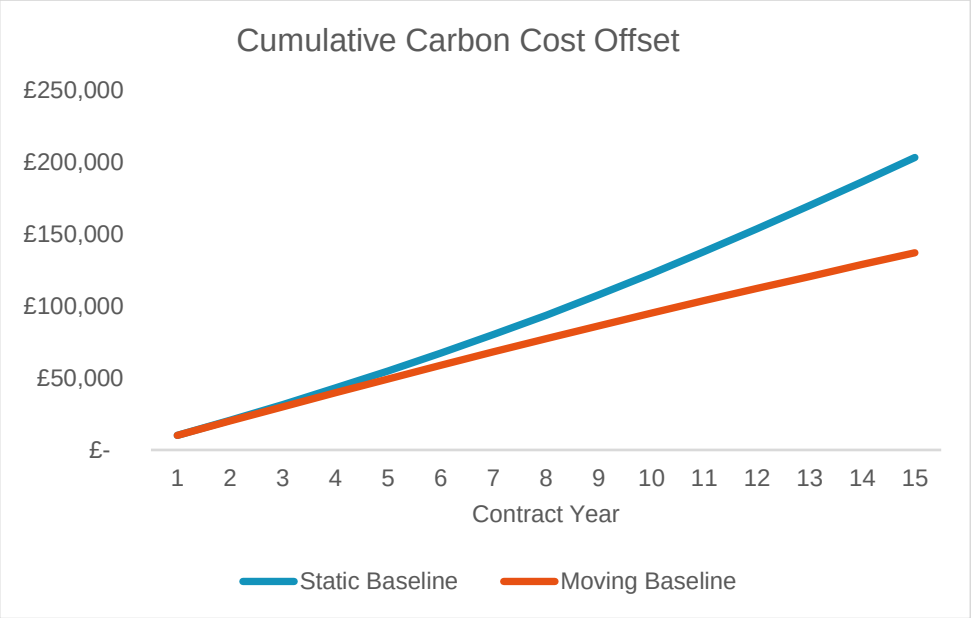



We have simulated the effect of the transition in carbon factors and have modelled South Cambs Halls' future carbon emissions. This compares the proposed performance to the existing baseline. The carbon emissions for South Cambs Hall is forecasted to decrease by over **75% by 2030** in comparison to 2019 emissions. Beyond 2030, the carbon emissions level out as the electricity grid nears decarbonisation. By 2050, $CO_2$ emissions of the Halls would be **90% lower than 2019 emissions**, at just 32T$CO_2$/annum compared with today's 341T$CO_2$/annum. When comparing the carbon emission reductions with a moving baseline (i.e. today's gas and electricity demands are applied to the forecasted carbon factors), the project yields a significant carbon reduction of 60% by the year 2030 and over 80% by the year 2050.

It is acknowledged that this falls short of zero carbon. However, this project certainly places such target within reach and with continued advances in low-carbon / renewable energy technologies, SCDC will be in a good position to reach this objective in future.

## Carbon Cost Savings

There are many ways to fiscally evaluate carbon emissions reductions. The Greater London Authority's carbon offset fund values carbon savings at £60 per tonne, which accounts for the cost to human health and wellbeing and the costs in managing the impacts of climate change. By using this figure and applying it to the guaranteed savings associated with this project, we can financially quantify the carbon emissions savings that will be achieved via this project. There is an annual inflationary factor of 1.5% added to this to signify the rising value of carbon savings.




We have compared the static and moving baselines mentioned above to the annual carbon cost savings which has calculated the monetary value of the Carbon savings that we have guaranteed for South Cambs Hall.

The moving baseline scenario which is modelled using the updated annual carbon factors shows a carbon cost of the project at the project's completion of over £135,000. The carbon offset savings associated with the static 2019 baseline is even greater, over £200,000 offset over the duration of the project.

Since there is no way for the council to formally recognise this revenue stream we have not factored this into our payback models. Should we do so then the moving baseline revenues would reduce the payback by almost a year, from 16.05 to 15.10. The static baseline would reduce the payback even further to 14.68 years.

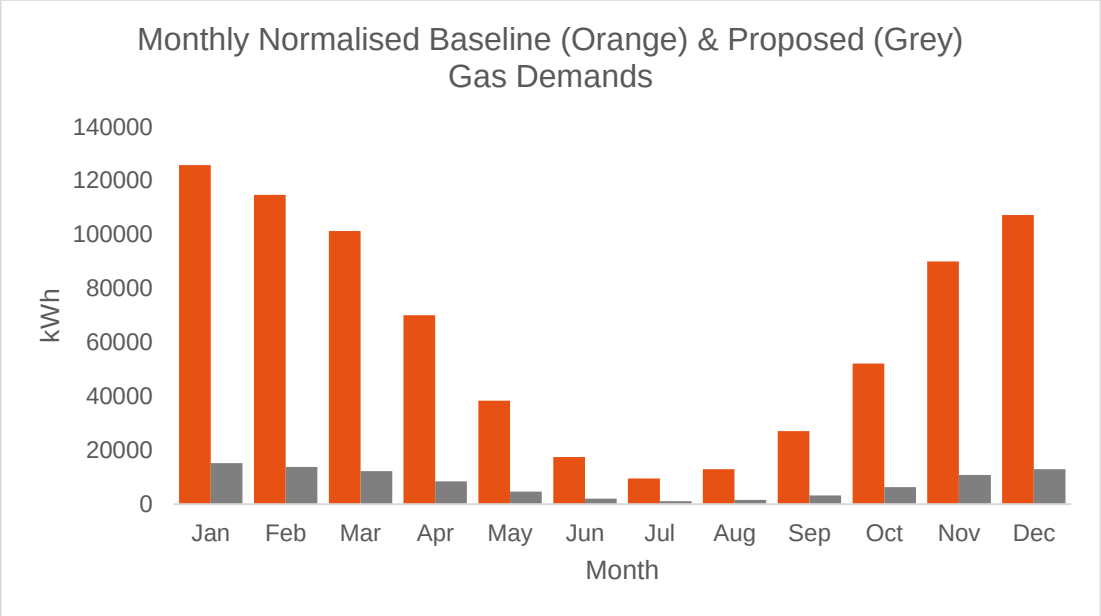
Alternative carbon cost calculations include The Department of Business, Energy and Industrial Strategy's short term traded carbon values, which are available for use in public policy appraisal in accordance with the greenbook accounting method. Although this values carbon significantly lower in the short term, the inflationary factor applied is significantly higher meaning that, in either case, there is considerable value not being accounted for in the business case for the abatement of carbon.

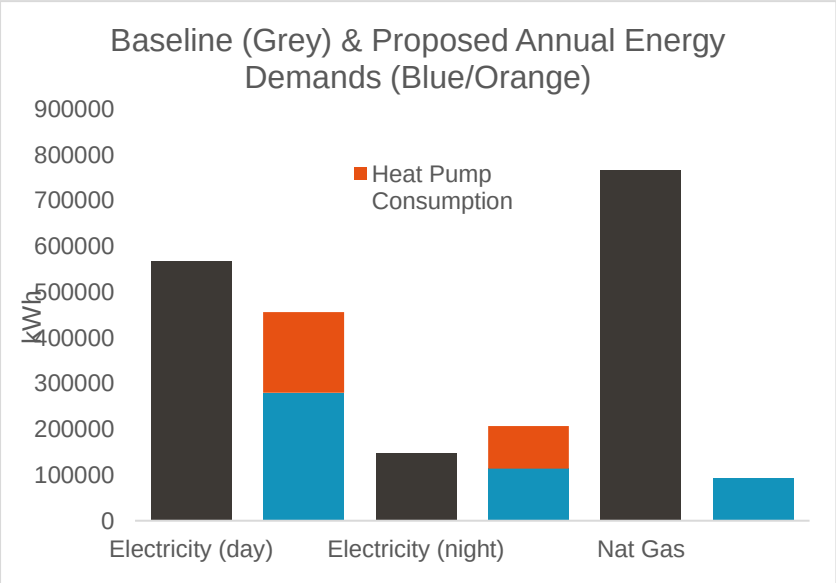
## Graphical Report:

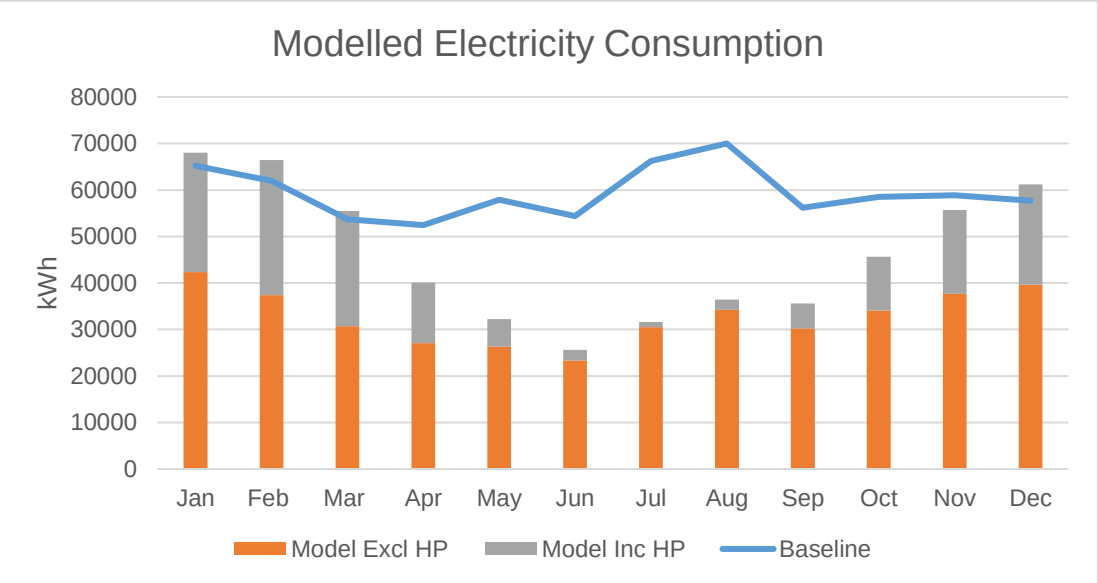
### Comparison of Baseline & Reporting

### Energy Consumption

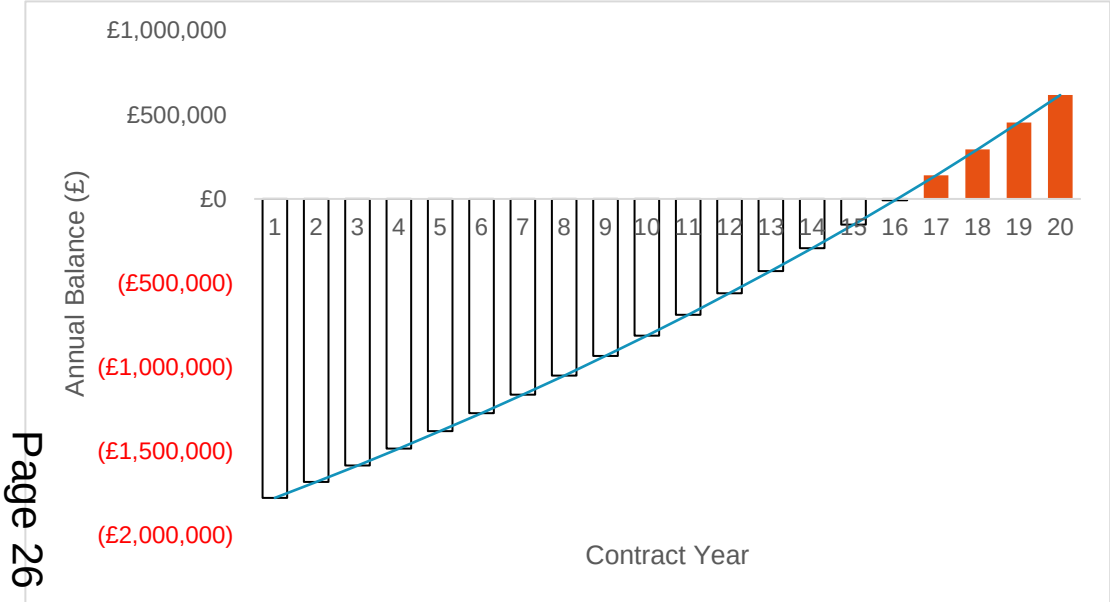
| | Consumption | | | |
|---|---|---|---|---|
| | Baseline | Reporting | Saving | |
| Peak Electricity | 551647 | 329649 | 221997 | 40% |
| O-P Electricity | 138777 | 207847 | -69071 | -50% |
| Nat Gas | 767104 | 92699 | 674405 | 88% |
| **Totals** | 1457527 | 644630 | 812897 | 56% |

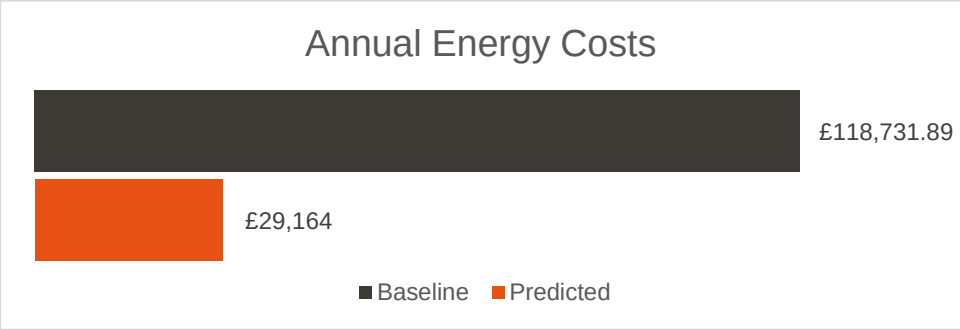


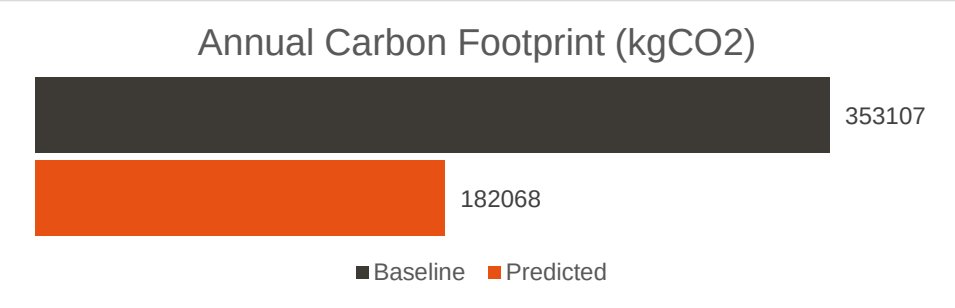



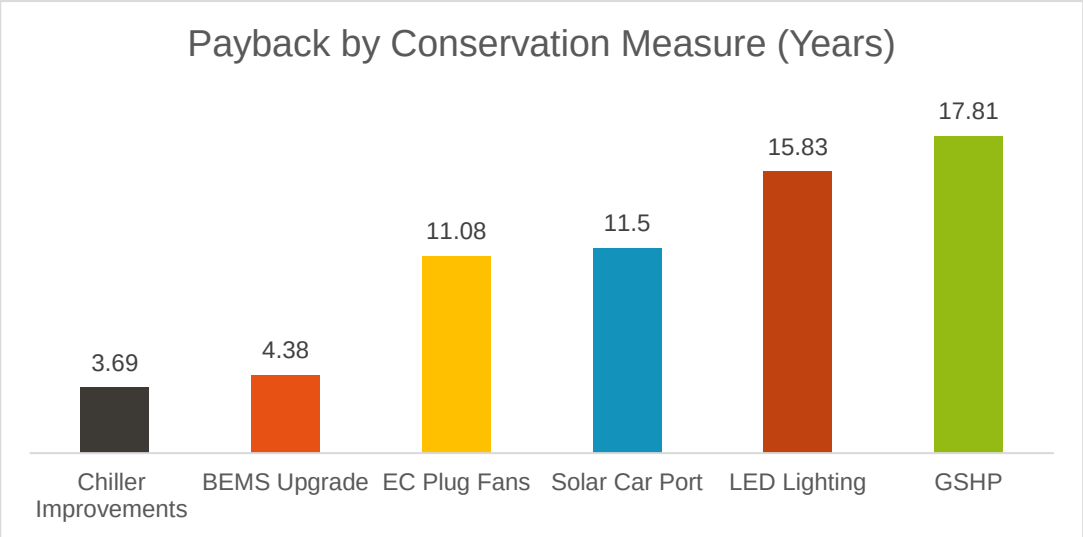



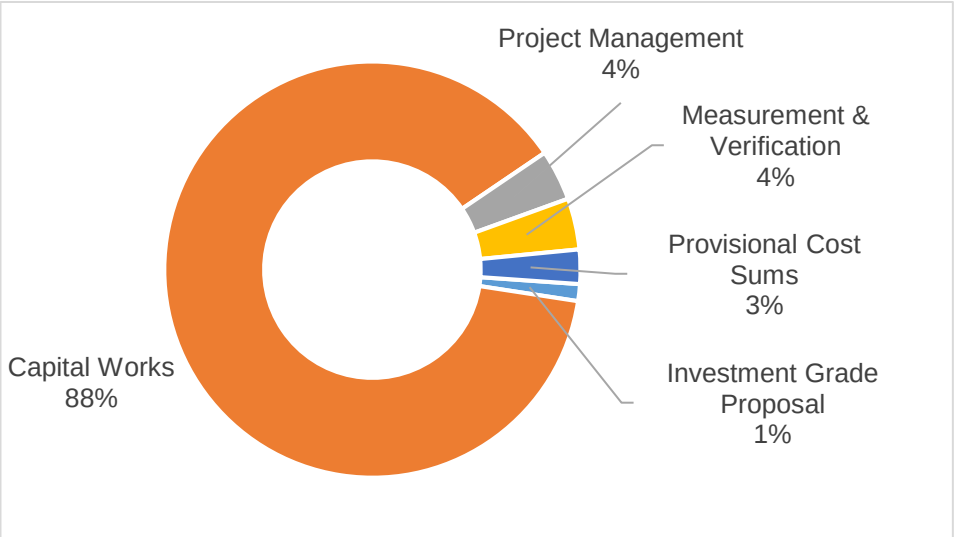
## Carbon & Cost Performance Summaries



## Cost Analysis

| Contract Year | SCDC savings & Revenue |
|---|---|
| 1 | £96,836 |
| 2 | £99,718 |
| 3 | £102,694 |
| 4 | £105,768 |
| 5 | £108,944 |
| 6 | £112,226 |
| 7 | £115,617 |
| 8 | £119,122 |
| 9 | £122,743 |
| 10 | £126,486 |
| 11 | £130,355 |
| 12 | £134,355 |
| 13 | £138,489 |
| 14 | £142,764 |
| 15 | £147,184 |
| 16 | £151,754 |
| 17 | £156,480 |
| 18 | £161,368 |
| 19 | £166,423 |
| 20 | £171,652 |
| Total | £2,610,977 |
| Average 20 yrs | £130,549 |

| Item | Cost | Energy Savings | Carbon Savings | Payback |
|---|---|---|---|---|
| | £ | kWh | kg/CO2E | Years |
| 136.5kWp Solar Car Port | £281,092 | 111204 | 34140 | 13.48 |
| 350kWt GSHP | £922,758 | 463836 | 67608 | 17.92 |
| BEMS Upgrades | £36,795 | 107440 | 24822 | 4.38 |
| EC Fan Upgrades | £22,601 | 11067 | 3398 | 11.08 |
| Chiller Efficiency Works | £28,114 | 49099 | 15073 | 3.69 |
| LED Lighting Upgrade | £168,121 | 70251 | 21567 | 12.52 |
| Lighting Controls | £106,997 | 14434 | 4431 | >25 years |
| EV Chargers | £34,244 | N/A | N/A | N/A |
| Planning/Design | £22,224 | | | |
| IGP | £24,270 | | | |
| Project Management | £72,871 | | | |
| Measurement & Verificati | £73,283 | | | |
| Provisional Cost Sums | £49,083 | | | |
| Total | £1,842,453 | 827331 | 171039 | 16.05 |

The above graph displays various metrics to assess the individual merit of the Energy Conservation measures proposed in this IGP. Above we can see a breakdown of individual measure costs, energy savings, carbon savings and paybacks. To the left we can see the annual revenues, these progressively increase as prices of gas and electricity increase in line with inflation and RHI increases in line with CPI. We can also see the average annual revenues over both the project payback and over 20 years.

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South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Cllr Neil Gough (Deputy Leader) | |
| **LEAD OFFICER:** | Liz Watts (Chief Executive) | |

# 2020-25 Business Plan

## Executive Summary

1. The Council agreed four key priorities as part of developing the 2019-24 Business Plan. Beneath this sits an action plan detailing the activities the Council would carry out under each of the four areas.

2. The Business Plan is reviewed annually to ensure that priorities are continuing to deliver the outcomes needed for local people. When developing the 2020-25 Business Plan, the four priority areas have remained unchanged, but a review has been done on the action plan.

3. Previous action plans have not provided absolute clarity for our communities on what we plan to deliver and when. The review this year has focussed on providing clear priorities and delivery dates. This will make sure the Council can easily track progress and delivery of the agreed actions.

4. This is a key decision, as it involves the development of policies and actions which will affect customers throughout the district and the places where they live. This was first included on the forward plan of key decisions in December 2019.

## Recommendations

5. That Cabinet:

   (a) Consider the proposed 2020-25 Business Plan action grid at **Appendix A** and approve onward submission to Council for approval, with any amendments as required.

   (b) Authorise the Chief Executive to make any minor wording changes required to final drafts, in consultation with the Deputy Leader.

### Reasons for Recommendations

6. The Business Plan action grid gives clear and measurable actions that the Council will carry out up until 2025 to achieve the overarching priorities. The Business Plan is used to

ensure officer and financial resources are allocated appropriately to achieve the actions and objectives detailed within it.

## Details

7. Actions from the 2019-24 Business Plan that have already been completed are not listed in the 2020-25 Business Plan. Some examples, include:

   - Improved our IT so our officers can work remotely and provide a better service to our communities.
   - Agreed a homeless strategy to make sure we target support to those in greatest need.
   - Ran a campaign to tackle fly-tipping that reached over 40,000 people.
   - Supporting people on benefits move to Universal Credit, including providing funding for a coach to help people into work.

   A more detailed list of completed actions and 2019-20 successes is included in **Appendix A**.

8. Some other actions agreed in the 2019-24 Business Plan are being progressed in partnership with other organisations. Where these actions are now combined into joint action plans, they are not detailed in the proposed 2019-25 action grid. For example, a number of actions have moved into the economic action plan being carried out and monitored jointly with the Combined Authority and Greater Cambridge Partnership.

9. The actions within the proposed action grid document at **Appendix A** have been split between priorities for the first twelve months of the plan and other longer-term objectives. All priorities proposed for the first year of the plan include measures that make sure we can monitor and evaluate progress.

## Implications

10. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

### Financial

11. The Council's Business Plan is agreed at the budget setting meeting to ensure that actions can be fully resourced and funded.

### Legal

12. None.

### Staffing

13. As part of the action plan refresh process, resourcing has been considered to ensure deliverability of Council priorities.

### Risks/Opportunities

14. The process of refreshing the Council's action plan will improve Business Plan performance reporting for 2020 onwards and ensure resources are clearly focussed towards delivering priorities.

### Equality and Diversity

15. The action plan reaffirms the Council's commitment to be an employee of choice for people with disabilities. Actions within the Business Plan will require the completion of Equality Impact Assessments for individual projects.

### Climate Change

16. One of the four key priority areas within the Business Plan is being 'Green to Our Core'. This priority makes sure that the environment and environmental impacts are at the centre of all the work we do.

### Consultation responses

17. A detailed public consultation was carried out to develop the four key themes as part of the 2019-24 Business Plan. These four areas remain unchanged. Senior Officers and Cabinet have worked together to develop the proposed action grid. This is to make sure that it can be resourced.

## Effect on Council Priority Areas

18. This process does not change any of the overarching themes, but will establish clear priorities falling within each of these for the next business planning period.

## Background Papers

2019-24 Business Plan Action Grid

## Appendices

Appendix A: Draft 2020-25 Business Plan Action Grid

## Report Author:

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Kevin Ledger – Senior Policy and Performance Officer
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South Cambridgeshire District Council

# Business Plan 2020-25

What we're about

Putting the heart into South Cambridgeshire by:

- Helping business to grow
- Building homes that are truly affordable to live in
- Being green to our core
- Putting our customers at the centre of everything we do

South Cambridgeshire District Council

# Our Priority Areas

**A) Growing local businesses and economies** – We will support businesses of all sizes, including rural enterprise and farming, to help create new jobs and opportunities near to where people live.

**B) Housing that is truly affordable for everyone to live in** – We will build vibrant communities in locations where people have good access to facilities and transport links, so they can genuinely afford to lead a happy and healthy life.

**C) Being green to our core** – We will create a cleaner, greener and zero-carbon future for our communities.

**D) A modern and caring Council** – We will provide our customers with high-quality services, strive to reduce costs, build on what we are good at to generate our own income and make decisions in a transparent, open and inclusive way.

Note: Measures include a completion date by quarter of the financial year.
Quarter 1 – April to June
Quarter 2 – July to September
Quarter 3 – October to December
Quarter 4 – January to March

# A) Growing local businesses and economies

## 2020-21 priorities:

| Action | Measure |
|---|---|
| A1) Create a business team with a single point of contact for business enquiries when they involve more than one team | • Establish of a Business Team (quarter 2) |
| A2) Help start-ups and home-based businesses to find workspace | • Complete a feasibility study looking at how South Cambs Hall can be used to provide workspace for businesses, including start-ups (quarter 2)<br>• Provide a new space for up to 5 growing small business (quarter 4) |
| A3) Deliver support to start-ups and small businesses that is not available elsewhere to help them grow, create new local jobs and deal with the impacts of Brexit | • Hold 8 business support workshops (quarter 4)<br>• Provide business support advice to 100 businesses (quarter 4) |
| A4) Promote the area and Enterprise Zones to retain businesses and attract new ones which will protect and create local jobs | • Complete strategy and begin actively promoting Enterprise Zones to secure new businesses locating there (quarter 3)<br>• 500 additional jobs created on Enterprise Zones by |

| | |
|---|---|
| | end of 2024/25 financial year |
| A5) Identify gaps in the land and premises available for businesses as an input to our new Local Plan | • Complete employment land and premises study (quarter 2) |

## Ongoing objectives:

- Support major employers to help homes and jobs be closer together or linked through high quality public transport, walking and cycling routes
- Work with parish councils and village-based businesses to support local economies
- Work with the Police through the Crime and Disorder Reduction Partnership to tackle crime impacting rural businesses
- Encourage local people to use their shops and food outlets so that high streets are retained and expanded
- Provide information and advice to help businesses to understand the benefits of generating their own energy, improving their energy efficiency, increasing water and waste recycling
- Promote South Cambridgeshire to tourists to boost local businesses and economies
- Work with major employers to design and provide housing for Essential and Key Workers.



# B) Housing that is truly affordable for everyone to live in

South Cambridgeshire District Council

2020-21 priorities:

| Action | Measure |
|---|---|
| B1) Increase the number of Council homes built each year to support people on lower incomes. These will include high energy standards and renewable energy. | • Complete 50 new Council homes in 2020-21 (quarter 4) as part of doubling the number being built by 2024 |
| B2) Work with local people to set out where and how new homes and communities will be built across the Greater Cambridge area | • Produce a report assessing feedback provided by local people from the first Local Plan consultation. This will inform the next steps in the Local Plan process (quarter 1)<br>• Complete and publish a North East Cambridge draft Area Action Plan for consultation (quarter 2) |
| B3) Create and continue to run liaison meetings and forums where significant new developments are being planned to minimise disruption and help new residents settle in | • Establish liaison meetings in Sawston and Duxford/Hinxton (and other locations if required) in 2020/21<br>• Continue to carry out liaison meetings in Cottenham<br>• Continue to carryout community forums in Northstowe, Waterbeach, North-West Cambridge, and Cambridge East.<br>• Establish new community forums covering Bourn and Cambourne West, and North-East Cambridge in 2020/21 |
| B4) Improve the energy efficiency of existing Council housing to reduce carbon impact and running costs | • Carry out an audit of energy efficiency of existing housing stock relative to zero carbon target (quarter 1)<br>• Approve a work programme for insulation measures over the next four years to narrow the gap on the |

| | |
|---|---|
| | zero-carbon target (quarter 4) |
| B5) Deliver a new sports pavilion, community centre and civic hub (containing health, library and community facilities) at Northstowe | • Submit planning permission for the new sports pavilion (quarter 3)<br>• Complete local engagement to understand what the community wants in the new community centre (quarter 4)<br>• Award design contract for a new Civic Hub (quarter 4) |



## Ongoing objectives:

- Support the delivery of more affordable housing – including through Combined Authority funding
- Promote Neighbourhood Plans and encourage our communities to develop them
- Support self-builders to build high quality homes
- Focus on the health and wellbeing of our communities through everything we do
- Provide advice and support to prevent homelessness and help vulnerable people in line with our Homelessness Action Plan
- Provide dedicated support to people in receipt of Universal Credit
- Work with national, regional and local partners to support the needs of refugees and asylum seekers

# C) Being green to our core

South Cambridgeshire District Council

## 2020-21 priorities:

| Action | Measure |
|---|---|
| C1) In response to the global climate crisis we will continue to work towards a zero-carbon future by 2050 | • Complete a zero-carbon strategy for the district to inform an action plan (quarter 3)<br>• Agree action plan to reduce the Council's emissions for all our buildings and operations (quarter 1) |
| C2) Work with partners to protect and enhance the environment with the aim of doubling nature | • Hold a local Climate Summit (quarter 3) |
| C3) Retrofit our Cambourne office with renewable energy generation and energy efficiency measures | • Complete retrofit of Cambourne office (quarter 4)<br>• Reduce mains gas and electricity demands from our Cambourne office by over 50% per year (from March 2021 onwards compared to baseline in 2019).<br>• Reduce carbon emissions from our Cambourne office by 49% per year (from March 2021 onwards compared to baseline in 2019). |
| C4) Trial electric recycling and waste vehicles, including the investigation of on-site solar panel energy generation | • One electric bin lorry and two small vans operating to assess feasibility (quarter 3)<br>• Prepare a business case on further investment in alternative fuel bin lorries and power generation for 2021-22 budget setting |
| C5) Support Parish Council and community group projects to reduce reliance on fossil fuels and move toward the zero-carbon target | • Provide £100,000 to community and voluntary groups through the Zero Carbon Communities grant and support programme. |
| C6) Upgrade our stock of 1,800 streetlights to LED, which will reduce energy consumption and save Parish Councils money | • Completion of lighting upgrade to LED (quarter 4)<br>• Achieve 60% reduction in energy consumption of |

| | |
|---|---|
| | streetlighting for Parish Councils (quarter 4) |
| C7) Agree and deliver our strategy and actions needed to protect and improve the air quality of our district | • Strategy and action plan revised (quarter 1)<br>• Air quality monitor in place to gather data at one new location (quarter 1)<br>• Complete a review of how and where we monitor air quality (quarter 2) |
| C8) Improve recycling and reduce waste at community events | • Publish a resource toolkit for community groups and parish councils (quarter 1)<br>• Equipment and information kit to minimise and separate recycling at community events available (quarter 1) |
| C9) Run an information campaign to help reduce the amount of food waste in the black bin | • Cut the amount of food waste in the black bin by 200 tonnes per month (quarter 4) |
| C10) Deter fly-tipping at locations where it happens frequently | • Agree fly-tipping hotspots and action plans to address this at each one (quarter 2) |



## Ongoing objectives:

- Promote walking, cycling and public transport improvements through planning and by working with local communities and partners
- Influence the planning of new major transport routes, such as the proposed East West rail line, to ensure the environment is fully considered and a net gain to natural capital is delivered
- Work with communities and partners to combat environmental crimes, such as fly-tipping
- Reduce waste and raise awareness by promoting recycling

# D) A modern and caring Council

2020-21 priorities:

| Action | Measure |
|---|---|
| D1) Make sure that the Council is structured and appropriately resourced to deliver the ambitions of our communities | • Review all service areas (quarter 4) |
| D2) Review recruitment processes to attract and retain the best talent and ensure that we are an employer of choice for people with disabilities | • Complete and analyse an annual staff satisfaction survey and review our benefits package (quarter 4)<br>• Successfully fill at least 70% of jobs advertised through first round of recruitment<br>• Increase the number of job applications from people with disabilities from 2019-20 levels |
| D3) Generate income through delivering the Council's investment strategy | • 25% of our income is generated from investments and other commercial activities by end of 2023/24 financial year |
| D4) Make it easier for customers to access and carry out transactions online | • Double number of households registered for a OneVu account – 9% registered at December 2019 (quarter 4)<br>• Reduce the number of calls per household by 5% - compared to 2019-20 levels (quarter 4) |
| D5) Council and committee meetings will be run paper-free wherever possible | • Paper free cabinet meetings to be held (quarter 2)<br>• Members to be provided with an option for paper-free Council and committee meetings (quarter 4) |

| | |
|---|---|
| D6) Increase the number of villages covered by mobile warden schemes to help people to live in their homes for longer | • At least 3 new mobile warden schemes set up (quarter 3) |

## Ongoing objectives:

- Expand and grow our commercial services
- Provide grants to community and voluntary groups to help them carry out projects to benefit local people and the environment
- Develop and support Councillors and officers to ensure that they can best serve our communities
- Create an organisational culture to deliver continuous improvement



# Actions completed from the 2019-20 Business Plan

Some of the things we have done over the last 12 months include:

- Completed 43 new Council houses and remain on track to double the number of homes we will build each year by 2024
- Signed contracts to deliver over 150 new Council houses

South Cambridgeshire District Council

- Targeted people we are normally underrepresented in consultations to make sure their voice is heard by going to where they are to talk to them rather than expect them to come to us
- Invested over £1.5 million in our Council houses to make them more energy efficient
- Supported around 1,000 people on benefits who moved to Universal Credit, including providing funding for a coach to help people into work
- Provided a home for five refugee families
- Awarded around £300,000 of funding to help local communities – including launching our new zero carbon grant scheme
- Ran an anti fly-tipping campaign that reached over 40,000 people
- Improved our IT so our officers can work remotely and provide a better service to our communities
- Agreed a homeless strategy to target support to those in the greatest need
- Generated almost £2.5 million from investments and agreed an investment strategy to do even more
- Expanded our commercial waste to deliver an extra £50,000 income
- Improved the way we plan our street sweeping and introduced a system so residents know when we will be coming to their area
- Reviewed our management structure to become more efficient
- Given outline planning permission for the first phase of a new town north of Waterbeach
- Completed detailed planning guidance for how the new town north of Waterbeach and new village at Bourn Airfield will develop
- Created a new planning document that encourages development to be more environmentally friendly

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# Agenda Item 9

South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Councillor John Williams,<br>Lead Cabinet Member for Finance | |
| **LEAD OFFICER:** | Trevor Roff, Interim Director of Finance | |

# Capital Strategy

## Executive Summary

1. To undertake the annual review of the Capital Strategy and to consider a refreshed version of the Capital Strategy for adoption by the Council.

2. This is a key decision as the report seeks to establish a strategy that is designed to sets the policy framework for the development, management and monitoring of all capital investment and the prioritisation of the Council's capital resources.

## Recommendation

3. **That Cabinet is requested to consider the report and, if satisfied, recommend to Full Council (i) the updated Capital Strategy attached at Appendix A to the report which sets the policy framework for the development, management and monitoring of capital investment, and (ii) Prudential Indicators.**

## Reason for Recommendation

4. To establish and approve an updated Capital Strategy that complies with CIPFA's revised Prudential Code for Capital Finance in Local Authorities (2017 edition) and Prudential Code Guidance Notes for Practitioners (2018 edition), CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017 edition), and revised Statutory Guidance on Local Government Investments (3rd Edition) issued in February 2018.

## Details

**Background**

5. The Capital Strategy outlines the Council's approach to capital investment and seeks to ensure that it maximises the contribution of the Council's limited capital resources to priority areas. It also recognises the need to deliver value for money.

6. The revised Prudential Code (2017 edition) introduced a new requirement for Local Authorities to have an annually approved Capital Strategy and, as such, it is reviewed on an annual basis to reflect the changing needs, priorities and circumstances of the Council. The review has also sought to ensure that the Capital Strategy reflects the requirements of the Prudential Code.

7. The Prudential Code requirements include:

- greater focus on the Local Authorities' approach to commercial investment activities, including processes ensuring effective due diligence and defining risk appetite including proportionality in respect of overall resources;

- a requirement that the Capital Strategy is written in plain English and that it is concise enough to be read and understood by elected members that are not financial specialists;

- a recommendation that the Capital Strategy includes the authorised limit and operational boundary indicators as well as other relevant prudential indicators;

- a summary of the knowledge and skills available to the Council and confirmation that these are commensurate with the Council's risk appetite.

**Capital Strategy**

8. The intention is to have an overarching document which sets the policy framework for the development, management and monitoring of all capital investment. The Strategy focuses on core principles that underpin the Council's capital programme, the key issues and risks, and the governance framework required to ensure the capital programme is delivered and provides value for money.

9. In reviewing the Capital Strategy, the following guiding principles have been applied which underpin the strategy and approach:

(a) The Council complies with the requirements of the Prudential Code when considering its capital investment requirements, linking this with the revenue budget. Compliance with the Prudential Code ensures that proposed investment is prudent, sustainable and affordable.

(b) Capital schemes are prioritised and that the forward capital programme only includes schemes that can be funded from approved borrowing levels, revenue contributions, grants and available and projected capital receipts during the life of the programme;

(c) Capital investment requirements are considered in the context of a sustainable revenue budget and, as such, the revenue implications of proposed schemes are fully considered, including positive contributions from "invest to save" schemes;

(d) Endeavours will be made to support revenue contributions to capital expenditure to ensure that funding is available for essential ongoing investment needs. Asset maintenance (property) and replacement equipment (ICT and vehicles) will be fully funded depreciating assets from revenue, subject to affordability;

(e) Capital projects will be selected via an agreed capital project approval framework, incorporating a robust capital appraisal and feasibility process, and having full regard to affordability. Effective arrangements will be established for monitoring project deliverability, project outcomes and the achievement of value for money.

10. The Medium Term Financial Strategy (MTFS) identifies that an annual review of the Capital Programme will be undertaken and that, in doing so, full regard will be given to the Prudential Indicators before any proposals/decisions are made in respect of a revised programme. The range of Prudential Indicators to be adopted is summarised at **Annex A** to the revised Capital Strategy.

11. It has been appropriate to review the Capital Strategy in light of recent advice proffered by CIPFA, including:

- The need to provide sufficient information about the capital monitoring process. i.e. are there any risks such as slippage, lack of engagement from project managers, skills shortage, poor IT systems etc.

- The need to ensure that the authorities risk appetite in relation to capital is identified, that risks are identified, assessed and managed.

- The need to incorporate links to the authority's detailed policies in relation to capitalisation and schemes of delegation that govern the capital process and the approval process i.e. standing orders/financial regulations.

- The need to provide information in relation to the Council's vision, aims and objectives and how the capital investment is contributing towards them.

- The need to ensure that sufficient information is provided on the role of the Chief Finance Officer (CFO), and any other governance arrangements.

- The need to provide sufficient information in relation to the knowledge and skills required to manage the capital programme.

- The need to present the prudential indicators in an understandable and meaningful way and to ensure that an explanation is given of how they are calculated or what they are intended to inform.

- The need to make appropriate reference and links to Asset Management (comprising the Corporate Asset Plan, Housing Revenue Account Asset Management Plan and New Build Strategy), the Investment Strategy and Treasury Management Strategy to ensure that detail is available (e.g. the life of key projects, how much they are going to cost, what benefits they are going to provide or what risks are attached to them).

12. The proposed Capital Strategy has been revised and is attached at **Appendix A**. Proposed additions to the current version of the Strategy, approved on 21 February 2019, are identified in red text.

**Investment Strategy**

13. In addition to the Capital Strategy, the Council is now required to have a separately approved Investment Strategy. Guidance requires the Strategy to be approved by Full Council on an annual basis and, moreover, that any mid-year material changes to the Strategy must also be subject to Full Council approval. In this regard, Council approved a revised Investment Strategy at its meeting on 28 November 2019. Following review, no further revisions are proposed at this time.

**Treasury Management Strategy**

14. The Council also has a separate Treasury Management Strategy covering treasury investments and borrowing and this is subject to review on an annual basis. A separate report is included on the agenda following the annual review.

## Options

15. The option of not adopting the revised Capital Strategy is not considered to be appropriate. Local authorities are accountable to their communities for how they spend their money and for ensuring that this spending is prioritised and represents value for money. Local politicians and officers operate within local governance frameworks of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative. Good governance means that proper arrangements are in place to ensure that an authority's intended objectives are achieved and establishing a policy framework for the development, management and monitoring of all capital investment and the prioritisation of the Council's capital resources must be a key commitment to ensure that authorities remain financially sustainable and respond efficiently and effectively to service needs.

## Implications

16. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

***Policy***

17. The Capital Strategy is one of the fundamental resource management strategies of the Council which should be reviewed annually to determine its ongoing appropriateness in relation to the capital control framework. The Capital Strategy provides the framework for:

- considering bids for inclusion in the Capital Programme;
- maximising and allocating the finance available for investment;
- determining the Council's capital investment priorities;
- achieving Value for Money from capital schemes;
- ensuring an ongoing review process;
- enabling the implementation process of approved schemes;
- partnership working;
- cross cutting issues;
- performance measurement;
- Minimum Revenue Provision.

***Legal***

18. The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits. Local Authorities must also have regard to the Investment Guidance issued by Secretary of State under section 15(1)(a) of the Local Government Act 2003.

***Financial***

19. The Capital Strategy sets out how the Council determines its capital investment priorities in particular in relation to corporate priorities taking into account the capital resources available including borrowing in line with the Council's approved Prudential Indicators. There are no additional resource requirements as a result of the Capital Strategy, but it does provide the framework for assessing and prioritising the use of the Council's limited capital resources.

***Risk***

20. The purpose of the Capital Strategy is to provide a key financial planning and resource management tool for the Council. An effective strategy for capital investment provides a framework for eliminating the risk of approving schemes which:

- are not affordable in either capital or ongoing revenue terms;
- do not meet legal obligations or the Council's key stated priorities.

***Environmental***

21. There are no environmental implications arising directly from the report. The environmental impacts of each capital scheme are considered as part of the implementation stage of a specific project.

***Equality Analysis***

22. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

23. It is considered that the report has no relevance to the Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed. Individual capital bids may, however, have specific equality impacts that need to be considered and evaluated.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;
(b) on the Council's website; and
(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- General Fund Medium Term Financial Strategy – Report to Cabinet: 7 November 2018
- Budget Report – Report to Cabinet: 6 February 2019
- Business Plan 2019 - 2014 – Report to Council: 21 February 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Council: 21 February 2019
- Investment Strategy – Report to Council: 28 November 2019

## Appendices

A Capital Strategy

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Appendix A


# Capital Strategy

**February 2020**

Councillor John Williams
Lead Member for Finance

Peter Maddock
Head of Finance

## 1. Introduction

The Capital Strategy forms a part of the Council's overall corporate planning framework. It provides the mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's overarching corporate priorities and objectives over a medium term, five year, planning horizon.

It sets the framework for all aspects of the Council's capital expenditure; including planning, prioritisation, funding, management and monitoring. The strategy has direct links to the Corporate Asset Plan (CAP) and Housing Revenue Account (HRA) Asset Management Plan and forms a key part of the Council's Medium Term Financial Strategy (MTFS).

The Capital Strategy includes sufficient detail to allow Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and how this meets legislative requirements on reporting.

## 2. Strategic Aims

2.1 The Council's long term vision is set out in the 2019-2024 Business Plan in which four themes guide the approach, each focussed on enhancing South Cambridgeshire as a place where people, communities, businesses can grow and realise their potential.

2.2 The 2019-2024 Business Plan is seen as an overarching document that links individual Service Plans and Council Strategies, including the Capital Strategy. The Capital Strategy supports the achievement of the Council's vision through investment in the assets the Council owns, the delivery of key infrastructure to support growth and improvement in services, and through improvements to the services and systems that the Council utilises. The key aims of the Capital Strategy are to:

- Provide a clear context within which proposals for new capital expenditure are evaluated to ensure that all capital investment is targeted at meeting the Council's vision, aims, approaches and actions;
- Deliver projects that focus on delivering revenue benefits in the form of spend to save, spend to earn or generate growth in revenue income;
- Set out how the council identifies, programmes and prioritises capital requirements and proposals arising from the Business Plan, Service Plans, CAP and other related strategies;
- Consider options available for funding capital expenditure and how resources may be maximised, to generate investment in the area, to determine an affordable and sustainable funding policy framework whilst minimising the ongoing revenue implications of any such investment;
- Identify the resources available for capital investment over the MTFS planning period; and
- Establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, and the achievement of value for money.

## 3. Investment Priorities

3.1 Underlying the Capital Strategy is the recognition that the financial resources available to meet corporate priorities are constrained in the current economic and political climate. Central government support for capital investment has reduced significantly over the last few years, along with these reductions is the recognition that the Council must rely on internal resources and find ways in which investment decisions can be either self-sustaining or generate positive returns both in terms of meeting corporate objectives and producing revenue savings.

3.2 Against the background of limited central government support the capital programme identifies the total investment needed to support the Council's aims and objectives such as housing and economic development.

3.3 Significant investment in council housing over the last few years has succeeded in producing a property portfolio generally at or above the decent homes standard and the delivery of a new build programme, with the first 80 new properties being completed already. Imposed reductions in property rent of 1% for 4 years from April 2016 and the threat of the need to sell high value voids impacted the Council's ability to continue this level of programme in the longer term, necessitating a strategic review of assets, service delivery and financing. In the short term the new build programme has been maintained by utilising resources previously ear-marked for potential debt redemption, but this does mean that the authority will need to refinance its housing debt when it matures. A commitment to repeal the sale of high value voids legislation and the removal of the HRA borrowing cap mean that a longer-term program of new build can now be developed.

3.4 As the majority of the council's assets are housing, there are limited opportunities to raise capital receipts through disposals, therefore, the limited capital resources available through grant, capital receipts and private sector contributions are prioritised to maximise outputs with minimum ongoing future revenue costs.

3.5 Capital investment in the Council's wholly owned subsidiary, Ermine Street Housing, offers the opportunity to realise interest receipts which will contribute to the council's revenue funding.

3.6 Cambridgeshire is an area of growth with the Greater Cambridge Partnership (formerly City Deal) offering financial support to deliver infrastructure to facilitate the delivery of homes and business space, as set out in the draft local plans for Cambridge City and South Cambridgeshire council areas. This will in turn contribute towards council funding in the longer term in the form of additional council tax and business rates receipts.

3.7 A further opportunity is the designation of Enterprise and Development Zones, including sites at Cambourne Business Park, Cambridge Research Park and Northstowe, which have the potential to offer incentives to enable the creation of new businesses and employment.

3.8 The major themes of the Capital Programme are, therefore, as follows:

- **Economic Investment:** The Council will continue to seek investments that generate longer term growth. These projects will yield a combination of revenue generation (business rates or interest), jobs and capital infrastructure investment, based on sound business cases. This also includes investment to support the Business Plan priority "Green to the Core" with consequent carbon reduction and revenue payback benefits.

- **Existing Housing:** Significant investment has been made in recent years to raise the standard of council dwellings to meet the government's decent homes standard. In addition to the decent homes investment, the authority has previously invested in energy conservation projects such as external wall insulation, solar energy initiatives and renewable heating sources. Reduced energy conservation programmes will continue but with the investment level lower due to the reductions in rental income.

- **New Housing Supply and Housing Partnerships:** The Council are managing a new build programme in-house, which is anticipated to deliver an average of just over 50 new homes per annum to meet local housing need. Opportunities to work with the Combined Authority to deliver new affordable homes in the district are also being fully explored.

- **Commercial Housing Enterprise Initiatives:** The Council has established a Housing Company (South Cambs Limited trading as Ermine Street Housing) to enable the supply of private rented housing stock.

- **Strengthen the Council's Asset Base:** An approved Investment Strategy aims to provide a robust and viable framework for the acquisition of commercial property investments and the pursuance of redevelopment and regeneration opportunities that contribute to Business Plan objectives and can deliver positive financial returns to the Council.

- **Maintaining Corporate Property Assets:** Significant investment is committed in the capital programme towards maintaining the Council's assets, including environmental improvements. To manage its maintenance liability, the Council is rationalising its office accommodation through sub-let of office space, providing a contribution to ongoing revenue savings. A process of on-going reviews will identify potential alternative use of office buildings and car park for capital investment to generate long term revenue savings.

- **Efficiency through Technology:** The Council is investing in technology to deliver a digital solution to the transformation of service delivery and in so will increase the accessibility of Council services and reduce operating costs. The Council's ICT service is shared with Cambridge City and Huntingdonshire District Councils, and appropriate investment into ICT hardware and software will continue to be undertaken on a case by case basis, the primary focus being improved technologies on a spend to save basis.

- **Refuse and Recycling Collection:** A shared trade and domestic waste collection service with Cambridge City Council, supported by capital investment, will achieve long term revenue savings through service rationalisation and vehicle efficiencies.

- **Community Projects:** Capital grants to other organisations will be considered where the council incurs no staff or other recurring costs; these organisations are, however, expected to raise additional capital resources from the National Lottery, Sports Council, etc. The Council has a funding toolkit on its website to assist organisations seeking funding.

## 4. Governance Arrangements

4.1 The Council has various mechanisms in place which seek to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment in pursuance of the Council's over-arching aims.

4.2 An integrated service and financial planning process is followed. Within this framework all proposals for capital investment are required to demonstrate how they contribute to the Council's aims and objectives. The evaluation process for investment proposals aligns corporate objectives with costs and benefits ensuring delivery of efficiency and value for money. Investment appraisal forms and the criteria for prioritising capital bids are available to managers on the Council intranet.

4.3 Specific governance processes include:

- Democratic decision making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the capital programme. These processes include:
  - The Council which is ultimately responsible for approving investment and the capital programme;
  - The Cabinet which is responsible for setting the corporate framework and political priorities to be reflected in the capital programme, with Cabinet receiving regular monitoring reports;
  - The Scrutiny and Overview Committee which is responsible for scrutiny of the Capital Strategy and capital programme;
  - The need for compliance with Standing Orders and Financial Regulations.

- Officer groups which bring together a range of service interests and professional expertise. These include:
  - The Executive Management Team which has overall responsibility for the strategic development, management and monitoring of the capital programme;
  - Corporate Management Team, providing service manager review and monitoring of key areas;
  - Specific project boards with wide ranging membership, for example the Greater Cambridge Partnership Board;
  - Management teams which overview reports for investments prior to Executive Management Team and Cabinet approval;
  - Project Teams created to oversee significant capital projects as required.

4.4 Council assets are kept under review, valuations of land and property being undertaken by a professionally qualified valuer every five years, with an annual review at year end to ensure material changes in asset value are accounted for. The CAP and HRA Asset Management Plan will ensure that a comprehensive forward plan of maintenance and improvement work is identified to support funding allocations in the Council's forward capital programme.

## 5. Capital Programme Monitoring

5.1 Effective arrangements for the management of capital expenditure are essential, including the assessment of project outcomes, budget profiling, deliverability and the achievement of value for money. In terms of project outcomes and deliverability, the Cabinet will, therefore, receive an annual report covering:

- the details of schemes commenced on time;
- the details of schemes completed on time;
- how many schemes were completed within budget;
- the extent to which predetermined investment objectives were met.

5.2 A post implementation review of key capital projects should be undertaken by the relevant Lead Officer and reported to Cabinet as part of the annual report.

5.3 Established monitoring processes should ensure that project risks, such as project slippage, lack of engagement from project managers, skills shortage, poor IT systems, are identified, evaluated and managed. Risks should be clearly identified in the Council's risk register and the impact of any such risks on key investment priorities should be reported to Cabinet as part of regular monitoring reports.

## 6. Capital Expenditure and Financing

6.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. For local government this includes spending on assets owned by other bodies, i.e. loans and grants enabling them to acquire assets. The Council has limited discretion on what counts as capital expenditure; capital spending below £10,000 (the deemed de-minimus value) is not capitalised and, as such, is charged to revenue.

6.2 Details of gross capital expenditure approved in the current Capital Programme are set out in Annex A **Prudential Indicator 1: Estimates of Capital Expenditure.**

6.3 Under certain circumstances the Council acts as an intermediary for central government in relation to transferring specific capital grants to third parties. The Council is committed to actively working with partners in the public, private and voluntary sectors to maximise capital investment in order to promote the social, economic and environmental wellbeing of the District and its residents.

6.4 Capital expenditure must be financed, either from external sources (government grants/external contributions), the Council's own resources (revenue, reserves, and capital receipts) or debt (borrowing and leasing). The main sources of capital funding are summarised below:

- **Central Government:**
  - Grants are allocated in relation to specific programmes or projects and the Council would seek to maximise such allocations, developing appropriate projects which reflect government and partnership led initiatives and agendas while addressing the needs of the District. In general terms, the major source of capital funding available to the Council has been grant approvals allocated by Central Government to specific or non-specific projects. This is, however, a diminishing resource and, where a priority is identified, alternative funds need to be sourced.
  - A significant amount of current funding is in the form of the New Homes Bonus (NHB) part of which is allocated to fund future capital infrastructure through the Greater Cambridge Partnership.
- **Third Party Funding:**
  - Capital grants represent project specific funding for capital projects, in addition to those from central government, more usually received from quasigovernment sources or other national organisations. In developing capital proposals, the Council will seek to maximise such external contributions, subject to any related grant conditions being consistent with the Council's policy, aims and outcomes.
- **Private Contributions:**
  - The Council will seek to maximise developer contributions (e.g. for the provision of affordable housing or sustainable community needs) through the Section 106 process and will also review the potential of the new Community Infrastructure Levy (CIL) to support on-going investment.

- The Council will continue to work with the private sector to utilise or re-purpose redundant assets to facilitate regeneration and employment creation.

- **Borrowing:**

  - The Council has discretion to undertake prudential 'unsupported' borrowing under the Prudential Code. This discretion is subject to compliance with the Code's regulatory framework which requires any such borrowing to be prudent, affordable and sustainable.

  - Given the pressure on the Council's revenue budget in future years, prudent use will be made of this discretion in cases where there is a clear financial benefit such as invest to save, spend to earn or regeneration schemes which do not increase expenditure in the longer term.

- **Capital Receipts:**

  - Unallocated capital receipts received prior to April 2012 are available for general use and, as such, will be used for General Fund and/or HRA capital expenditure. Capital receipts received after April 2012 primarily relate to HRA property and land sales, the use of which is subject to detailed national regulations and associated guidance. The Capital Programme will detail anticipated capital receipts and the proposed use of theses within the constraints imposed.

  - Most disposals relate to dwellings sold under the government right to buy scheme; the scheme allows the retention of some of the receipts subject to certain conditions i.e. used to fund the delivery of new social housing to a maximum of 30% of any dwelling funded through this method, with the balance being funded from the Council's own resources or by borrowing.

  - Capital receipts from asset disposal are a finite funding source and it is important that a planned ad structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment as and when received, with restrictions on the use HRA receipts for any other purpose.

- **Lease Finance:**

  - Where alternative funding is not available for vehicles or minor equipment, and the revenue budget does not allow for a full capital repayment, and there is a robust business case then the option of leasing may be considered.

- **Revenue Contributions:**

  - Capital expenditure may be funded directly from revenue as specific budget provision, however, the pressures on the Council's revenue budget and Council Tax levels limits the extent to which this may be exercised as a source of capital funding for the General Fund. Revenue is used extensively to support the HRA programme, whilst maintaining the minimum level of reserves.

6.5 Council resources will be allocated to programmes based on asset values to manage long term yield and revenue implications. Where possible, capital receipts will be focussed on assets with short term life span, e.g. vehicles and equipment, and the unsupported borrowing on long term assets e.g. land and buildings.

6.6 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is, therefore, replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). The Council sets aside the MRP for debt repayment in accordance with its MRP policy as set out in the Treasury Management Strategy.

6.7 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The planned Capital Financing Requirement is set out in Annex A **Prudential Indicator 2: Estimates of Capital Financing Requirement.**

## 7 Asset Management

7.1 To ensure that General Fund capital assets continue to be of long term use, the Council has a **Corporate Asset Plan (CAP).** The CAP priorities are to:

1. Manage our assets strategically as a corporate resource and continue to embed the Corporate Landlord model;
2. Support and empower local people by providing the right property, in the right place, at the right time;
3. Provide value for money and secure efficiencies for the future;
4. Support economic growth and regeneration by supporting and responding to local business needs;
5. Work effectively with partners to maximise sharing and delivery opportunities;
6. Reduce the environmental impact of our estate through initiatives such as energy reduction/efficiencies.

7.2 A separate HRA Asset Management Plan also exists to ensure the effective management of the Council's HRA assets.

## 8 Treasury Management

8.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts. The Council typically has cash available in the short-term as revenue income is received before it is spent, but in the long-term capital expenditure is incurred before being financed. The short term revenue cash balances are offset against capital expenditure to reduce overall borrowing.

8.2 The Council's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting and the Council, therefore, seeks to strike a balance between less costly short term loans and long term fixed rate loans where the future cost is known but higher.

8.3 Projected levels of the Council's total outstanding debt (which comprises borrowing and lease liabilities) compared with the Capital Financing Requirement are shown in Annex A **Prudential Indicator 3: Gross Debt and the Capital Financing Requirement.** Debt remains below the Capital Financing Requirement as required by statutory guidance.

8.4 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. The Limits are set out in Annex A **Prudential Indicator 4: Authorised Limit and the Operational Boundary for External Debt.**

8.5 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain (i.e. commercial venture with a long term revenue stream anticipated) are not considered to be part of treasury management. The Council's policy on treasury investment is to prioritise security and liquidity over yield; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation.

8.6 Decision on treasury management investment and borrowing are made daily and are, therefore, delegated to the Head of Finance, being the Council's Chief Finance Officer and appropriately qualified staff, who must act in line with the Treasury Management Strategy that is approved annually by Council.

## 9 Investment Strategy

9.1 In addition to the Capital Strategy, the Council is now required to have a separately approved Investment Strategy.

9.2 With central government financial support for local public services declining, Council investment in commercial property, although not purely for financial gain does nevertheless generate a financial return. In addition, the Council may lend to its wholly owned company Ermine Street Housing for financial gain.

9.3 With financial return being a key objective (i.e. not a subsidised provision), the Council acknowledges higher risk on commercial property investment than with treasury investments. The principal risk exposures include vacancy rates due to market conditions and external economic influences; potential reduction in both rental and capital values due to market changes; obsolescence due to changing demand and technological changes; and the impact of Minimum Energy Efficiency Regulations 2015. These risks are managed in accordance with the Council's approved CAP through proactive estates management practices and regular reviews of the performance of and continued requirement for each asset.

## 10 Revenue Budget Implications

10.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general Government Grants. Forecasts are set out in Annex A **Prudential Indicator 5: Proportion of Financing Costs to Net Revenue Stream.**

10.2 Due to the very long term nature of capital expenditure and financing, the revenue budget implications of capital expenditure incurred in the next few years could potentially extend for up to 50 years into the future. The Capital Programme is formulated within the financial constraints of the Council's Prudential Indicators set out in Annex A to this Strategy

10.3 In assessing affordability, the Council takes a whole life costing approach to capital investment decisions whereby the Council not only has to consider the availability of internal and external resources but also has to quantify the impact of such investment decision on future revenue budgets and tax payers.

10.4 The Council is committed to achieving value for money when making capital investment decision and complies with the regulations relating to the Prudential Framework for Capital Finance and reporting requirements set out in the Code of Practice on Local Authority Accounting. The Head of Finance as the Council's Chief Finance Officer is required, under Section 25 of the Local Government Act 2003, to report on the robustness of estimates (in relation to the proposed budget) and the adequacy of financial reserves. This Section 25 Report takes into account the Council's capital investment plans and, as such, incorporates the Prudential Code requirements of the proposed capital programme being prudent, affordable and sustainable.

## 11 Knowledge and Skills

11.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Chief Executive is a qualified accountant with 13 years' experience. The Head of Finance is a qualified accountant and has 26 years' experience. A designated Accountancy Assistant with relevant experience completes the structure which will ensure the Council meets the requirements of MiFiD II Professional Investor. The Head of Commercial Development & Investment is obtaining the RICS qualification. The Council supports junior staff to study towards relevant professional qualifications including CIPFA and RICS.

11.2 Where Council staff do not have the knowledge and skills required, use is made of external advisors and consultants that are specialists in their field. The Council currently contracts Link Asset Services as its Treasury Management Advisor and, where property consultants are required, they will be RICS qualified. The use of consultants is regarded as more cost effective than employing such staff directly, and the approach adopted ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

11.3 Councillors undertake training on the Capital Strategy and supporting Investment Strategy and Treasury Management Strategy, and regular reports on treasury management performance are submitted to the established Audit & Corporate Governance Committee.

## 12 Reference Documents and Relevant Documents

12.1 The key reference documents include:

- CIPFA Prudential Code for Capital Finance in Local Authorities 2017 Edition
- CIPFA Prudential Code for Capital Finance in Local Authorities Guidance Notes for Practitioners 2018 Edition
- CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition
- Statutory Guidance on Local Government Investment (3rd Edition) 2018
- Statutory Guidance on the Minimum Revenue Provision 2018

12.2 Reference is made to a number of relevant documents that provides more details of the projects, risks, funding and timescales. The links are as follows:

- Business Plan:

  https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/our-business-plan/

- Revenue and Capital Estimates: [2020/2021 budget to be considered at the meeting]

- Corporate Asset Plan:

  https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/corporate-asset-plan/

- HRA Asset Management Plan: [Currently subject to review]

- Medium Term Financial Strategy:

  https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/medium-term-financial-strategy/

- Investment Strategy:

  https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/our-investment-strategy/

- Treasury Management Strategy: [Draft document to be considered at the meeting]

- Standing Orders:

  https://scambs.moderngov.co.uk/documents/s106702/01%20-%20Standing%20Orders

- Financial Regulations:

  https://scambs.moderngov.co.uk/documents/s106707/06%20-%20Financial%20Regulations

**Annex A**

# Recommended Prudential Indicators

The Prudential Indicators and Limits are based on currently known information and, in particular, the approved capital programme. Consequently, the indicators and limits set out below are subject to change (e.g. if any amendments are made to the capital programme).

These indicators and limits are to ensure the Council manages its finances in a clear and transparent manner, and that the impact of capital expenditure decisions on current and future budgets is understood.

1. **Estimates of Capital Expenditure (National Indicator)**

   This indicator provides the level of gross capital expenditure that is estimated to be incurred. The estimated expenditure includes schemes where funding has already been approved.

| | 2018/2019 Actual £000 | 2019/2020 Forecast £000 | 2020/2021 Forecast £000 | 2021/2022 Forecast £000 | 2022/2023 Forecast £000 |
|---|---|---|---|---|---|
| **Capital Expenditure** | 42,815 | 91,026 | 125,189 | 109,395 | 91,616 |

2. **Estimates of Capital Financing Requirement (National Indicator)**

   This indicator provides a limit for which net external borrowing will not be exceeded, except on a short-term basis. The Council has met this requirement in previous years and there are no difficulties envisaged in the current or future years based on current plans and policies known at this time.

| | 2018/2019 Actual £000 | 2019/2020 Forecast £000 | 2020/2021 Forecast £000 | 2021/2022 Forecast £000 | 2022/2023 Forecast £000 |
|---|---|---|---|---|---|
| **Capital Financing Requirement** | 271,438 | 335,803 | 423,693 | 504,520 | 575,403 |

3. **Gross Debt and the Capital Financing Requirement (National Indicator)**

   Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. As can be seen from the indicator, the Council expects to comply with this in the medium term.

| | 2018/2019 Actual £000 | 2019/2020 Forecast £000 | 2020/2021 Forecast £000 | 2021/2022 Forecast £000 | 2022/2023 Forecast £000 |
|---|---|---|---|---|---|
| **Debt (including Leases)** | 208,123 | 253,623 | 337,726 | 407,226 | 475,726 |
| **Capital Financing Requirement** | 271,438 | 335,803 | 423,693 | 504,520 | 575,403 |
| **Difference** | 63,315 | 82,180 | 85,967 | 97,294 | 99,677 |

4. **Authorised Limit and the Operational Boundary for External Debt (National Indicator)**

This Authorised Limit determines the maximum total amount the Council will be able to borrow. The limit for Other Long Term Liabilities has been included to allow the Council to enter into Finance Leases. The Operational Boundary indicator represents the prudent level of borrowing and will be reviewed annually.

| | 2018/2019 Limit £000 | 2019/2020 Limit £000 | 2020/2021 Limit £000 | 2021/2022 Limit £000 |
|---|---|---|---|---|
| Authorised limit – borrowing | 281,438 | 345,803 | 433,693 | 514,520 |
| Authorised limit – other long term liabilities | - | - | - | - |
| **Authorised limit – total external debt** | 281,438 | 345,803 | 433,693 | 514,520 |
| Operational boundary – borrowing | 276,438 | 340,803 | 428,693 | 509,520 |
| Operational boundary – other long term liabilities | - | - | - | - |
| **Operational boundary – total external debt** | 276,438 | 340,803 | 428,693 | 509,520 |

5. **Proportion of Financing Costs to net revenue stream (National Indicator)**

This indicator provides the ratio of financing costs to the Council's estimated net revenue expenditure budget (i.e. the expenditure financed by the revenue support grant, business rate redistribution, council tax and collection fund surplus share).

| | 2018/2019 Actual £000 | 2019/2020 Forecast £000 | 2020/2021 Forecast £000 | 2021/2022 Forecast £000 | 2022/2023 Forecast £000 |
|---|---|---|---|---|---|
| **Financing Costs** | 87 | 639 | 3,516 | 5,600 | 7,100 |
| **% of Net Revenue Stream** | 0.3 | 2.7 | 14.5 | 35.0 | 44.6 |

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South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Councillor John Williams,<br>Lead Cabinet Member for Finance | |
| **LEAD OFFICER:** | Trevor Roff, Interim Director of Finance | |

# Capital Programme 2020/2021 to 2024/2025

## Executive Summary

1. To consider the Council's Capital Programme for financial years 2020/2021 to 2024/2025.

2. This is a key decision because the capital programme results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budgets.

## Recommendation

3. **That Cabinet is requested to consider the report and, if satisfied, to recommend to Full Council the revised Capital Programme outlined at Appendix A.**

## Reason for Recommendation

4. To enable the Cabinet to consider variations to the Capital Programme 2019/2020 to 2024/2025 that was approved by Council at its meeting on 28 November 2019.

## Details

5. The Capital Programme is prepared on a five year rolling programme in accordance with the Capital Strategy. The Cabinet is, therefore, requested to consider the programme for 2019/2020 (being the current year), 2020/2021, 2021/2022, 2022/2023, 2023/2024 and 2024/2025 financial years and to make recommendations to Council on 20 February 2020.

6. In determining its Capital Programme, the Council must comply with the regulations relating to the Prudential Framework for Capital Finance in local authorities and related prudential indicators, i.e. is it prudent, affordable (in Council Tax terms) and sustainable (in the Medium Term). Due regard should, therefore, be given to:

   (i) The estimate of available capital finance (from borrowing and capital receipts if any) needed to cover existing committed schemes and any residual sum available for uncommitted and future priority schemes;

   (ii) The estimate of capital finance resource becoming available in the ensuing four years for uncommitted schemes and new priority schemes (e.g. from external borrowing, forecast new capital receipts (if any) or external funding);

(iii) The estimated revenue implications (estimated at £55,000 per year per £1 million borrowed over 25 years) of the proposed total programme and impact on Council Tax in terms of affordability.

7. Consequently, the number of new priority capital schemes which can be approved at each annual review of the programme, and during the financial year, will be limited by these affordability factors. The corporate focus of capital investment will need to accord with the Business Plan and the requirements of the updated Capital Strategy (see separate report on the agenda).

8. To enter into excessive long term borrowing would only exacerbate the financial position and, on this basis, it is strongly recommended that the Council only agrees a level of capital investment that is affordable in the long term.

9. The proposed changes to the capital programme since it was approved by Full Council on 28 November 2019 are identified in **Appendix A**. These changes include the re-profiling of existing schemes based on the latest estimates of project completion dates and cash flows.

New Capital Schemes

10. The revised capital programme includes three schemes arising from planning obligations as part of the various phases of the Northstowe development. A separate report is being prepared and will be submitted to Cabinet in due course on the project management role of the Council in relation to the design and build of community based projects in Northstowe comprising (i) a landmark Civic Hub building, (ii) a Sports Pavilion and (iii) a Community Building.

11. The following projects are, therefore, included in the forward capital programme:

- Northstowe Civic Hub, at an estimated cost of £ £14,548,505 (indexation to be applied), funded from S106 contributions;
- Northstowe Sports Pavilion, at an estimated cost of £1.1 million (indexation to be applied), funded from S106 contributions;
- Northstowe Community Building, at an estimated cost of £1.5 million (indexation to be applied), funded from S106 contributions.

Revised Schemes

12. Since the Full Council meeting, held on 28 November 2019, further changes to the capital programme have emerged to reflect recent developments and expectation of the timing of expenditure as summarised below:

(a) ICT Development – There have previously been a number of small budgets which in reality fall below the de-minimus level for Capital expenditure. It is proposed that these will in future be treated in future as Revenue expenditure.

(b) South Cambridgeshire Hall: Energy Efficiency Measures – A detailed report regarding the proposed energy efficiency and green energy measures is included elsewhere on the agenda. Detailed costings have now been provided and a further £620,000 is required to carry out all the work identified (compared to the original capital allocation of £1.3 million). The intention is to fund this entirely from the Renewables Reserve, with an increase in the annual payback from the investment from £79,700 to £116,500.

(c) Office Adaptations and Enhancements – These works are now expected to take place during 2020/2021 (rather that 2019/2020 as currently scheduled).

(d) The Capital programme previously allowed for a £5 million contribution toward the A14 upgrade to made in 2020/2021. It now appears that this is payable over 25 years and it has, therefore, been reprofiled in the revised capital programme. Whilst the expenditure to which the contribution is made is of a capital nature, because the related asset does not belong to the Council, this is treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS). In any event a reserve has been set up to fund this expenditure.

(e) The streetlighting LED upgrade programme is now expected to commence in 2020/2021 and, as such, the expenditure has been reprofiled (this was originally allocated £750,000 in 2019/2020 and £545,000 in 2020/2021).

Scheme Re-profiling

13. The review of the capital programme has identified several schemes requiring a re-profiling of budget and these are outlined above. This has reduced the gross budget for 2019/2020 by £0.901 million and for 2020/2021 by £2.849 million and the revised spend profile is set out in detail in **Appendix A**.

Revised Capital Programme: 2020/2021 – 2024/2025

14. The consequent rolling programme, taking into account the variations outlined in the report, is detailed in **Appendix A**.

Capital Programme Financing

15. The Council utilises borrowing to fund capital investment where there is no other source of funding and this has a direct impact on the revenue budget. The level of borrowing is a factor that needs to be considered by the Council as increased borrowing will lead to increased revenue costs associated with the financing of borrowing and as such would fall on Council Tax.

16. The use of Capital Receipts is prescribed by Regulations made under the Local Government Act 2003. Where excess Capital Receipts are held, i.e. not needed to finance capital expenditure in year, then the Council can either (i) carry any unapplied balance forward into subsequent years or (ii) reduce the Capital Financing Requirement and, as a consequence, reduce MRP (i.e. generate a revenue saving with effect from the following year).

17. The table below sets out the forecast capital receipts received and applied for each year of the programme:

| | 2020/2021 £'000 | 2021/2022 £'000 | 2022/2023 £'000 | 2023/2024 £'000 | 2024/2025 £'000 |
|---|---|---|---|---|---|
| Receipts Applied | 967 | 702 | 713 | 713 | 787 |

18. The table below sets out a summary of the revised Capital Programme based on the changes set out above. Details of the full Capital Programme from 2019/2020 (current year) to 2024/2025 are shown at **Appendix A**.

| Summary Capital Programme | 2020/2021 £'000 | 2021/2022 £'000 | 2022/2023 £'000 | 2023/2024 £'000 | 2024/2025 £'000 |
|---|---|---|---|---|---|
| **Gross Directorate Budgets:** | | | | | |
| • Corporate Services | 75,132 | 72,799 | 72,814 | 72,804 | 304 |
| • Health & Environmental | 2,142 | 1,389 | 1,051 | 1,188 | 650 |
| • Housing (General Fund) | 1,829 | 3,905 | 5,305 | 11,305 | 1,305 |
| Advances to Housing Company | 16,603 | 0 | 0 | 0 | 0 |
| **Gross Total** | **95,706** | **78,093** | **79,170** | **85,297** | **2,259** |
| **Financed By:** | | | | | |
| • Grants/Contributions | 1,319 | 4,031 | 5,191 | 10,855 | 1,054 |
| • Revenue | 4,133 | 860 | 766 | 1,044 | 418 |
| • Capital Receipts | 967 | 702 | 713 | 713 | 787 |
| • Borrowing | 89,287 | 72,500 | 72,500 | 72,685 | 0 |
| **Total Financing** | **95,706** | **78,093** | **79,170** | **85,297** | **2,259** |

There may be rounding differences within the table

Scheme Commitments

19. To help safeguard the Council capital resources, the revised Capital Strategy only allows schemes to be actually committed when sufficient capital finance has been identified to cover the full forecast cost and where the estimated ongoing revenue consequences have been taken into account and approved by Council as affordable.

## Options

20. The option exists to vary the capital programme, but the allocations included reflect Business Plan priorities and decisions previously made by the Council, including the last update to the capital programme on 28 November 2019.

## Implications

21. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

***Policy***

22. The Council has two policies which underpin the Capital Programme, namely the Capital Investment Strategy and the Medium Term Financial Strategy (MTFS). The former provides the framework for the evaluation, approval and monitoring of capital schemes. The MTFS provides the framework for the financing of capital schemes in the rolling Capital Programme and, in line with good practice, no capital scheme can be authorised and no commitment made until:

- Capital finance is in place to cover the full capital costs; and
- It has been determined by Council that the ongoing revenue cost consequences are affordable in the light of forward three year Revenue Budget forecasts and related Council Tax consequences.

23. The approved Business Plan 2019-2024 outlines the key goals for the Council – the capital programme will support these objectives.

***Legal***

24. The Local Government Act 2003 provides the legal basis for capital finance, namely a general power to borrow and a duty to set an affordable borrowing limit. The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits.

25. In respect of individual capital schemes, some are legally unavoidable whereas others are discretionary but undertaken within the powers available to the Council.

***Financial***

26. The Capital Programme is financed from a number of sources including specific grants/external funding, capital receipts, direct revenue financing, Section 106 and borrowing. Borrowing defrays the cost of the capital spending over a predetermined period of time and gives rise to the Minimum Revenue Provision (MRP) being the setting aside of Revenue Budget for the repayment of debt. The overall programme must be assessed in terms of estimated revenue implications of each scheme including their impact on Council Tax in terms of affordability.

27. In determining its Capital Programme, the Council must have regard to the Prudential Framework i.e. is it prudent, affordable (in Council Tax terms) and sustainable (in the Medium Term). The Capital Strategy, therefore, requires the Council to consider the proposed capital programme having regard to the CIPFA prudential indicators and the Council will consider the extent of borrowing based upon these.

28. Full Council, at its meeting on 28 November 2019, approved new schemes for inclusion in the General Fund capital programme for the period 2020/2021 to 2023/2024 and also the re-profiling of the existing programme. The full programme, approved by Council at that time, is summarised in the table below:

| **Capital Programme: General Fund** | **2019/2020 £'000** | **2020/2021 £'000** | **2021/2022 £'000** | **2022/2023 £'000** | **2023/2024 £'000** |
|---|---|---|---|---|---|
| **Expenditure** | | | | | |
| Corporate Services | 52,458 | 79,295 | 72,642 | 72,653 | 72,653 |
| Health & Environmental Services | 1,249 | 1,362 | 1,399 | 1,088 | 1,188 |
| Housing Services | 1,487 | 1,295 | 1,295 | 1,295 | 1,295 |
| Advances to Housing Company | 13,500 | 16,603 | 0 | 0 | 0 |
| **Total** | 68,694 | 98,555 | 75,336 | 75,036 | 75,136 |
| **Funding** | | | | | |
| Capital Receipts | 1,646 | 1,155 | 766 | 777 | 850 |
| Grants/Contributions | 992 | 630 | 1,162 | 1,002 | 786 |
| Revenue | 1,344 | 7,482 | 908 | 757 | 815 |
| Borrowing | 64,712 | 89,288 | 72,500 | 72,500 | 72,685 |
| **Total** | 68,694 | 98,555 | 75,366 | 75,036 | 75,136 |

29. This report details the amendments to the programme, including re-phasing of work, since the last update in November 2019.

30. The net budget for the capital programme will need to be financed from the Council's resources (e.g. capital receipts, revenue financing or, primarily, by borrowing). The borrowing costs are approximately £55,000 per year for every £1 million borrowed and these borrowing costs will need to be factored into the revenue budget when preparing the Medium Term Financial Strategy.

***Risk***

31. In relation to Capital resources, the following risks should be taken into account when considering this report:

    (i) New capital schemes can emerge at any time based on newly identified needs or changes in legislation which require funding;

    (ii) The forecast cost/timing of existing schemes and the ability to undertake schemes may vary as implementation is undertaken;

    (iii) Forecast capital receipts may not be achieved which will result in some schemes not proceeding until other sources of capital finance become available or unless further recourse is made to borrowing;

    (iv) There is a risk that external contributions may not fully materialise and, as such, there is a risk that schemes relying on external funding may require alternative sources of funding to be identified.

***Environmental***

32. There are no environmental implications arising directly from the report. The environmental impacts of each capital scheme will be considered as part of the implementation.

***Equality Analysis***

33. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

34. The relevance test for equality has determined that the content of the report has no relevance to the Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed. Individual capital bids may, however, have specific equality impacts that need to be considered and evaluated.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 6 February 2019/Council: 21 January 2019
- General Fund Capital Programme Update and New Bids – Report to Cabinet: 6 November 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Cabinet: 4 December 2019

## Appendices

A Revised Capital Programme

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Appendix A

| NET EXPENDITURE | Budget 2019-20 | Revised 2019-20 | Budget 2020-21 | Budget 2021-22 | Budget 2022-23 | Budget 2023-24 | Budget 2024-25 |
|---|---|---|---|---|---|---|---|
| **Directorate/Cost centre** | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **CORPORATE SERVICES - OVERHEADS** | | | | | | | |
| **ICT Development :** | | | | | | | |
| PC Refresh Programme | 10 | | | | | | |
| New Server Technologies | | | | | 15 | 15 | 15 |
| Share Point Portal Server | 10 | | | | | | |
| Government Connect | 5 | | | | | | |
| Network security | 10 | 10 | | | | | |
| Housing management system | 387 | 387 | | | | | |
| Financial Management System (FMS) | 10 | 10 | | | | | |
| Health and Environmental Services System | | 50 | | | | | |
| Waste Management System | | 150 | | | | | |
| Cash Receipting System | 69 | 69 | | | | | |
| Aerial Photography Refresh | 15 | | 15 | | | | |
| Desktop Transformation Programme | 53 | 233 | | 89 | 89 | 89 | 89 |
| Telephony Replacement | 150 | 30 | 120 | | | | |
| Secure Phone Payments | 34 | 34 | | | | | |
| Upgrade AV and Delegate System | | | 150 | | | | |
| Human Resources System | | | 116 | | | | |
| Wi-Fi Access Points | | | 7 | | | | |
| Data Centre Generator | | | 16 | | | | |
| Data Centre Capacity Growth | | | 14 | | | | |
| Business Analytics Service | | | 4 | | | | |
| | | | | | | | |
| **South Cambridgeshire Hall :** | | | | | | | |
| Energy Efficiency (Rnew) | | | 1,920 | | | | |
| Office adaptations and enhancements | | 248 | 70 | 10 | 10 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **CORPORATE SERVICES DIRECTORATE** | | | | | | | |
| Advance funding for housing company pilot scheme | 12,507 | 13,500 | 16,603 | | | | |
| CLIC investment | | 1,145 | | | | | |
| Contribution towards A14 upgrade (Inf) | | | 200 | 200 | 200 | 200 | 200 |
| Investment Strategy | 20,000 | 50,000 | 72,500 | 72,500 | 72,500 | 72,500 | |
| **CORPORATE SERVICES TOTAL** | **33,260** | **65,866** | **91,735** | **72,799** | **72,814** | **72,804** | **304** |
| | | | | | | | |
| | | | | | | | |
| **Greater Cambridge Shared Waste Service :** | | | | | | | |
| Team Manager Vehicles (RV) | 59 | 0 | 36 | | | | |
| Refuse Collection Vehicles | | 169 | 495 | 1,122 | 835 | 1,115 | 576 |
| | | | | | | | |
| **Street Cleansing :** | | | | | | | |
| Pavement Street Sweepers | 64 | 67 | | | | 73 | 74 |
| Mechanical Road Sweeper and Truck Replacements - funded from sinking fund reserve | 44 | 79 | 170 | 267 | 136 | | |
| | | | | | | | |
| **Land Drainage :** | | | | | | | |
| Tractors | 80 | | 80 | | 80 | | |
| Flail Mowers | 37 | | 37 | | | | |
| Trailer (funded from s106 Capital Contributions) | | | 8 | | | | |
| | | | | | | | |
| **Environmental Protection :** | | | | | | | |
| Air Quality Monitoring Equipment | 50 | 100 | | | | | |
| Noise Monitoring Equipment | 16 | | | | | | |
| Environmental Services Enforcement Vehicle | 20 | | 21 | | | | |
| | | | | | | | |
| **Footway Lighting :** | | | | | | | |
| Parish Maintained Street Lights | 350 | | 1,295 | | | | |
| | | | | | | | |
| **HEALTH & ENVIRONMENTAL SERVICES TOTAL** | **721** | **415** | **2,142** | **1,389** | **1,051** | **1,188** | **650** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **HOUSING DIRECTORATE (GENERAL FUND)** | | | | | | | |
| | | | | | | | |
| **Northstowe** | | | | | | | |
| Civic Hub | | | 149 | 400 | 4,000 | 10,000 | |
| Sports Pavilion | | 25 | 175 | 900 | | | |
| Community Centre | | | 200 | 1,300 | | | |
| **Other Housing General Fund** | | | | | | | |
| Requited GF Share of HRA Capital Expenditure | 10 | 25 | 25 | 25 | 25 | 25 | 25 |
| Repurchase of General Fund Sheltered Properties | 1,100 | 500 | 500 | 500 | 500 | 500 | 500 |
| Grants for the provision of Social Housing | 500 | | | | | | |
| **Improvement Grants/Loans :** | | | | | | | |
| Home Repairs Assistance | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Disabled Facilities | | | | | | | |
| Mandatory | 660 | 852 | 670 | 670 | 670 | 670 | 670 |
| Discretionary | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| | | | | | | | |
| **HOUSING (GENERAL FUND) TOTAL** | **2,380** | **1,512** | **1,829** | **3,905** | **5,305** | **11,305** | **1,305** |
| | | | | | | | |
| **Gross Capital Expenditure (General Fund)** | **36,361** | **67,793** | **95,706** | **78,093** | **79,170** | **85,297** | **2,259** |
| | | | | | | | |
| | | | | | | | |
| Fixed Assets | 22,584 | 52,186 | 78,123 | 77,113 | 78,190 | 84,317 | 1,279 |
| Revenue Expenditure funded from Capital under Statute (REFCUS) | 13,777 | 15,607 | 17,583 | 980 | 980 | 980 | 980 |
| | | | | | | | |
| | **36,361** | **67,793** | **95,706** | **78,093** | **79,170** | **85,297** | **2,259** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Financed By:** | | | | | | | |
| Capital Receipts | (1,698) | (1,180) | (967) | (702) | (713) | (713) | (787) |
| S106 Agreement Contribution (ring fenced for Housing) | (500) | | (149) | (400) | (4,000) | (10,000) | |
| Capital Contributions (from s106) | | (25) | (500) | (2,200) | (80) | | |
| Cambridgeshire County Council (DFG) | (630) | (852) | (670) | (670) | (670) | (670) | (670) |
| Housing Capital Reserve | | | | | | | |
| Revenue Contribution from HRA towards software etc | (419) | (484) | (111) | (22) | (26) | (26) | (26) |
| Internal Borrowing - re Commercial Vehicles | | (67) | (185) | | | (185) | |
| External funding from CCC for Waste Vehicle | | (65) | | (761) | (441) | (185) | (384) |
| External funding from CCC for Waste IT System | | (75) | | | | | |
| Earmarked Reserves | (607) | (401) | (4,022) | (838) | (740) | (1,018) | (392) |
| Internal Borrowing 140CSP and ESH | | (31,145) | | | | | |
| External Borrowing | (32,507) | (33,500) | (89,103) | (72,500) | (72,500) | (72,500) | |
| | | | | | | | |
| | **(36,361)** | **(67,793)** | **(95,706)** | **(78,093)** | **(79,170)** | **(85,297)** | **(2,259)** |
| | | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

The Capital Programme has been revised to reflect when expenditure is expected to occur and also includes the capital bids submitted as part of the 2020/21 budget process. In Particular the ICT budgets have been re-profiled and amended to reflect expected spending pattens, the additional costs related to the 'greening' of South Cambs Hall and reprofiling of the Parish Maintained Street Lights programme. The programme now also includes an initial allocation for the three projects at Northstowe. A more detailed report will be required during 2020/21 to refine the budgetary allocations.

South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Councillor John Williams,<br>Lead Cabinet Member for Finance | |
| **LEAD OFFICER:** | Peter Maddock, Head of Finance | |

# Localised Council Tax Support Scheme: 2020/2021

## Executive Summary

1. The purpose of this report is to review the Localised Council Tax Support (LCTS) scheme that applied for 2019/2020 and agree the LCTS scheme for 2020/2021.

2. This is not a key decision as the financial commitments are within the existing budget.

## Recommendations

3. **Cabinet recommends to Council, at its meeting on 20 February 2020:**

   **(a) the adoption of Option 1, comprising the LCTS Income Bands scheme currently in operation, with an uprating of calculation figures in line with the Consumer Price Index;**

   **(b) the delegation of future annual inflation adjustments to scheme limits to the Head of Finance in liaison with the Lead Member for Finance.**

## Reasons for Recommendations

4. The current LCTS scheme was introduced on 1st April 2019 to enable the roll out of Universal Credit (UC) to be accommodated by minimising the number of amendments to Council Tax Support arising from UC thereby affording the Council and claimants some stability by not needing to constantly amend the amount of Council Tax payable which would have additional costs for the Council.

5. An uprating of scheme in line with Consumer Price Index (CPI) will ensure that those residents in receipt of benefits and limited means will not be worse-off due to inflation.

## Details

6. The LCTS scheme previously in place was considered not fit for purpose following the rollout of Universal Credit (UC) in October 2018. The adopted scheme for working age applicants, introduced effective from 1 April 2019, is an income based scheme which grants a discount based upon the applicant's income. The discount will vary as the applicant's income varies and by the Council Tax band that the dwelling is in.

7. The number of residents who currently receive Universal Credit and receive LCTS is lower than expected to be the case – currently there are 837 residents; compared to the initial estimate this is around 50% of the expected number. The take-up of Universal Credit has been slower than expected and there is some evidence that residents are reluctant to move to UC (thereby delaying making any "change in circumstances" claims where they can).

8. The implementation of the new LCTS scheme in April 2019 has been successful and its objectives and aims have been achieved. There has not been a significant increase in administration and the scheme design means that there has not been an increase in customer contact.

9. The Council consulted widely with residents and stakeholders in 2018. The option supported was a Banded Discount Scheme as it would be a longer term option and ensure that those residents on UC would not encounter the issues which have highlighted in other local authorities where UC has been in place for a longer period.

10. The issues that other Local Authorities highlighted as a result of UC being introduced were as follows:

- Residents receive multiple bills and are, therefore, confused as to what do they need to pay;
- Increased number of residents receiving LCTS who are subject to recovery action;
- Increased contact from residents via telephone and in person;
- Increased administration for the Revenues and Benefits team;
- Reduction in collection rates for Council Tax for those in receipt of UC and LCTS.

11. The new banded LCTS scheme, introduced in April 2019, achieved its aims and importantly the issues that had been highlighted above have not been apparent. The significant amount of work which was undertaken to design the scheme has enabled the implementation to be smooth and without any significant impact to residents.

12. The banded scheme operates as follows:

A. Calculation of Income:

- Income is calculated in the same way as Housing Benefit and the previous 2018 LCTS scheme;
- Universal Credit income received for housing costs, limited work capability, or childcare will be disregarded as income;
- There are disregards apply for earnings which work which in the same way as housing benefit;
- There are Income disregards for those who are carers, disabled and/or have children.

B. Income is compared to allowance:

- Single person £80.00;
- Couple £125.00.

C. Maximum eligible Council Tax is assessed:

- Council Tax weekly liability;
- <u>Less</u> Non dependant deduction;
- <u>Equals</u> maximum eligible Council Tax.

D. Entitlement assessed and income band assessed.

Further details of the scheme are provided at **<u>Appendix A</u>**, and details of the income bands for both options being considered is provided at **<u>Appendix B</u>**.

13. The current Income Bands LCTS scheme has only been in place since 1 April 2019; and was a major change from the previous scheme. Any further change to the scheme would require a significant resource. The design of a new scheme would also require extensive consultation with residents and stakeholders, combined with considerable resource to redesign the scheme.

14. The DWP uprate the figures for calculation annually to reflect CPI allowing those in receipt of benefits not to be worse off due to inflation.

15. The previous change from Council Tax Benefit in April 2013 to LCTS (a less generous scheme for some residents) resulted in many residents contacting the Council for advice and support. The new scheme was, however, introduced in 2019/2020 without any significant increase in residents contacting the Council and it is expected that this would be replicated with the proposals outlined in the report.

16. The current to date LCTS expenditure for 2019/2020 is £6,130,855. The cost is shared between the major Council Tax preceptors as follows:

    (a) Cambridgeshire County Council (71%);
    (b) South Cambridgeshire District Council (13%);
    (c) Cambridgeshire Police Authority (12%);
    (d) Cambridgeshire Fire Authority (4%).

    This cost is accounted for as reduction of income received from Council Tax; figures shown are averages.

## Options

17. The following options have been considered:

    Option 1:

    Continue with the current scheme in place with necessary adjustments for scheme uprating in line with CPI. The estimate of LCTS is broadly similar to the current scheme in place (Option 2), excluding increases to the Council Tax charge.

    The Banded Scheme enables smaller changes not to affect LCTS awards. The modelling undertaken based on uprating for CPI will only affect a small number of claimants (65) increasing total LCTS awarded in total by £11,000 annually. The increased cost would be shared between the major preceptors based upon their respective share of total Council Tax.

    Option 2:

    Continue with the current scheme in place without any adjustments to the calculation figures to allow for inflation.

    This option will be broadly similar in cost to 2019/2020 excluding increases to the Council Tax charge. It would mean that some low income households would be paying marginally more Council Tax although the numbers are small; the cost of living rises in income that a claimant receives may not cover all increases in living cost and they may as a result be financially worse off.

## Implications

18. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

**Financial**

19. The cost of LCTS for every year since the introduction has been less than estimates; based on the options detailed within this report Option 1 or Option 2 scheme as modelled should be affordable in the context of the Council's Medium-Term Financial Strategy. The cost of LCTS is split between the major Council Tax preceptors.

**Legal**

20. The scheme must be agreed before the end of February 2020 and fundamental changes to the scheme would require consultation with residents.

**Staffing**

21. The implementation of a major change to the LCTS scheme could require a large amount of extra resource within the Customer Contact Centre. The proposed Option 1 is expected to not require any extra resource.

22. Option 2 would reduce the amount of LCTS awarded to residents. This option could result in increased staff resource required being needed as residents may find the increase in council tax payable difficult to afford.

23. Whilst the cost of LCTS is shared between the major preceptors but this excludes the cost of administration and any increases in staffing cost would be borne directly by the Council.

**Risks/Opportunities**

24. A significant economic downturn could result in increased demand for Council Tax Support, the cost of which would be borne directly by all major preceptors and could exceed estimates and reduce the income received from Council Tax.

**Environmental**

25. There are no specific environmental implications arising from the report.

**Equality Impact**

26. There no changes based on the proposed scheme amendments

**Effect on Council Priority Areas**

27. Localised Council Tax Support supports those residents with low incomes to afford live in South Cambridgeshire as the Council scheme particularly support those residents who are disabled or carers.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Localised Council Tax Support 2019/2020 – Report to Cabinet: 5 September 2018
- Localised Council Tax Support 2019/2020 – Report to Cabinet: 5 December 2018
- Localised Council Tax Support 2019/2020 – Report to Council: 21 February 2019
- https://www.scambs.gov.uk/media/13104/south-cambs-s13a-201920-scheme-v14.pdf Council Tax Reduction Scheme Document 2019/2020 (134 pages)

## Appendices

A: Localised Council Tax Support Scheme: Summary

B: 2020/2021 Banded Discount Tables

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# Localised Council Tax Support Scheme: Summary

## Protected Scheme

**Working Age Protected Scheme**

100% maximum –

Protected Groups

- Lone parents with children under 5
- Carers
- Disabled – receiving DLA or PIP
- Those receiving support component of ESA
- Families with disabled children receiving a qualifying benefit

## Working Age Scheme

95% Maximum

## Rules for both Schemes

**Backdating**

Reintroduction of backdating for a maximum of 1 Month from date of claim where there is good cause.

The Council has the discretion to award a reduction to the start of the given financial.

**Date of claim**

Where the customer has made a claim for Universal Credit (UC) and a claim for LCTS is made within one month, the date of claim will be the date the UC claim was made.

**Date of entitlement**

Council Tax Reduction will be awarded as a daily reduction any entitlement will commence from the date of claim unless the claim has been made in advance.

**Income Disregards**

- Earnings disregards

| | |
|---|---|
| Single | £7.50 |
| Couple | £12.50 |
| Disabled, Carers and Lone Parent | £25 |
| Additional Hours | £17 |
| Higher Permitted Earnings | £131.50 |

- UC Limited work Capacity element – will not be included as income.
- UC Housing Element – will not be included as income.

**Non-Dependant Deductions**

Where there is a deduction in the current scheme, this will continue to apply and other rates will be:

| | |
|---|---|
| Others and Earnings up to 210.00 | £4.00 |
| Earnings 210.01 – 350.00 | £8.00 |
| Income more than £350.01 and assumed maximum income | £10.00 |

**Capital Rules** apply remain unchanged £16,000 max and £6,000 for tariff income of £1 for every £250.00 or part of.

**Scheme Basics (Calculation)**

Assess Income less any disregards **(A)**

Income allowances are deducted from income **(B)**

Calculate assessed income for bands (A) - (B) **(C)**

**Income Allowance** (B) weekly amounts to be deducted from income

| | |
|---|---|
| CHILD - for each child | £75 |
| CARER | £40 SINGLE £80 COUPLE |
| DISABLED CHILD | £65 |
| ENHANCED DISABLED CHILD PREMIUM | £27 |
| DISABILITY PREMIUM | £40 SINGLE £50 COUPLE |
| ENHANCED DISABILITY | £20 SINGLE £25 COUPLE |
| SEVERE DISABILITY PREMIUM | £65 SINGLE £130 COUPLE |
| ESA SUPPORT | £38.55 |

**Banded scheme based on Income (C)**

Where this is less than:

A) Single Allowance = £80.00 or

B) Couple =£125

The maximum CTS is awarded as follows

- **Protected Scheme - 100% of Council Tax liability less nondependent deductions**
- **Working Age Scheme - 95% of Council Tax Liability less non-dependant deduction**

Where income is more than the amounts specified in A or B the % reduction is as per the banded list (Appendix B): The CTAX liability will be reduced by any non-dependant deduction and the appropriate % calculated.

| Option 1 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Single People with or without children | | | | | | |
| **Band** | **95/100%** | **85%** | **70%** | **55%** | **40%** | **25%** | **10%** |
| **A** | <81.37 | 81.37 - 103.73 | 103.74 - 126.11 | 126.12 - 148.48 | 148.49 - 170.86 | 170.87 - 193.23 | 193.24 - 215.64 |
| **B** | <81.37 | 81.37 - 104.75 | 104.76 - 128.14 | 128.14 - 151.53 | 151.54 - 174.92 | 174.93 - 198.32 | 198.33 - 221.76 |
| **C** | <81.37 | 81.37 - 106.79 | 106.80- 132.21 | 132.22 - 157.64 | 157.65 - 183.06 | 183.07 - 208.49 | 208.50 - 233.91 |
| **D** | <81.37 | 81.37 - 114.92 | 114.93 - 148.47 | 148.48 - 182.04 | 185.05 - 215.60 | 215.61 - 249.17 | 249.18 - 282.73 |
| **E** | <81.37 | 81.37 - 115.94 | 115.95 - 150.52 | 150.53 - 185.09 | 185.10 -219.67 | 219.68 - 254.25 | 254.26 - 288.83 |
| **F** | <81.37 | 81.37 - 128.14 | 128.15 - 174.92 | 174.93 - 221.71 | 221.72 - 268.49 | 268.50 - 315.27 | 315.28 - 362.05 |
| **G** | <81.37 | 81.37 - 128.14 | 128.15 - 174.92 | 174.93 - 221.71 | 221.72 - 268.49 | 268.50 - 315.27 | 315.28 - 362.05 |
| **H** | <81.37 | 81.37 - 128.14 | 128.15 - 174.92 | 174.93 - 221.71 | 221.72 - 268.49 | 268.50 - 315.27 | 315.28 - 362.05 |
| **Z** | <81.37 | 81.37 - 101.70 | 101.71 - 122.04 | 122.05 - 142.38 | 142.39 - 162.72 | 162.73 - 183.06 | 183.07 - 203.40 |
| | | | | | | | |
| | Couples with or without children | | | | | | |
| **Band** | **95/100%** | **85%** | **70%** | **55%** | **40%** | **25%** | **10%** |
| **A** | <127.14 | 127.14 - 149.50 | 149.51 - 171.87 | 171.88 - 194.25 | 194.26 - 216.62 | 216.63 - 239.00 | 239.01 - 261.37 |
| **B** | <127.14 | 127.14 - 150 .52 | 150.53 - 173.91 | 173.92 - 197.30 | 197.31 - 220.69 | 220.70 - 244.08 | 244.09 - 267.67 |
| **C** | <127.14 | 127.14 - 152.55 | 152.56 - 177.98 | 177.99 - 203.40 | 203.41 - 228.83 | 228.84 - 254.25 | 254.26 - 279.68 |
| **D** | <127.14 | 127.14 - 160.69 | 160.70 - 194.25 | 194.26 - 227.81 | 227.82 - 261.37 | 261.38 - 294.93 | 294.94 - 328.49 |
| **E** | <127.14 | 127.14 - 161.70 | 161.71 - 196.28 | 196.29 - 230.86 | 230.87 - 264.44 | 265.45 - 300.02 | 300.03 - 334.59 |
| **F** | <127.14 | 127.14 - 173.91 | 173.92 - 220.69 | 220.70 - 267.47 | 267.48 - 314.25 | 314.26 - 361.04 | 361.05 - 407.82 |
| **G** | <127.14 | 127.14 - 173.91 | 173.92 - 220.69 | 220.70 - 267.47 | 267.48 - 314.25 | 314.26 - 361.04 | 361.05 - 407.82 |
| **H** | <127.14 | 127.14 - 173.91 | 173.92 - 220.69 | 220.70 - 267.47 | 267.48 - 314.25 | 314.26 - 361.04 | 361.05 - 407.82 |
| **Z** | <127.14 | 137.14 - 147.47 | 147.48 - 167.81 | 167.82 - 188.15 | 188.16 - 208.49 | 208.50 - 228.83 | 228.84 - 249.17 |

| Option 2 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Single People with or without children | | | | | | |
| **Band** | **95/100%** | **85%** | **70%** | **55%** | **40%** | **25%** | **10%** |
| **A** | < 80.01 | 80.01 – 102.00 | 102.01 – 124.00 | 124.01 - 146.00 | 146.01 – 168.00 | 168.01 - 190.00 | 190.01 - 212.00 |
| **B** | < 80.02 | 80.01 – 103.00 | 103.01 – 126.00 | 126.01 – 149.00 | 149.01 – 172.00 | 172.01 – 195.00 | 195.01 – 218.00 |
| **C** | < 80.03 | 80.01 – 105.00 | 105.01 – 130.00 | 130.01 – 155.00 | 155.01 – 180.00 | 180.01 – 205.00 | 205.01 – 230.00 |
| **D** | < 80.04 | 80.01 – 113.00 | 113.01 – 146.00 | 146.01 – 179.00 | 179.01 – 212.00 | 212.01 – 245.00 | 245.01 – 278.00 |
| **E** | < 80.05 | 80.01 – 114.00 | 114.01 – 148.00 | 148.01 – 182.00 | 182.01 – 216.00 | 216.01 – 250.00 | 250.01 – 284.00 |
| **F** | < 80.06 | 80.01 – 126.00 | 126.01 – 172.00 | 172.01 – 218.00 | 218.01 – 264.00 | 264.01 – 310.00 | 310.01 – 356.00 |
| **G** | < 80.07 | 80.01 – 126.00 | 126.01 – 172.00 | 172.01 – 218.00 | 218.01 – 264.00 | 264.01 – 310.00 | 310.01 – 356.00 |
| **H** | < 80.08 | 80.01 – 126.00 | 126.01 – 172.00 | 172.01 – 218.00 | 218.01 – 264.00 | 264.01 – 310.00 | 310.01 – 356.00 |
| **Z** | < 80.09 | 80.01 – 100.00 | 100.01 – 120.00 | 120.01 – 140.00 | 140.01 - 160.00 | 160.01- 180.00 | 180.01 -200.00 |
| | | | | | | | |
| | Couples with or without children | | | | | | |
| **Band** | **95/100%** | **85%** | **70%** | **55%** | **40%** | **25%** | **10%** |
| **A** | <125.01 | 125.01 – 147.00 | 147.01 – 169.00 | 169.01 – 191.00 | 191.01 – 213.00 | 213.01 – 235.00 | 235.01 – 257.00 |
| **B** | <125.02 | 125.01 – 148.00 | 148.01 – 171.00 | 171.01 – 194.00 | 194.01 – 217.00 | 217.01 – 240.00 | 241.00 – 263.00 |
| **C** | <125.03 | 125.01 – 150.00 | 150.01 – 175.00 | 175.01 – 200.00 | 200.01 – 225.00 | 225.01 – 250.00 | 250.01 – 275.00 |
| **D** | <125.04 | 125.01 – 158.00 | 158.01 – 191.00 | 191.01 – 224.00 | 224.01 – 257.00 | 257.01 – 290.00 | 290.01 – 323.00 |
| **E** | <125.05 | 125.01 – 159.00 | 159.01 – 193.00 | 193.01 – 227.00 | 227.01 – 261.00 | 261.01 - 295.00 | 295.01 – 329.00 |
| **F** | <125.06 | 125.01 – 171.00 | 171.01 – 217.00 | 217.01 – 263.00 | 263.01 – 309.00 | 309.01 – 355.00 | 355.01 – 401.00 |
| **G** | <125.07 | 125.01 – 171.00 | 171.01 – 217.00 | 217.01 – 263.00 | 263.01 – 309.00 | 309.01 – 355.00 | 355.01 – 401.00 |
| **H** | <125.08 | 125.01 – 171.00 | 171.01 – 217.00 | 217.01 – 263.00 | 263.01 – 309.00 | 309.01 – 355.00 | 355.01 – 401.00 |
| **Z** | <125.09 | 125.01 – 145.00 | 145.01- 165.00 | 165.01 – 185.00 | 185.01 – 205.00 | 205.01 – 225.00 | 225.01 – 245.00 |

South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Councillor John Williams,<br>Lead Cabinet Member for Finance | |
| **LEAD OFFICER:** | Trevor Roff, Interim Director of Finance | |

# Treasury Management Strategy

## Executive Summary

1. To undertake the annual review of the Treasury Management Strategy and to consider a refreshed version of the Strategy for adoption by the Council.

2. This is a key decision as the report seeks to establish a strategy for the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

## Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, to:**

   **(a) Recommend to Council the updated Treasury Management Strategy attached at <u>Appendix A</u> to the report which sets the policy framework for the Council's treasury management activity, including (i) the Treasury Management Policy Statement, (ii) Minimum Revenue Provision Policy and (ii) Treasury Indicators; and**

   **(b) Support the continuation of the interest rate of 3.85% on advances made to Ermine Street Housing during 2020/2021 and the issue of a formal loan agreement to South Cambs Limited to reflect the capital allocations identified in the Council's approved capital programme.**

## Reason for Recommendations

4. To establish and approve an updated Treasury Management Strategy that complies with the Chartered Institute of Public Finance & Accountancy (CIPFA) revised Prudential Code for Capital Finance in Local Authorities. To review the terms of lending to South Cambs Limited during 2020/2021 and the support required to achieve the portfolio of 500 homes identified in the Company Business Plan.

## Details

**Treasury Management Strategy**

5. Treasury management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

6. It is appropriate to review the Treasury Management Strategy in light of recent advice proffered by CIPFA, including:

- The need to ensure that Minimum Revenue Provision fully accords with Ministry of Housing, Communities and Local Government (MHCLG) Guidance.
- The need to incorporate a statement in relation to the organisations status under the Markets in Financial Investments Directive (MIFID) II which applied from 3 January 2018. This new legislative framework sought to strengthen investor protection and improve the functioning of financial markets making them more efficient, resilient and transparent.
- The need to provide sufficient information around how the authority assesses the credit standing of its counterparties beyond the use of credit ratings.
- The need to provide sufficient explanation of how the risk attached to non-specified investments risk is assessed compared to specified investments.
- The need to provide sufficient explanation of how general Treasury Management risk is assessed, monitored and managed.
- The need to ensure that treasury indicators are comprehensive and accompanied by some form of risk analysis including any risks relating to the individual indicators.
- The need to ensure that the maturity structure of borrowing indicators are effectively calculated and presented.
- The need to ensure that sufficient information is provided on the role of the Chief Finance Officer (CFO), and any other governance arrangements.
- The need to improve the presentation of the indicators to ensure that they are understandable and meaningful and to ensure that an explanation is given of how they are calculated or what they are intended to inform.
- The need to ensure that sufficient explanation is given in relation to any assumptions that have been made in the estimates used to calculate the indicators, and how robust the assumptions are.

7. The Treasury Management Strategy has been revised to accord with established guidance and best practice, including the CIPFA advice set out above, and the updated version is attached at **Appendix A.**

**Treasury Management Policy Statement**

8. The revised Treasury Management Strategy incorporates a Treasury Management Policy Statement. This is reproduced below and it is considered that it will remain appropriate and applicable during for 2020/2021:

*This statement relates to the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*

*The Council has arrangements in place to meet the statutory requirements relating to the Prudential Code for Capital Finance in Local Authorities.*

*The Council requires that the successful identification, monitoring and control of risk will be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.*

*The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is, therefore, committed to the principles of achieving best value in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.*

*The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.*

*The Council's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that within acceptable risk parameters the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market.*

**Treasury Management Arrangements**

9. The Head of Finance, as the Council's designated S151 Officer, is responsible for implementing and monitoring the Treasury Management Strategy and for establishing effective treasury management practices. The Council has access to specialist advice where appropriate and, in this regard, Link Asset Services have been appointed to provide treasury management advice on developments and best practice in this area and to provide information on the creditworthiness of potential counterparties, deposit and borrowing interest rates and the economy generally.

**Ermine Street Housing**

10. South Cambs Limited, trading as Ermine Street Housing, continues to operate as an independent property company wholly owned by South Cambridgeshire District Council. The Company primarily provides good quality, market rented housing (both Company owned and leased) and aims to provide a quality service in this sector.

11. Capital allocations of up to £100 million have been allocated since 2016/2017 to enable the Company to achieve its Business Plan objective of increasing the property portfolio each year, until 500 homes are owned and rented by the Company on assured short-hold tenancies. The Company now has approaching 400 properties.

12. The Council has approved lending, in its capital programme, of £13,500,000 in 2019/2020 and a further £16,603,000 in 2020/2021 to allow the Company to grow its portfolio up to the intended 500 homes (bringing the total financial commitment to £87.379 million). This level of overall funding is still considered sufficient to allow the Company to achieve this aim by the end of 2020/2021. The Company is seeking, following advice from its appointed external auditors (Ensors), a formal loan agreement from the Council and this can be provided based upon the level of funding identified in the approved capital programme.

13. Ermine Street Housing acquires property on the open market, borrowing at market interest rates from the Council (at 3.85% interest rate). The property is let at market rents to facilitate a reasonable pay back of the investment. There is a need for the Council to review the basis for lending, taking into consideration market factors (rates and loan terms) as part of this review. This includes the increase in interest rates from the Public Works Loan Board (PWLB) by one percentage point from 8 October 2019, meaning a typical rate for a loan is now 2.8% instead of 1.8%.

14. The Company has reviewed its Business Plan and, in advance of any wider notification from the Council about future loan terms and rates, the prevailing rate of 3.85% has been retained in its financial forecasts. On the basis of current borrowing rates, and without compromising compliance with State Aid principles, the Council is able to maintain the interest rate during 2020/2021. This will provide essential stability for the long term planning by the Company whilst also providing the Council with some certainty over its future revenue stream.

15. Consideration is also being given to the option for the Council to invest in the Company in the form of a combination of lending and equity. This option needs to be evaluated during 2020/2021 from both the Company and the Council's perspective, with external advice being sought by both parties, to ensure that any resulting recommendations are in the best interest of both organisations. Further reports will be submitted, as necessary, during the financial year.

## Options

16. The option of not adopting the revised Treasury Management Strategy is not considered to be appropriate. The CIPFA Code of Practice (2017) requires the Council to approve the Strategy before the start of each financial year. Local politicians and officers operate within local governance frameworks of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative. Good governance means that proper arrangements are in place to ensure that an authority's intended treasury management objectives are achieved and establishing a policy framework for the development, management and monitoring of all treasury management activity.

## Implications

17. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

***Policy***

18. The Treasury Management Strategy and associated Treasury Management Practices set out the parameters by which the Council's treasury management function is operated on a day to day basis.

19. A separate Capital Strategy sets out the policy framework for the development, management and monitoring of capital investment. Investments held for service purposes or for commercial profit are also subject to a separate Investment Strategy. These Strategies are also scheduled to be considered by Cabinet on 5 February 2020 for onward approval by Council on 20 February 2020.

***Legal***

20. The statutory framework for the prudential system under which local government operates is set out in the Local Government Act 2003 and Capital Financing and Accounting Statutory Instruments. The framework incorporates four statutory codes:

- The Prudential Code prepared by the Chartered Institute of Public Finance & Accountancy (CIPFA);
- The Treasury Management Code prepared by CIPFA;
- The Statutory Guidance on Local Authority Investments prepared by MHCLG;
- The Statutory Guidance on Minimum Revenue Provision prepared by MHCLG.

21. CIPFA have published a revised Prudential Code (2017 edition) with accompanying Guidance Notes for Practitioners (2018 edition) and the Treasury Management Code (2017 edition).

22. The MHCLG have also published a revised Investment Guidance and Minimum Revenue Provision Guidance (both commenced on 1st April 2018). The most notable change is the requirement to expand the Investment Strategy to non-financial assets such as investments in property.

***Financial***

23. There are no additional resource requirements as a result of the refreshed Treasury Management Strategy. The prudential and treasury indicators have been amended to take account of known financial activities.

***Risk***

24. Compliance with the Treasury Management Strategy and associated Treasury Management Practices seeks to mitigate the risks inherent with the treasury management function. The consideration of Security, Liquidity and Yield, in that order, is critical when assessing potential treasury investments.

***Environmental***

25. There are no environmental implications arising directly from the report. The environmental impacts of each capital scheme are considered as part of the implementation stage of a specific project.

***Equality Analysis***

26. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

27. It is considered that the report has no relevance to the Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed. Individual capital bids may, however, have specific equality impacts that need to be considered and evaluated.

**Background Papers**

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;
(b) on the Council's website; and
(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- General Fund Medium Term Financial Strategy – Report to Cabinet: 7 November 2018
- Budget Report – Report to Cabinet: 6 February 2019
- Business Plan 2019 - 2014 – Report to Council: 21 February 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Council: 21 February 2019
- Investment Strategy – Report to Council: 28 November 2019
- Treasury Management Annual Report 2018/2019 – Report to Audit and Corporate Governance Committee: 19 December 2019
- Mid-Year 2019/2020 Treasury Management Report – Report to Audit and Corporate Governance Committee: 19 December 2019.

## Appendices

A Treasury Management Strategy

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APPENDIX A


# TREASURY MANAGEMENT STRATEGY

**FEBRUARY 2020**

Councillor John Williams
Lead Member for Finance

Peter Maddock
Head of Finance

## 1. INTRODUCTION

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year.

1.2 This Strategy fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA code and the Ministry of Housing, Communities and Local Government (MHCLG) Guidance.

1.3 The Treasury Management Strategy sets the framework for the Council's treasury management activity and includes:

- Treasury Management Policy Statement;
- Minimum Revenue Provision Policy Statement;
- Treasury Management Indicators for 2020/2021.

1.4 The Council has borrowed and invested substantial sums of money and, therefore, has potential exposures to financial risks, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is, therefore, central to the Council's Treasury Management Strategy.

1.5 The Strategy requires the Council to receive and approve, as a minimum, the following treasury management reports each year, namely:

- The annual review of the Treasury Management Strategy incorporating prudential and treasury indicators;

- A mid-year treasury management report to update members on the progress of the capital position, the performance against approved prudential indicators as necessary and to advise if any policies require revision;

- An annual report of the treasury management activities, including the outturn position that compares actual performance to the estimates in the Strategy.

1.6 Investments held for service purposes or for commercial profit are considered in a different report called the Investment Strategy which will also be considered by Cabinet on 5 February 2020 for onward approval by Council on 20 February 2020.

## 2. POLICY OBJECTIVES

2.1 To set a balanced General Fund Revenue Budget in accordance with Section 33 of the Local Government Act 1992.

2.2 Having regard to affordability considerations manage the Council's long term debt. Variable rate and fixed rate borrowing and debt rescheduling will be considered as appropriate and as variations in interest rates occur.

2.3 To invest Council capital and revenue balances until they are used/spent in order that the Council gains investment income to help finance its annual revenue expenditure.

2.4 To keep within the Council's approved Treasury Management Policy and Practices.

2.5 The Council's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that within acceptable risk parameters the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market.

## 3. TREASURY MANAGEMENT POLICY STATEMENT

3.1 The Council's Treasury Management Policy Statement is as follows:

*This statement relates to the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*

*The Council has arrangements in place to meet the statutory requirements relating to the Prudential Code for Capital Finance in Local Authorities.*

*The Council requires that the successful identification, monitoring and control of risk will be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.*

*The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is, therefore, committed to the principles of achieving best value in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.*

*The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.*

*The Council's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that within acceptable risk parameters the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market.*

## 4. GOVERNANCE ARRANGEMENTS

4.1 The Audit and Corporate Governance Committee is responsible for monitoring treasury management activity and the Committee receives reports from the Section 151 Officer on treasury management policies and performance. The scrutiny and approval of the mid-term and annual treasury management reports is delegated to the Audit and Corporate Governance Committee.

4.2 Treasury management reports are required to be adequately scrutinised before being recommended to Council. The Treasury Management Strategy is scrutinised by the Overview and Scrutiny Committee alongside the Council's budget papers each financial year.

4.3 Members of these Committees are responsible for ensuring that they have the necessary skills and training to properly discharge their responsibilities in relation to the Council's treasury management function.

## 5. ROLE OF S151 OFFICER

5.1 The Head of Finance, as the designated Section 151 Officer, has delegated responsibility to implement and monitor the Treasury Management Policy Statement and Treasury Management Strategy approved by the Council.

5.2 All monies in the hands of the Council are controlled by the Head of Finance.

5.3 Decisions on borrowing, investment or financing are taken by the Head of Finance.

5.4 The Head of Finance is responsible for reporting to the Council on treasury management issues as set out in Section 1.5 above.

5.5 To ensure that members and officers with treasury management responsibilities have access to training relevant to their needs and responsibilities.

5.6 The Council has appointed a Treasury Management Advisor, Link Asset Services, to enable independent specialist advice to be obtained on all aspects of the treasury management function. This includes forecasts of the potential influence of interest rates on treasury management issues for the Council. A detailed economic and interest rate forecast provided by Link Asset Services is attached at **Annex A**.

## 6. CAPITAL FINANCING REQUIREMENT

6.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the use of capital or revenue resources (capital receipts, capital grants, developer contributions, revenue contributions, use of earmarked reserves etc.), which has no resultant impact on the Council's borrowing need, or;

- If insufficient financing is available for the investment, or a decision is taken not to apply other resources, the funding of capital expenditure will give rise to a borrowing need.

6.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The proposed capital expenditure and how it will be financed is shown at **Annex B**.

6.3 As at 17 December 2019, the Council held £205 million of borrowing and £122.9 million of investments. This portfolio is set out in further detail at **Annex B** with forecast changes in these sums are shown in the balance analysis in **Annex C.**

6.4 CIPFA's prudential code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CRF over the next three years. **Annex C** shows that the Authority expects to comply with the recommendation during 2020/2021.

## 7. LIABILITY BENCHMARK

7.1 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing at **Annex D**. This assumes the same forecasts as **Annex C**, but that cash and investment balances are kept to a minimum level of £10 million at each year end to maintain sufficient liquidity but minimise credit risk.

## 8. BORROWING STRATEGY

8.1 The Council is permitted to borrow under the Prudential Framework, introduced with effect from 1 April 2004.

8.2 The Authority is forecast to hold £205.123 million of long term loans with no scheduled repayments during the year. This represents the only debt currently held by the Council, relating to 41 loans from the PWLB for self-financing the Housing Revenue Account (HRA) taken out in 2012 and totalling £205.123 million.

8.3 Based on the Capital Programme approved at Council on 28 November 2019 it is anticipated that there will be some external borrowing for capital financing purposes during 2020/2021. There may also from time to time be an operational cash flow need that requires short term borrowing to be taken. The Authority could borrow in addition to this to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £10 million.

8.4 The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

8.5 In the event that external borrowing is undertaken the Council will be eligible to access funds at the PWLB Certainty Rate (that provides a 0.20% discount on loans).

8.6 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest rates and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

8.7 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council's treasury adviser will assist the Authority with this 'cost of carry' and breakeven analysis. This may determine whether the Authority borrows additional sums at long-term fixed rates in 2020/2021 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2020/2021, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Authority may borrow short-term loans to cover unexpected cash flow shortages.

8.8 **Sources:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body.
- Any institution approved for investments (see below).
- Any other bank or building society authorised to operate in the UK;
- Any other UK public sector body;
- UK public and private sector pension funds;
- Municipal Bond Agency;
- Capital Market Bond Investors;
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing;
- Hire purchase;
- Sale and leaseback.

The Council has previously raised the majority of its long-term borrowing from the PWLB, but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

8.9 **Municipal Bond Agency:** UK Municipal Bonds Agency was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons:

- Borrowing authorities may be required to provide bond investors to guarantee the risk that other local authority borrowers default on their loans.
- There will be a lead time of several months between committing to borrow and knowing the interest rate payable.
- Up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength.

Any decision to borrow from the Agency will, therefore, be the subject of a separate report to Full Council.

8.10 **Short-term and Variable Rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are, therefore, subject to the interest rate exposure limits in the treasury management indicators below.

8.11 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

## 9. MINIMUM REVENUE PROVISION

9.1 Minimum Revenue Provision (MRP) is the revenue charge that the Council is required to make for the repayment of debt, as measured by the underlying need to borrow, rather than actual debt. The underlying debt is needed to finance capital expenditure which has not been fully financed by revenue or capital resources. As capital expenditure is generally expenditure on assets which have a life expectancy of over one year it is prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure.

9.2 The Local Authorities (Capital Finance and Accounting) regulations require local authorities to calculate for the financial year an amount of MRP which is considered to be 'prudent'.

9.3 There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

9.4 The Housing Revenue Account share of the CFR is not subject to an MRP charge.

9.5 There is no requirement to make an MRP charge on an asset until the financial year after that asset becomes operational.

9.6 The Government has issued revised guidance (in January 2018) on the calculation of MRP. The Council is required to have regard to the guidance based on the underlying principle that the provision should be linked to the life of the assets for which the borrowing is required. However, the guidance is clear that differing approaches can be considered if the resulting provision is prudent.

9.7 In general, the Council will make an MRP based on the equal instalment method, amortising expenditure equally over the estimated useful life of the asset for which the borrowing is required. However, no provision will be made in respect of expenditure on specific projects where the Chief Financial Officer determines that receipts will be generated by the project to repay the debt.

9.8 Where a loan is made to a wholly owned subsidiary of the council, the loan is deemed to be secured on the assets of the company. Evidence of the ability to repay the loan will be based on the company's business plan and asset valuation, and no MRP will be made. The Council will review the loan and business plan annually, where there is evidence that suggests the full amount of the loan will not be repaid it will be necessary to reassess the charge to recover the impaired amounts from revenue.

9.9 Exceptionally, where capital expenditure is part of a loan agreement to other than a wholly owned subsidiary, the Council may register a fixed and floating charge over the counterparty assets to secure the Council's interest in the investment, or alternately an equity share interest in an asset with value.

9.10 The Council has been pursuing a programme of investment in commercial property using powers under S12 of the Local Government Act 2003. This is deemed capital expenditure and will be financed from cash balances and/or external borrowing as appropriate at the time. MRP will be provided for using the useful life determinant with regard to maximum lives permitted in the revised MHCLG MRP guidance of 50 years for freehold land and 40 years for all other assets. MRP will be made on the purchase of these properties in the year following the year of purchase.

9.11 The Council's MRP Policy is summarised at **Annex E.**

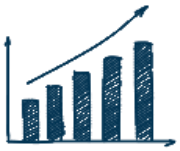
## 10. INVESTMENT STRATEGY

10.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the investment balance has ranged between £122.6 million and £97.7 million. These levels should be maintained in the forthcoming year, although it is expected that more will be invested in Ermine Street Housing and less in Banks and Building Societies.

10.2 **Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The portfolio will target as a whole to achieve a return above the Bank of England Consumer Price Inflation (CPI) target in order to maintain the spending power of the sum invested. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

10.3 **Strategy:** To achieve the objective above the Council has set a target based on CPI inflation (November CPI is 1.5%). The target of 2% will ensure spending power of the sum invested is maintained. To achieve this target the Council will continue to lend to Ermine Street Housing, and spread other investments across approved counterparties as set out in **Annex G**. The Council will use Money Market Funds and Ultra Short Dated Bond Funds with limits of £10m per entity to manage liquidity in low volatility price risk funds. The remaining funds will be assessed against the evolving cash flow outlook and invested in the approved counterparties.



**INVESTMENT STRATEGY**

10.4 **Business Model:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and, therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

10.5 **Approved Counterparties:** The Authority may invest its surplus funds with any of the counterparty types in **Annex F**, subject to the cash limits (per counterparty) and the time limits shown. A more detailed breakdown of this can be seen in **Annex G**.

10.6 **Credit Rating:** Investment limits are set decisions and made by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

10.7 **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

10.8 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

10.9 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

10.10 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit or to the value of £1 million per company as part of a diversified pool in order to spread the risk widely.

10.11 **Registered Social Landlords (RSL's):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and RSL's, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, the likelihood of receiving government support if needed exists.

10.12 **Pooled Funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short Term Money Market Funds that offer same-day liquidity and that offer very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

10.13 **Bond, equity and property funds:** Offers enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

10.14 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

10.15 **Operational Bank Accounts:** The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will, therefore, be kept below £1 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

10.16 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisor, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced.

This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

10.17 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisation's in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

10.18 **Investment Limits:** The revenue reserves available to cover investment losses are forecast to be £14 million on 31 March 2020. In order that available reserves will not be put at risk for unsecured investments in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million per entity on unsecured investments.

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as outlined in **Annex H.** Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

10.19 **Liquidity Management:** The Authority uses purpose-built cash flow forecasting spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts underestimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

## 11. PRUDENTIAL INDICATORS

11.1 The Local Government Act 2003 requires the Authority to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

11.2 To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year and these are identified in the separate Capital Strategy.

11.3 The following indicators are identified in the Capital Strategy:

(1) **Estimates of Capital Expenditure:** This indicator provides the level of gross capital expenditure that is estimated to be incurred. The estimated expenditure includes schemes where funding has already been approved.

(2) **Estimates of Capital Financing Requirement (CFR):** This indicator provides a limit for which net external borrowing will not be exceeded, except on a short-term basis.

(3) **Gross Debt and the CFR:** Statutory guidance is that debt should remain below the CFR, except in the short term.

(4) **Authorised Limit and the Operational Boundary for External Debt:** This determines the maximum total amount the Council will be able to borrow. The Operational Boundary indicator represents the prudent level of borrowing and will be reviewed annually.

(5) **Proportion of Financing Costs to Net Revenue Stream:** This indicator provides the ratio of financing costs to the Council's estimated net revenue expenditure (i.e. the expenditure financed by the revenue support grant, business rate redistribution, council tax and collection fund surplus share).

## 12. TREASURY MANAGEMENT INDICATORS

12.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

**A. Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The Authority minimises it risk to interest rate changes by undertaking all borrowing in fixed rate products such as PWLB or short term Local Authority loans.

**B. Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

| Refinancing Rate Risk Indicator | Upper Limit | Lower Limit |
|---|---|---|
| Under 12 months | 30% | 0% |
| 12 months and within 24 months | 30% | 0% |
| 24 months and within 5 years | 30% | 0% |
| 5 years and within 10 years | 30% | 0% |
| 10 years and within 20 years | 40% | 0% |
| 20 years and within 30 years | 60% | 0% |
| 30 years and above | 100% | 20% |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**C: Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long term principal sum invested to final maturities beyond the end of the period will be:

| Price Risk Indicator | 2020/2021 | 2021/2022 | 2022/2023 |
|---|---|---|---|
| Limit on principal invested before year end | £10 million | £5 million | £3 million |

**D: Security:** The Authority generally but not exclusively follows the guidance provided by its Advisers on the selection of Counterparties and duration of investments. The Advisers provide a Weighted Average Credit Risk score at the end of each month for the investment portfolio as part of its benchmarking service.

The lower the score calculated indicates a lower credit risk has been taken by the Council for its internal investments. The Council aims to perform at a level less than or equal to the target:

| Link Credit Risk Indicator | Target |
|---|---|
| Portfolios weighted average risk number | < 5.0 |

**E: Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

| Liquidity Risk Indicator | Target |
|---|---|
| Total cash available within 3 months | £10 million |

**F: Yield:** The Authority, in order to maintain the spending power of the money it invests, has adopted a voluntary yield target for the portfolio of the Bank of England Consumer Price Inflation (CPI) target. This will be also be measured against year on year CPI Inflation as part of the Annual Review.

| Inflation Risk Indicator | Target |
|---|---|
| Minimum Yield on Portfolio | 2% |

## 13. OTHER ITEMS

13.1 The CIPFA code requires the Authority to include the following in its treasury management strategy.

13.2 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority does not use Financial Derivatives and does not expect to use these in 2020/2021. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transaction, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit

13.3 **Markets in Financial Instruments Directive**: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

## 14. OTHER OPTIONS CONSIDERED

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer having consulted the Lead Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

| Alternative | Impact on Income and Expenditure | Impact on Risk Management |
|---|---|---|
| Invest in a narrower range of counterparties and/or for shorter times | Interest income will be lower | Lower chance of losses from credit related defaults, but any such losses will be greater |
| Invest in a wider range of counterparties and/or for longer times | Interest income will be higher | Increased risk of losses from credit related defaults, but any such losses will be smaller |
| Borrow additional sums at long-term fixed interest rates | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain |
| Borrow short-term or variable loans instead of long-term fixed rates | Debt interest costs will initially be lower | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain |
| Reduce level of borrowing | Saving on debt interest is likely to exceed lost investment income | Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain |

## 15. GLOSSARY OF TERMS

A glossary of terms and abbreviations used in Treasury Management is available at **Annex I**.

**Annex A**

# Treasury Management Adviser:
# Economic & Interest Rate Forecast as at 14 November 2019

## ECONOMIC BACKGROUND

**UK. Brexit.** 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January; however, even if a Conservative Government gains an overall majority in the general election on 12 December, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020.

While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November 2019, it is very questionable how much all the writing and numbers are worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery.

Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future.

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

The Government has already made moves in this direction and both of the largest parties have made significant promises in their election manifestos to increase government spending. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure. In addition, it has to be borne in mind that even if the post-election Parliament agrees the deal on 31 January 2020, the current transition period for negotiating the details of the terms of a trade deal with the EU only runs until 31 December 2020. This could prove to be an unrealistically short timetable for such major negotiations which leaves open two possibilities; one the need for an extension of negotiations, probably two years, or a no deal Brexit in December 2020.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019 but fell again in October to 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September 2019 where it fell by 58,000. However, this was about half of what had been expected. The unemployment rate fell back again to a 44 year low of 3.8% on the Independent Labour Organisation measure in September, despite the fall in numbers employed, due to numbers leaving the work force. Wage inflation has been edging down from a high point of 3.9% in July to 3.8% in August 2019 and now 3.6% in September 2019 (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.9%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

In the **political arena**, it is considered that the general election could result in a potential loosening of monetary policy and, therefore, medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

**USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 1.9% in quarter 3; it is expected to fall further. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening; CPI inflation fell from 2.3% to 2.0% in September 2019.

**The Fed** finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to start buying Treasuries again, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt).

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

However, in early November, a phase one deal was agreed between the US and China to roll back some of the tariffs which gives some hope of resolving this dispute.

**EUROZONE.** Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

**The European Central Bank (ECB)** ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy.

As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt for an unlimited period; (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by ‘growth friendly’ fiscal policy.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

**JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**WORLD GROWTH.** Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy.

The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

**INTEREST RATE FORECASTS**

The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has diminished.

**The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

**Downside risks to current forecasts for UK gilt yields and PWLB rates include:**

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.

- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of very different parties will endure.

- Weak capitalisation of some **European banks**, particularly Italian banks.

- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections, but the SPD has done particularly badly, and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader, but she intends to remain as Chancellor until 2021.

- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.

- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.

- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on some $19trn of corporate debt in major western economies, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

**Upside risks to current forecasts for UK gilt yields and PWLB rates:**

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

## INTEREST RATE FORECASTS 2020 - 2023

**PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.**

| Bank Rate | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Link Asset Services | **0.75%** | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.25% |
| Capital Economics | **0.75%** | 0.75% | 0.75% | 0.50% | 0.50% | 0.50% | - | - | - | - | - | - | | - | - |

| 5yr PWLB Rate | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Link Asset Services | **2.36%** | 2.30% | 2.40% | 2.40% | 2.50% | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% | 3.20% | 3.20% |
| Capital Economics | **2.36%** | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | - | - | - | - | - | - | | - | - |

| 10yr PWLB Rate | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Link Asset Services | **2.61%** | 2.60% | 2.70% | 2.70% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% | 3.50% |
| Capital Economics | **2.61%** | 2.60% | 2.60% | 2.60% | 2.60% | 2.60% | - | - | - | - | - | | - | - | - |

| 25yr PWLB Rate | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Link Asset Services | **3.18%** | 3.20% | 3.30% | 3.40% | 3.40% | 3.50% | 3.60% | 3.70% | 3.70% | 3.80% | 3.90% | 4.00% | 4.00% | 4.10% | 4.10% |
| Capital Economics | **3.18%** | 2.90% | 2.90% | 2.90% | 2.90% | 2.90% | - | - | - | - | - | - | - | - | - |

| 50yr PWLB Rate | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Link Asset Services | **3.04%** | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.50% | 3.60% | 3.60% | 3.70% | 3.80% | 3.90% | 3.90% | 4.00% | 4.00% |
| Capital Economics | **3.04%** | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | - | - | - | - | - | - | | - | - |

**Annex B**

## Capital Programme & Financing: 17 December 2019

| £'000 | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|---|---|---|---|---|---|
| **Capital expenditure:** | | | | | |
| General Fund | 2,788 | 53,148 | 79,058 | 78,093 | 79,170 |
| HRA | 15,625 | 23,233 | 29,528 | 31,302 | 12,446 |
| Third Party Loans - ESH | 23,147 | 13,500 | 16,603 | - | - |
| Third Party Loans - Other | 1,255 | 1,145 | - | - | - |
| **Total Capital Expenditure** | **42,815** | **91,026** | **125,189** | **109,395** | **91,616** |
| **Resourced By:** | | | | | |
| Capital Receipts | (4,654) | (5,898) | (7,333) | (8,824) | (6,835) |
| Other Contributions | (13,759) | (20,417) | (28,569) | (18,071) | (12,281) |
| **Total Available Resource for Capital Financing** | **(18,413)** | **(26,315)** | **(35,902)** | **(34,620)** | **(19,116)** |
| **Unfinanced Capital Expenditure** | **24,402** | **64,711** | **89,287** | **82,500** | **72,500** |

## Actual Portfolio: 17 December 2019

| | Actual Portfolio £m |
|---|---|
| **External borrowing:** | |
| Public Works Loan Board | 205.1 |
| LOBO loans from banks | Nil |
| **Total external borrowing** | **205.1** |
| **Other long-term liabilities:** | |
| Finance Leases | Nil |
| **Total other long-term liabilities** | **Nil** |
| **Total gross external debt** | **205.1** |
| **Treasury investments:** | |
| Banks & building societies (unsecured) | 21.4 |
| Ermine Street Housing | 67.1 |
| Government (incl. local authorities) | 7 |
| Money Market Funds | 20 |
| Registered Social Landlords | 5 |
| Cambridge Leisure and Ice Centre | 2.4 |
| **Total treasury investments** | **122.9** |
| **Net debt** | **82.2** |

Note: all values are on a principal/nominal basis

**Annex C**

# Medium Term Forecasts: 20/12/19

| | 31.3.2019 Actual £m | 31.3.2020 Estimate £m | 31.3.2021 Forecast £m | 31.3.2022 Forecast £m | 31.3.2023 Forecast £m |
|---|---|---|---|---|---|
| General Fund CFR | 271.4 | 335.8 | 423.7 | 504.5 | 575.4 |
| Less: Other debt liabilities | | | | | |
| **Loans CFR** | 271.4 | 335.8 | 423.7 | 504.5 | 575.4 |
| Less: External Borrowing | 205.1 | 253.6 | 337.7 | 407.2 | 475.7 |
| **Internal (over) borrowing** | 66.3 | 82.2 | 86.0 | 97.3 | 99.7 |
| Less: Usable Reserves | 71.1 | 73.8 | 70.1 | 66.9 | 64.5 |
| Less: Working Capital | 26.6 | 26.8 | 27.0 | 27.2 | 27.4 |
| **Investments** | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |

Projections are based on the latest Capital Programme to be submitted to Full Council on 20 February 2020

**Annex D**

# Liability Benchmark

| | 31.3.2019 Actual £m | 31.3.2020 Estimate £m | 31.3.2021 Forecast £m | 31.3.2022 Forecast £m | 31.3.2023 Forecast £m |
|---|---|---|---|---|---|
| Loans CFR | 271.4 | 335.8 | 423.7 | 504.5 | 575.4 |
| Less: Usable reserves | 71.1 | 73.8 | 70.1 | 66.9 | 64.5 |
| Less: Working Capital | 26.6 | 26.8 | 27.0 | 27.2 | 27.4 |
| Plus: Minimum investments | 10 | 10 | 10 | 10 | 10 |
| **Liability Benchmark** | 183.7 | 245.2 | 336.6 | 420.4 | 493.5 |

**Annex E**

# Minimum Revenue Provision Policy

1.1 Local Authorities are required to charge to their revenue account each year a Minimum Revenue Provision (MRP) in relation to capital spend that has yet to be financed, i.e. borrowing. The Capital Financing Requirement (CFR) reflects the underlying need to borrow to finance capital expenditure.

1.2 The MRP should be prudent and, although it is for each authority to determine the amount, the published guidance by the Government is that "local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits".

1.3 The MRP policy is set out below:

(1) There is no requirement to charge MRP where the CFR is nil or negative at the end of the preceding financial year.

(2) The Housing Revenue Account share of the CFR is not subject to an MRP charge.

(3) There is no requirement to make an MRP charge on an asset until the financial year after that asset becomes operational.

(4) For capital expenditure expected to be financed by borrowing between 1 April 2020 and 31 March 2025, the MRP will be based on a straight-line basis, using equal annual instalments over the average estimated life of the assets for which borrowing is required. However, no provision will be made in respect of expenditure on specific projects where the Chief Financial Officer determines that receipts will be generated by the project to repay the debt.

(5) Investment in commercial property is deemed capital expenditure and will be financed from cash balances and/or external borrowing as appropriate at the time. MRP will be provided for using the useful life determinant with regard to maximum lives permitted in the revised MHCLG MRP guidance of 50 years for freehold land and 40 years for all other assets. MRP will be made on the purchase of these properties in the year following the year of purchase.

(6) Investments in Council Wholly Owned Companies, in the form of borrowing or equity, will be assessed on an investment by investment basis. The general assumption is that the loan is deemed to be secured on the assets of the company such that the net value of the assets held by the company will be sufficient to repay any borrowings invested. Advances to the company will be met by loan repayments, treated as a deferred capital receipt, so over time there is no impact on the CPR and, therefore, no MRP needs to be charged. The Council will review the loan and business plan annually and, where there is evidence that suggests the full amount of the loan will not be repaid, it will be necessary to reassess the charge to recover the impaired amounts from revenue. MRP in relation to equity will be provided for over 20 years in line with CIPFA guidance.

(7) Exceptionally, where capital expenditure is part of a loan agreement to other than a wholly owned subsidiary, the Council may register a fixed and floating charge over the counterparty assets to secure the Council's interest in the investment, or alternately an equity share interest in an asset with value.

**Annex F**

# Approved Investment Counterparties and Limits

| Counterparty | Minimum Short Term Rating | Minimum Long Term Rating | Maximum Duration | Suggested Duration |
|---|---|---|---|---|
| UK Government | N/A | N/A | Unlimited | N/A |
| UK Clearing Banks | Moody's P-2 Or equivalent | Moody's A3 Or equivalent | 5 years | Provided by Link |
| Other Banks | Moody's P-2 Or equivalent | Moody's A3 Or equivalent | 5 years | Provided by Link |
| UK Building Societies | Moody's P-2 Or equivalent | Moody's A3 Or equivalent | 5 years | Provided by Link |
| Registered Social Landlords | Moody's P-2 Or equivalent | Moody's A3 Or equivalent | 5 years | Provided by Link |
| Local Authorities | N/A | N/A | 5 years | N/A |
| MMF's and USDBF's | AAA | N/A | MMF's: T+0 USDBF's: T+3 | Liquidity Funds |

**Annex G**

# Approved Investment Counterparties: Detailed List

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, the appropriate deposit limit and current duration limits. These counterparties have also been shown under Specified and Non-Specified Investments (in line with MHCLG Guidance).

| Name | Council's Current Deposit Period | Category | Limit (£) |
|---|---|---|---|
| **Specified Investments:** | | | |
| All UK Local Authorities | N/A | Local Authority | 10m |
| All UK Police Authorities | N/A | Police Authority | 10m |
| All UK Fire Authorities | N/A | Fire Authority | 10m |
| Debt Management Account Deposit Facility | N/A | DMADF | Unlimited |
| Barclays Bank Plc | Using Link Asset Services Credit Criteria | UK Bank | 10m |
| HSBC Bank Plc | Using Link Asset Services Credit Criteria | UK Bank | 10m |
| Lloyds Bank Plc | Using Link Asset Services Credit Criteria | UK Bank | 10m |
| Santander UK Plc | Using Link Asset Services Credit Criteria | UK Bank | 10m |
| Other UK Retail & Clearing Banks | Using Link Asset Services Credit Criteria | UK Banks | 10m |
| Subsidiaries of UK Banks (provided the subsidiaries are UK-incorporated deposit takers under the Financial Services and Markets Act 2000 and provided loans are for a maximum period of three months) | Using Link Asset Services Credit Criteria | UK Banks | 3m |

| | | | |
|---|---|---|---|
| Places for People Homes Ltd | Using Link Asset Services Credit Criteria | Registered Housing Association | 5m |
| Close Brothers Ltd | Using Link Asset Services Credit Criteria | UK Retail Bank | 5m |

| Name | Council's Current Deposit Period | Category | Limit (£) |
|---|---|---|---|
| **Ultra-Short Dated Bond Funds:**<br>Aberdeen Standard Life<br>Other providers where approved by Head of Finance | Liquid Rolling Balance | Financial Instrument | 10m (per fund) |

| Name | Council's Current Deposit Period | Category | Limit (£) |
|---|---|---|---|
| **Money Market Funds:** HSBC GLF MMF<br>Aberdeen Standard Life<br>Deutsche GLS<br>Barclays Call Account<br>Other MMF's where approved by Head of Finance | Liquid Rolling Balance | Financial Instrument | 10m (per fund) |

| Name | Council's Current Deposit Period | Society Asset Value (£'m) As at December 18 | Limit (£) |
|---|---|---|---|
| **Other Specified Investments - UK Building Societies: -** | | | |
| Nationwide Building Society | Using Link Asset Services Credit Criteria | 236,035 (Apr 19) | Assets greater than £10,000m **Limit - £10m**<br><br>Assets between £10,000m and £5,000m **Limit - £5m**<br><br>Assets between £5,000m and £1,500m Limit **- £3m** |
| Yorkshire Building Society | | 50,417 | |
| Coventry Building Society | | 45,446 | |
| Skipton Building Society | | 21,638 | |
| Leeds Building Society | | 19,643 | |
| Principality Building Society | | 9,502 | |
| West Bromwich Building Society | | 5,552 (Mar 2019) | |

| Name | Council's Current Deposit Period | Category | Limit (£) |
|---|---|---|---|
| **Non-Specified Investments: -** | | | |
| All UK Local Authorities – longer term limit | Over 1 year and up to 5 years | Local Authority | 10m per single counterparty |
| CCLA Local Authorities' Property Fund | Minimum of 5 years | Pooled UK Property Fund | Up to 10m |
| South Cambs Ltd - Housing Co. | Up to 5 years | Loan | 107m |
| UK Municipal Bonds Agency | N/A | Share Capital | 0.050m |
| Cambridge Leisure and Ice Centre | 25 Years | Loan | 2.4m |

**Annex H**

# Limits on Investment Per Sector

| | **Cash limit** |
|---|---|
| Any single organisation, except the UK Central Government | £10million each |
| UK Central Government | Unlimited |
| Any group of organisations under the same ownership | £10million per group |
| Foreign countries | £5million per country |
| Registered providers and registered social landlords | £5million each |
| Unsecured investments with building societies | £10million each |
| Loans to unrated corporates | £5million in total |
| Money market funds | £30million in total |
| Real estate investment trusts | £5million in total |

**Annex I**

# Treasury Management: Glossary of Terms and Abbreviations

| Term | Definition |
|---|---|
| Authorised Limit for External Borrowing | Represents a control on the maximum level of borrowing |
| Capital Expenditure | Expenditure capitalised in accordance with regulations i.e. material expenditure either by Government Directive or on capital assets, such as land and buildings, owned by the Council (as opposed to revenue expenditure which is on day to day items including employees' pay, premises costs and supplies and services) |
| Capital Financing Requirement | A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources |
| Certificates of Deposit (CDs) | Low risk certificates issued by banks which offer a higher rate of return |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| Corporate Bonds | Financial instruments issued by corporations |
| Counterparties | Financial Institutions with which funds may be placed |
| Credit Risk | Risk of borrower defaulting on any type of debt by failing to make payments which it is obligated to do |
| MHCLG | Ministry for Housing, Communities & Local Government (formerly the Department for Communities & Local Government, DCLG) |
| Enhanced Cash Funds | Higher yielding funds typically for investments exceeding 3 months |
| Eurocurrency | Currency deposited by national governments or corporations in banks outside of their home market |
| External Gross Debt | Long-term liabilities including Private Finance Initiatives and Finance Leases |
| Government CNAV | Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV) |
| HRA | Housing Revenue Account - a 'ring-fenced' account for local authority housing account where a council acts as landlord |
| HRA Self-Financing | A new funding regime for the HRA introduced in place of the previous annual subsidy system |
| London Interbank Offered Rate (LIBOR) | A benchmark rate that some of the leading banks charge each other for short-term loans |

| Term | Definition |
|---|---|
| London Interbank Bid Rate (LIBID) | The average interest rate which major London banks borrow Eurocurrency deposits from other banks |
| Liquidity | A measure of how readily available a deposit is |
| MPC | Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate |
| Low Volatility Net Asset Value (LVNAV) | Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV) |
| Non-Ring-Fenced Bank (NRFB) | Government & Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non-Ring Fenced Banks for the 1st January 2019 deadline |
| Non-Specified Investments | These are investments that do not meet the conditions laid down for Specified Investments and potentially carry additional risk, e.g. lending for periods beyond 1 year |
| Operational Boundary | Limit which external borrowing is not normally expected to exceed |
| PWLB | Public Works Loans Board - an Executive Government Agency of HM Treasury from which local authorities & other prescribed bodies may borrow at favourable interest rates |
| Ring Fenced Bank (RFB) | Government & Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non-Ring Fenced Banks for the 1st January 2019 deadline |
| Security | A measure of the creditworthiness of a counter-party |
| Specified Investments | Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable |
| Supranational Bonds | Multi-lateral Development Bank Bond |
| UK Government Gilts | Longer-term Government securities with maturities over 6 months and up to 30 years |
| Variable Net Asset Value (VNAV) | MMFs values based on daily market fluctuations to 2 decimal places known as mark-to-market prices |
| UK Government Treasury Bills | Short-term securities with a maximum maturity of 6 months issued by HM Treasury |
| Weighted Average Life (WAL) | Weighted average length of time of unpaid principal |
| Weighted Average Maturity (WAM) | Weighted average amount of time to maturity |
| Yield | Interest, or rate of return, on an investment |

South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Councillor John Williams,<br>Lead Cabinet Member for Finance | |
| **LEAD OFFICER:** | Trevor Roff, Interim Director of Finance | |

# Review of Reserves & Provisions

## Executive Summary

1. To undertake a review of the Council's Revenue Reserves and Provisions as part of the 2020/2021 budget setting process.

2. This is a key decision as earmarked reserves are held to fund specific projects or proposals and the total balance held is significant in the context of the Council's overall financial position.

## Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, recommend to Full Council:**

   **(a) That the Reserves as summarised at paragraph 13 of the report be released and transferred to the General Reserve on 31 March 2020.**

   **(b) That the Reserves proposed for replenishment or combination, and the outstanding balances at 31 March 2020 proposed for release, as detailed in Appendix A to the report, be approved.**

   **(c) That the proposed new Reserves, as summarised at paragraph 16 of the report, be approved.**

   **(d) That the movement in Reserves in 2019/2020 as set out in Appendix A, and the estimated balance of Reserves of £41.763 million, be noted.**

## Reason for Recommendations

4. To ensure that the Council regularly reviews the balances held in established reserves to confirm that the allocations remain valid and thus still needed for the purposes outlined and that they are at the correct level to meet this requirement.

## Details

Background

5. When reviewing their medium term financial plans and preparing annual budgets local authorities should consider the establishment and maintenance of reserves but they should not be held without a clear and identified purpose. Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

6. Provisions are held to fund specific events where an obligation has arisen as a result of a past event.

7. The Cabinet is invited, as part of the 2020/2021 revenue budget determination process, to review the level and purpose of the Council's Revenue Reserves and Provisions. A detailed summary of the various Reserves held during 2019/2020 is attached at **Appendix A**.

8. The value of Revenue Reserves held at 1 April 2019 was £41,229 million of which £28,216 million was earmarked, and the balance of £13,013 million represented the General Reserve and working balance. Based upon current forecasts, it is expected that between the period 1 April 2019 and 31 March 2020 the level of reserves will have increased to £41.763 million.

9. In terms of Provisions, the Council has an established Bad Debt Provision which is held against the future recognition of certain accounts receivable as being uncollectable. The estimated balance of the Bad Debt Provision, as at 31 March 2020, is expected to be around £2.9 million and is considered, following review, to be adequate. This relates to amounts receivable from Council Tax, Business Rates and Housing Rents as well as a number of various sundry debts.

Review Process

10. The Cabinet, in reviewing the existing reserves, must give due regard to professional guidance which includes consideration of the following issues:

    - The reason/purpose of the reserve;
    - How and when the reserve can be used;
    - Procedures for the reserves management and control;
    - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

11. The focus of the review, as part of the 2020/2021 revenue budget process, will be to ensure that they are still relevant and held at the right balance.

12. The schedule of Reserves, at **Appendix A**, also identifies:

    (a) the variations to established Reserves that have been approved by Council during 2019/2020;

    (b) the balances proposed for release following the review process;

    (c) financial movements during 2019/2020 against the established revenue reserves and the estimated balance as at 31 March 2020.

13. The revenue reserves proposed for release at 31 March 2020, following the review, total £300,000 and are summarised below:

| RESERVES | Estimated Balance 31/03/2020* £'000 |
|---|---|
| **Planning Services** | |
| S106 Admin | **148** |
| | **148** |
| **Housing and Community Services** | |
| Community Chest Grants | **10** |
| | **10** |
| **Environmental Services** | |
| Mobile Working Strategy | **24** |
| | **24** |
| **Corporate Services** | |
| Insurance All Risks | **6** |
| Electoral Registration | **109** |
| Revenue & Benefits | **3** |
| | **118** |
| TOTAL | **300** |

*(Note: Further expenditure could potentially be incurred during the remainder of 2019/2020, therefore, reducing these balances as at 31 March 2020).*

14. Consideration has also been given to future service needs and risks as part of the 2020/2021 revenue budget determination process and this has identified a number of reserves that need to be replenished or combined. These proposals are detailed in **Appendix A**. The summary also includes, for completeness, the existing reserves where the balances remaining at 31 March 2020 are proposed at paragraph 13 to be released and transferred to the General Reserve.

15. The annual review has identified a number of relatively small value reserves and it is proposed, in some cases, that these should be amalgamated and re-designated (for example, a number of specific Planning related reserves are proposed for amalgamation into a single Planning Reserve and a number of individual reserves that enable a sinking fund to be built-up to fund specific vehicle types (refuse vehicles, street cleansing vehicles, supervisor vehicles etc) are proposed for amalgamation into a single Renewal and Repairs (Vehicles and Plant) Fund. The proposals in relation to reserves are summarised at **Appendix B**.

16. The review has also identified the following proposed new Reserves:

    (a) Business Rates Retention Reserve: The creation of a Reserve to help manage the short-term financial impact in the event of an unpredictable reduction in retained receipts occurring. Such a Reserve is necessary due to the volatile nature of the non-domestic rating tax base.

    (b) Property Investment Reserve: The creation of a Reserve for the investment and refurbishment costs above and beyond tenant repairing lease obligations (e.g. investment to encourage improved re-letting terms). This could include upgrades to improve environmental standards.

(c) Repair and Renewal (Equipment & Plant) Fund: The creation of a Reserve for the purpose of defraying expenditure to be incurred from time to time in repairing, maintaining, replacing and renewing IT equipment and operational building plant and equipment belonging to the Council. Annual revenue contributions will be made to the to the R&R (Equipment & Plant) Fund to equalise costs over the life of the asset.

(d) Software Fund: The creation of a Reserve for the purpose of defraying expenditure to be incurred from time to time on IT replacement software solutions. Annual revenue contributions will be made to the Software Fund to meet the cost of replacement software systems.

17. The level of annual contribution in respect of (c) and (d) will be determined as part of the 2020/2021 revenue budget process and will depend on the extent of other funding pressures that will impact on the delivery of a balanced budget.

## Options

18. The option of not reviewing Reserve and Provision balances is not considered to be appropriate as otherwise valuable resource which may be needed elsewhere could be inappropriately allocated.

## Implications

19. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

***Policy***

20. The Medium Term Financial Strategy (MTFS), approved by Cabinet on 4 December 2019, requires the Cabinet to identify, as part of the annual budgetary process or at such other times where it is necessary, one-off unavoidable expenditure and one-off expenditure for identified requirements. Such funding will be held in earmarked reserves until spent but will be subject to annual review by the Cabinet as part of the annual budget process to determine whether the monies still need to be held.

***Legal***

21. Reserves are held to fund specific initiatives or held to cover unforeseen events within the Council's prudent financial management arrangements. The requirement for financial reserves is acknowledged in statute; specifically, Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

22. Provisions must be established for any material liabilities of uncertain timing or amount to be settled by the transfer of economic benefits. They are required, therefore, when the local authority has a present obligation as a result of a past event. A Provision should be made on the date of the obligating event – the date on which the event takes place that results in an authority having no realistic alternative to settling the obligation. Conversely, amounts set aside for purposes falling outside the definition of Provisions should be considered as reserves.

***Financial***

23. The value of Reserves and Provisions held is set out in the report. They are reviewed on an annual basis to determine whether (i) they are still needed for purposes outlined and (ii) they are at the correct level to meet this requirement.

***Risk***

24. The Council maintains Revenue Reserves and Provisions to help fund specific initiatives or to cover unforeseen events (i.e. risk mitigation) within the Council's prudent financial management arrangements.

***Environmental***

25. There are no environmental implications arising from this report.

***Equality Analysis***

26. This report is exclusively to consider support and administrative arrangements and has no direct relevance to the Council's duty to promote equality of opportunity, promote good relations and eliminate unlawful discrimination.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 6 February 2019/Council: 21 January 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Cabinet: 4 December 2019

## Appendices

A Reserves held in 2019/2020

B Summary of Amendments to Reserves: 2020/2021

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**Appendix A**

# Reserve Balances 2019/2020

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 £'000 | Transfer From Reserve £'000 | Transfer to Reserve £'000 | Revised Balance £'000 | Net Movement 2019/2020 £'000 | Balance expected 31/03/2020 £'000 | Release Balance Y/N |
|---|---|---|---|---|---|---|---|---|
| **General Fund Revenue Reserves** | | | | | | | | |
| New Homes Bonus (NHB) GCP Reserve | Funding received from the NHB initiative has, in the past, been used towards General Fund expenditure previously funded by the Housing & Planning Delivery Grant or to meet Local Plan and associated costs. The Greater City Partnership (GCP) partners also agreed that 40% of NHB receipts would be set aside to meet the GCP costs but, due to reducing amounts from NHB, this was reduced to 30% from 1 April 2019. General Fund forecasts may, however, necessitate a further review of the level of contribution. | 3,131 | - | - | 3,131 | - | 3,131 | N |
| New Homes Bonus A14 Upgrade Reserve | It is intended that the A14 contribution of £5m will be funded from this established reserve. Initial contributions to this reserve were funded from the balance of NHB after contributions to the General Fund and GCP. It has been recognised that an alternative source of funding needs to be identified for the balance of funding of £1.682m for the A14 contribution and it is proposed that this is transferred from the Business Rates Growth Reserve [see below]. | 3,318 | - | 1,682 | 5,000 | - | 5,000 | N |
| Business Rates Growth Reserve | This comprises retained funds from the 100% Business Rates pilot. At the time the funds were made available, it was not clear if there were any restrictions on expenditure funded by this pilot, therefore funds were put in a reserve pending further clarifications from the Government. It is proposed that the Reserve is used to fund the A14 upgrade funding shortfall (see above), with the balance used to establish (i) a Business Rates Retention Reserve (£1m) and (ii) a Property Investment Reserve (£3.548m) [see below]. | 6,230 | -6,230 | - | - | - | - | Y |
| Business Rates Retention Reserve (NEW) | The creation of a reserve to help manage the short-term financial impact in the event of an unpredictable reduction in retained receipts occurring. Such a reserve is necessary due to the volatile nature of the non-domestic rating tax base. | - | - | 1,000 | 1,000 | - | 1,000 | N |
| Property Investment Reserve (NEW) | The creation of a reserve for the investment and refurbishment costs above and beyond tenant repairing lease obligations (e.g. investment to encourage improved re-letting terms). This could include upgrades to improve environmental standards. | - | - | 3,548 | 3,548 | - | 3,548 | N |

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 | Transfer From Reserve | Transfer to Reserve | Revised Balance | Net Movement 2019/2020 | Balance expected 31/03/2020 | Release Balance |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Y/N |
| Renewables Reserve | The reserve was set up at the end of 2015/2016 to fund a programme of priority green energy investment projects. In line with established policy, the reserve is topped up annually by earmarking the retained renewable energy business rates for investment in green energy projects. Current investment projects include a range of green energy measures at South Cambridgeshire Hall and the LED lighting replacement programme. | 4,475 | - | - | 4,475 | 318 | 4,793 | N |
| Pension Deficit Reserve | An allocation from employer pension contributions to meet the current deficit on the Cambridgeshire Local Government Pension Scheme over the next few years. This reserve is being topped up and depleted through the year to smooth the pension contribution requirements. | 471 | - | - | 471 | -147 | 324 | N |
| Transformation Reserve | Previously the Business Efficiency Reserve that was set aside to meet costs associated with council actions, implementation of the Business Improvement and Efficiency Programme and Commercialisation Programme projects and the Shared Services Programme. An annual contribution of £50,000 is currently budgeted for transfer to the reserve. This reserve is delegated to the Chief Executive, in consultation with the Lead Member for Finance.<br><br>The Cabinet, at its meeting on 2 October 2019, approved the re-designation of the Business Efficiency Reserve as the Transformation Reserve, with the appropriation of £3 million from the unallocated balance on the General Fund Reserve (following consideration of the General Fund revenue budget outturn position for the financial year 2018/2019). It is proposed that a small outstanding balance on the Health & Environmental Services Reserve relating to a review of business processes (see below) is transferred to the Transformation Reserve. | 4,026 | - | - | 4,026 | -119 | 3,907 | N |
| Health & Environmental Services (H&ES) | The Council was successful in securing funding from Improvement East towards a new systems-thinking process design. Funds from this are earmarked towards the facilitation of better mobile working strategy within the H&ES department. | 24 | - | - | 24 | -24 | 0 | Y |
| Electoral Registration | Following Governments rollout of Individual Electoral Registration (IER), an amount was held-back in reserves to offset the predicted increase in costs that was felt would arise on the Authority for administering the new scheme. There has been no movement on this reserve since 1 April 2017 and it is proposed that the balance can now be released and transferred to the General Reserve. | 109 | - | - | 109 | -109 | 0 | Y |

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 | Transfer From Reserve | Transfer to Reserve | Revised Balance | Net Movement 2019/2020 | Balance expected 31/03/2020 | Release Balance |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Y/N |
| Elections | An annual contribution to meet the cost of future election expenses. | - | - | - | - | 57 | 57 | N |
| Revenues and Benefits | This amount was the remainder left after funding some specific projects in 2015/2016 and should be returned to the General Fund. It is proposed, therefore, that this reserve can now be released and transferred to the General Reserve. | 3 | - | - | 3 | -3 | 0 | Y |
| Brexit Preparation | Grants have been received for Brexit preparation and it has been held in a reserve for use in 2019/2020 and 2020/2021. | 17 | - | - | 17 | 26 | 43 | N |
| South Cambs Crime & Disorder Partnership | Partnership reserve held on behalf of the South Cambridgeshire Crime & Disorder Reduction Partnership. Any decision to utilise spend from this is made at Board level. | 33 | - | - | 33 | - | 33 | N |
| Homelessness Reserve | This reserve was originally set up to transfer the balance of the Flexible Homelessness Support Grant that was not utilised in the year 2017/2018 and it has been further topped up by the underspend of the level of grant received in 2018/2019.<br><br>The 2019/2020 Flexible Homelessness Support Grant allocation totals £363,686 and it is proposed that the underspend will be transferred to the reserve to meet project commitments. Commitments on the Reserve in 2019/2020 to date are estimated at £172,686, including the cost of homelessness staffing, trailblazer contribution and Shire Homes Lettings. The projected 2019/2020 year end reserve balance is currently estimated at £191,000. | 452 | - | - | 452 | 191 | 643 | N |
| Taxi Licencing Reserve | Fund has been built up recently from excess income generated through the service compared to how much it costs to administer the function. Excess fee income must be reinvested back into the service or licence fees reduced to offset this excess sum on account. Plans are in-place to draw-down from this fund by employing additional resource to cope with the high demand whilst keeping the licensing fee within current levels in the short term. | 101 | - | - | 101 | -48 | 53 | N |
| Accommodation Reserve (REDESIGNATION) | It is proposed that the former Business Accommodation Reserve (originally established for the Cambourne Office access road and to create a Facilities Reserve to spread the cost of repairs) is re-designated as Accommodation Reserve. It is proposed that the balances on the Business Hub and Waterbeach Depot Reserves (see below) are also transferred to this Accommodation Reserve. Commitments have been made during 2019/2020 to fund the office refurbishment programme. | 274 | - | 106 | 380 | -193 | 187 | N |

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 £'000 | Transfer From Reserve £'000 | Transfer to Reserve £'000 | Revised Balance £'000 | Net Movement 2019/2020 £'000 | Balance expected 31/03/2020 £'000 | Release Balance Y/N |
|---|---|---|---|---|---|---|---|---|
| Business Hub Reserve | Reserve set up in 2015/2016 to support the Business Hub initiative. | 57 | -57 | - | 0 | - | 0 | Y |
| Waterbeach Depot | There is an annual £5,000 appropriation into this fund (jointly funded with Cambridge City Council) as an insurance against any unexpected maintenance costs which as tenants, the Council would be expected to cover. | 49 | -49 | - | 0 | - | 0 | Y |
| Land Charges – Appropriations Reserve | Set aside to either provide capital investment in Land Charges (e.g. electronic service delivery) or to offset unforeseen revenue demands that accrue but cannot be recovered through the current fee structure, set at the start of the year. The reserve has been accumulated in recent years from high income levels which have out-stripped costs. By its nature, this Reserve can only be utilised through the Land Charges function. | 396 | - | - | 396 | -48 | 348 | N |
| Private Stock Condition Survey | Funding is set aside to fund future surveys on the condition of private housing in the district. This includes, as part of a Housing Standards initiative, the annual sum of £15,000 being set aside from the revenue budget to meet the statutory obligation imposed on local authorities to undertake condition surveys every 5 years. The reserve also enables other essential housing surveys to be commissioned to inform maintenance programmes. | 105 | - | - | 105 | - | 105 | N |
| Community Development | This reserve was originally established for community development initiatives and has in the past been used to provide extra Community Chest funding. It is proposed that this reserve is amalgamated with the existing Child and Young People Reserve to create the capacity for priority community based projects. | 5 | - | 75 | 80 | - | 80 | N |
| Children & Young People Reserve | Set aside to fund the current and future costs of the South Cambridgeshire and Cambridge City Children and Young People Area Partnership. Priority projects are determined in partnership with Cambridgeshire County Council. | 75 | -75 | - | 0 | - | 0 | Y |
| Community Chest Grants | This reserve has been created from historic underspends and is intended to fund years when an overspend occurs; to date this has not happened. It is proposed that this reserve can now be released and transferred to the General Reserve. | 10 | - | - | 10 | -10 | 0 | Y |
| Footway Lighting Reserve | The reserve was set up in 2015/2016 to fund the future planned replacement programme of those lights identified as of higher priority in the electrical and safety inspection survey undertaken recently. It is expected to be fully committed in 2020/2021. | 87 | - | - | 87 | - | 87 | N |

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 | Transfer From Reserve | Transfer to Reserve | Revised Balance | Net Movement 2019/2020 | Balance expected 31/03/2020 | Release Balance |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Y/N |
| Air Quality Monitoring | The reserve was set up to fund replacement of equipment used for air quality monitoring. It also includes provision for the air quality monitoring required in relation to two separate s106 agreements, one at Northstowe (£29,000) and one on the Cambridge NW development site (£6,000); these s106 contributions will have conditions attached to them ensuring that the funds are spent in accordance with the purpose set out in the agreement. It is expected that this reserve will be fully committed in 2019/2020. | 50 | - | - | 50 | -50 | 0 | - |
| Travellers Site Reserve | This fund has built-up from the excess rental income generated from the two Council owned sites at Milton and Whaddon. Both sites have had capital injected in them recently and, as such, are relatively newly developed with low maintenance costs, meaning rental income has out-stripped the costs of running the sites. It is proposed that this reserve is retained to enable needs assessments to be undertaken and for any enforcement action. | 111 | - | - | 111 | - | 111 | N |
| Swavesey Byeways Fund | Amounts have been received from a third party toward maintenance of the Byways and can only be used for that purpose. The balance relates to amounts yet to be utilised. | 8 | - | - | 8 | - | 8 | N |
| Contributions: Cambridge Sports Lake Trust | This relates to a contribution towards the maintenance of the lake at Milton Country Park. It is not clear whether there are any restrictions on the use of this contribution and further work is needed to determine the conditions that apply. | 6 | - | - | 6 | - | 6 | N |
| Webb's Hole Sluice | This small amount is held for any one-off equipment replacement that might be required. It has been in existence for at least three years and further work is needed to assess the necessity for it. | 12 | - | - | 12 | - | 12 | N |
| LA Parks Improvement Fund | A grant from Central Government was received toward the end of 2018/2019 for improvements to parks and open spaces within the District. It is proposed to use this at Northstowe. | 25 | - | - | 25 | - | 25 | N |
| Saxon Close, Oakington Commuted Sum | This reserve comprises S106 monies held to provide grounds maintenance on a shared space at this housing development. | 16 | - | - | 16 | - | 16 | N |
| S106 Admin Fees | This reserve comprises S106 administration fees set aside to cover future S106 Administrative Officer costs. The Officer is now employed on a permanent basis and funded from the General Fund and, therefore, this is no longer needed. It is proposed that this can now be released and transferred to the General Reserve. | 148 | - | - | 148 | -148 | 0 | Y |

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 | Transfer From Reserve | Transfer to Reserve | Revised Balance | Net Movement 2019/2020 | Balance expected 31/03/2020 | Release Balance |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Y/N |
| Section 106 AWC | This will be used to fund future Plant and Equipment represented within the Authority's capital programme. | 10 | - | - | 10 | - | 10 | N |
| Insurance – All Risks | Historically the Council insured several sundry items under an "All Risks" insurance policy. A decision was made to only insure items with a value of £10,000 or more, under this policy, and this small reserve was, therefore, created to fund any losses of items below this £10,000 limit. In reality the amount is so small that it makes more sense to fund any items from underspends elsewhere or, if necessary, the General Fund Balance. It is proposed that this can, therefore, now be released and transferred to the General Reserve. | 6 | - | - | 6 | -6 | 0 | Y |
| | | **23,840** | **-6,411** | **6,411** | **23,840** | **-313** | **23,527** | |
| **Planning Reserves** | | | | | | | | |
| Planning Reserve (NEW) | The amalgamation of a number of existing planning related reserves (see below) to provide funding for unforeseen and unexpected levels of service, the resource needs associated with major developments, legal and other costs arising from planning enforcement actions and a contribution to consultancy and other resource needs associated with Local Plan preparations. | 0 | - | 1,963 | 1,963 | -93 | 1,870 | N |
| Planning Enforcement Reserve | Established originally to meet legal and other costs arising from planning enforcement actions. It is proposed that this reserve is transferred to the new Planning Reserve. | 500 | -500 | - | 0 | - | 0 | Y |
| Planning Policy Reserve | The Planning Policy reserve was created in 2017/2018 with the funds allocated from:<br>• Roll over from year 2016/2017 relating to the Local Plan (£223,877);<br>• Topped up from the underspend projected and to be used for future "commissioning" of SCDC specific policy work from the shared planning service policy team.<br>It is proposed that this reserve should now be transferred to the new Planning Reserve. | 568 | -568 | - | 0 | - | 0 | Y |
| Staff Resources Reserve | This reserve was created from staffing underspends and, as such, is not for any specific purpose other than Planning related expenditure. It is proposed that this reserve should now be transferred to the new Planning Reserve. | 472 | -472 | - | 0 | - | 0 | Y |

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 | Transfer From Reserve | Transfer to Reserve | Revised Balance | Net Movement 2019/2020 | Balance expected 31/03/2020 | Release Balance |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Y/N |
| Major Development Fees and Parish Liaison Reserve | This reserve was originally established from pre-app and planning application fees received in respect of major developments, so that it could be called on as and when necessary to ensure planning teams are resourced to support and progress applications for those developments. This includes funding set aside to fund two two-year fixed term posts, one in housing and one in planning, to support parish liaison and site development initiatives. It is proposed that this reserve is transferred to the new Planning Reserve. | 179 | -179 | - | 0 | - | 0 | Y |
| Planning Service Contingency Reserve | This reserve was created to meet any unforeseen staff costs arising from the transformation to the shared Planning Service with Cambridge City Council. It is proposed that this reserve should now be transferred to the new Planning Reserve. | 100 | -100 | - | 0 | - | 0 | Y |
| Heritage and Historic Buildings | This reserve was created to fund any unexpected costs relating to Heritage Initiatives or works to historic/listed buildings which might need to be carried out. It is proposed that this reserve can be transferred to the new Planning Reserve. | 51 | -51 | - | 0 | - | 0 | Y |
| Habitats Regulation Reserve | This reserve was created from European funding received for specific use to provide appropriate assessments under (Regulation 48) of the Conservation (Natural Habitats &c) Regulations, 1994. The reserve is, therefore, ring fenced and can only be used for this purpose. It is proposed that this reserve should be transferred to the new Planning Reserve. | 50 | -50 | - | 0 | - | 0 | Y |
| Brownfield Sites Reserve | DCLG Brownfields Sites income transferred to Reserve for future use. It is proposed that this reserve should be transferred to the new Planning Reserve. | 30 | -30 | - | 0 | - | 0 | Y |
| Economic Development | Carry forward of funding relating to the underspend created by training needs project. It is proposed that this reserve can now be transferred to the new Planning Reserve. | 13 | -13 | - | 0 | - | 0 | Y |
| | | **1,963** | **-1,963** | **1,963** | **1,963** | **-93** | **1,870** | |
| **Growth Agenda** | | | | | | | | |
| Northstowe Reserve | The Northstowe reserve was originally established from pre-app and planning application fees received in respect of Northstowe, identified separately in recognition of its importance, to be called on as and when necessary to ensure planning teams are resourced to support and progress applications for the Northstowe development. It is proposed that a number of other reserves identified for Northstowe (see below) can be amalgamated into this reserve. | 127 | - | 380 | 507 | - | 507 | N |

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 | Transfer From Reserve | Transfer to Reserve | Revised Balance | Net Movement 2019/2020 | Balance expected 31/03/2020 | Release Balance |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Y/N |
| Northstowe Growth Agenda | The reserve was originally established from DCLG capacity funding and it is proposed that this reserve can now be transferred to the Northstowe Reserve | 346 | -346 | - | 0 | - | 0 | Y |
| Northstowe Legal Costs | This reserve was created to fund the legal costs of the once proposed "Northstowe Trust", which was to be formed to manage several local issues relating to Northstowe. The Trust was not formed and is no longer required. It is proposed that this reserve should, therefore, be transferred to the Northstowe Reserve. | 34 | -34 | - | 0 | - | 0 | Y |
| | | **507** | **-380** | **380** | **507** | **-** | **507** | |
| **Vehicles, Plant and Equipment** | | | | | | | | |
| Repair and Renewal (Vehicles & Plant) Fund (NEW) | The creation of a reserve for the purpose of defraying expenditure to be incurred from time to time in repairing, maintaining, replacing and renewing vehicles and plant belonging to the Council. Annual revenue contributions will be made to the to the R&R Fund to equalise costs over the life of the asset. It is proposed, therefore, that a range of existing reserves should be amalgamated into the R&R (Vehicle & Plant) Fund – see below. | 0 | - | 1,906 | 1,906 | 640 | 2,546 | N |
| Refuse Collection Vehicles Reserve | This is the balance of a sinking fund that has been built-up to fund future replacement vehicles for the Shared Waste Service. It is proposed that this balance should be transferred to the new R&R (Vehicle & Plant) Fund. | 1,272 | -1,272 | - | 0 | - | 0 | Y |
| Refuse Supervisors' Pooled Vehicles | This is the balance of a sinking fund that has been built-up to date to fund replacement Supervisors' vehicles. It is proposed that this should now be transferred to the new R&R (Vehicle & Plant) Fund. | 76 | -76 | - | 0 | - | 0 | Y |
| Street Cleansing Reserve | This is the balance of a sinking fund that has been built-up to date to fund replacement vehicles for the Street Cleansing Service. It is proposed that this should now be transferred to the new R&R (Vehicle & Plant) Fund. | 425 | -425 | - | 0 | - | 0 | Y |
| Street Cleansing Vehicles Sinking Fund | This relates to contributions to a revenue fund as an insurance against heavy maintenance and repair costs that may be incurred on Street Cleansing Vehicles. It is proposed that this should now be transferred to the new R&R (Vehicle & Plant) Fund. | 24 | -24 | - | 0 | - | 0 | Y |

| Name of Reserve | Description of Reserve | Balances as at 01/04/2019 | Transfer From Reserve | Transfer to Reserve | Revised Balance | Net Movement 2019/2020 | Balance expected 31/03/2020 | Release Balance |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | Y/N |
| Refuse Collection Vehicle Sinking Fund | This relates to contributions to a revenue fund as an insurance against heavy maintenance and repair costs that may be incurred on Refuse Collection vehicles beyond their warranty period e.g. new engine or gearbox which are not budgeted for within the running maintenance budget. Previously these heavy costs would be covered under the contract lease agreement, but the Council has moved away from this policy to one of asset ownership. It is proposed that this balance should now be transferred to the new R&R (Vehicle & Plant) Fund. | 41 | -41 | - | 0 | - | 0 | Y |
| Waste Management | This is the residual amount retained in reserve from the sum set aside to offset one-off expenditure, foreseen to accrue from the transitional process in creating the Greater Cambridge Shared Waste Service. This is not a shared reserve. It is proposed that this should now be transferred to the new R&R (Vehicle & Plant) Fund. | 45 | -45 | - | 0 | - | 0 | Y |
| Enviro-crime Vehicles | This reserve includes annual revenue contributions to facilitate the replacement of the Enviro-crime Enforcement vehicle when the need arises. It is proposed that this should now be transferred to the new R&R (Vehicle & Plant) Fund. | 23 | -23 | - | 0 | - | 0 | Y |
| Repair and Renewal (Equipment & Plant) Fund (NEW) | The creation of a Reserve for the purpose of defraying expenditure to be incurred from time to time in repairing, maintaining, replacing and renewing IT equipment and operational building plant and equipment belonging to the Council. Annual revenue contributions will be made to the to the R&R (Equipment & Plant) Fund to equalise costs over the life of the asset. | 0 | - | - | 0 | - | 0 | N |
| Software Fund (NEW) | The creation of a Reserve for the purpose of defraying expenditure to be incurred from time to time on IT replacement software solutions. Annual revenue contributions will be made to the Software Fund to meet the cost of replacement software systems. | 0 | - | - | 0 | - | 0 | N |
| | | **1,906** | **-1,906** | **1,906** | **1,906** | **640** | **2,546** | |
| **Total Earmarked Reserves** | | **28,216** | **-10,660** | **10,660** | **28,216** | **234** | **28,450** | |
| **General Fund Reserve** | | **13,013** | **-** | **300** | **13,313** | **-** | **13,313** | |
| **TOTAL** | | **41,229** | **-10,660** | **10,960** | **41,529** | **234** | **41,763** | |

**Appendix B**

# Proposed Amendments to Reserves 2020/2021

| Name of Reserve | Balance 01/04/2019 | Transfer from | Transfer to | Balance after transfer | Remarks |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | |
| Greater Cambridge Partnership | 3,131 | | | 3,131 | Retain |
| Business Rates Growth | 6,230 | 6,230 | | 0 | Reallocate balance (see below) |
| Infrastructure | 3,318 | | 1,682 | 5,000 | To set aside £5m for A14 infrastructure payments |
| Business Rates Retention Reserve | 0 | | 1,000 | 1,000 | New |
| Property Investment Reserve | 0 | | 3,548 | 3,548 | New |
| Renewables | 4,475 | | 0 | 4,475 | Retain |
| Pension Deficit Reserve | 471 | | | 471 | Retain |
| Transformation Reserve | 4,026 | | | 4,026 | Formerly Business Efficiency Reserve – Retain |
| Health & Environmental Services | 24 | | | 0 | Release to the General Fund 31/3/2020 |
| Electoral Registration | 109 | | | 109 | Release to the General Fund 31/3/2020 |
| Revenues and Benefits | 3 | | | 3 | Release to the General Fund 31/3/2020 |
| Brexit Preparation | 17 | | | 17 | Retain |
| South Cambs Crime & Disorder | 33 | | | 33 | Retain |
| Homelessness (Flexible homeless grant) | 452 | | | 452 | Retain |
| Taxi Licensing | 101 | | | 101 | Retain |
| Business Accommodation Reserve | 274 | | 106 | 380 | Rename Accommodation Reserve |
| Business Hub | 57 | 57 | | 0 | Amalgamate with Accommodation Reserve |
| Waterbeach Depot | 49 | 49 | | 0 | Amalgamate with Accommodation Reserve |

| | | | | | |
|---|---|---|---|---|---|
| Land Charges | 396 | | | 396 | Retain |
| Private Stock Condition Survey | 105 | | | 105 | Retain |
| Sports/Community Development | 5 | | 75 | 80 | Transfer to Community Development Reserve |
| Children & Young People | 75 | 75 | | 0 | Transfer to Community Development Reserve |
| Community Chest Grants | 10 | | | 10 | Release to the General Fund 31/3/2020 |
| Footway Lighting | 87 | | | 87 | To be Used in 2019/2020 |
| Air Quality Monitoring | 50 | | | 50 | To be Used in 2019/2020 |
| Travellers Sites | 111 | | | 111 | Retain |
| Swavsey Byeways Fund | 8 | | | 8 | Retain |
| Contributions Cambridge Sports Lake Trust | 6 | | | 6 | Retain |
| Webbs Hole Sluice | 12 | | | 12 | Retain |
| LA Parks Improvement Fund | 25 | | | 25 | Retain |
| Commuted Sum Saxon Close Oakington | 16 | | | 16 | Retain |
| S106 Admin | 148 | | | 148 | Release to the General Fund 31/3/2020 |
| Section 106 AWC | 10 | | | 10 | Retain |
| Insurance All Risks Reserve | 6 | | | 6 | Release to the General Fund 31/3/2020 |
| Planning Reserve | 0 | | 1,963 | 1,963 | New |
| Planning Policy | 568 | 568 | | 0 | Amalgamate with Planning Reserve |
| Enforcement Reserve | 500 | 500 | | 0 | Amalgamate with Planning Reserve |
| Staff Resources Reserve | 472 | 472 | | 0 | Amalgamate with Planning Reserve |
| Planning Fee Reserve | 179 | 179 | | 0 | Amalgamate with Planning Reserve |
| Planning Service Contingency Reserve | 100 | 100 | | 0 | Amalgamate with Planning Reserve |
| Heritage and Historic Buildings | 51 | 51 | | 0 | Amalgamate with Planning Reserve |
| Habitats Regulation Reserve | 50 | 50 | | 0 | Amalgamate with Planning Reserve |
| Brownfield Sites | 30 | 30 | | 0 | Amalgamate with Planning Reserve |
| Economic Development Reserve | 13 | 13 | | 0 | Amalgamate with Planning Reserve |

| | | | | | |
|---|---|---|---|---|---|
| Northstowe Reserve | 127 | | 380 | 507 | Amalgamate existing balances |
| Northstowe Growth Agenda | 346 | 346 | | 0 | Amalgamate with Northstowe Reserve |
| Northstowe Legal Costs | 34 | 34 | | 0 | Amalgamate with Northstowe Reserve |
| Repair and Renewal Fund | 0 | | 1,906 | 1,906 | New |
| Refuse Vehicles | 1,272 | 1,272 | | 0 | Amalgamate with Repairs and Renewals Fund |
| Refuse Supervisor Pooled Vehicles | 76 | 76 | | 0 | Amalgamate with Repairs and Renewals Fund |
| Street Cleansing Vehicles | 425 | 425 | | 0 | Amalgamate with Repairs and Renewals Fund |
| Street Cleansing Vehicles SF | 24 | 24 | | 0 | Amalgamate with Repairs and Renewals Fund |
| RCV Sinking Fund | 41 | 41 | | 0 | Amalgamate with Repairs and Renewals Fund |
| Waste Management | 45 | 45 | | 0 | Amalgamate with Repairs and Renewals Fund |
| Enviro-crime Vehicles | 23 | 23 | | 0 | Amalgamate with Repairs and Renewals Fund |
| | | | | | |
| | **28,216** | **10,660** | **10,660** | **28,216** | |

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South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Councillor John Williams,<br>Lead Cabinet Member for Finance | |
| **LEAD OFFICER:** | Trevor Roff, Interim Director of Finance | |

# Proposed Fees and Charges: 2020/2021

## Executive Summary

1. To undertake the annual review and to determine the non-regulatory fees and charges to be set by the Council for the provision of services from April 2020 (unless otherwise stated), where the law allows a charge to be made.

2. This is a key decision as, if adopted, the revised fee scales will result in the authority receiving additional income from fees and charges, which are significant having regard to the Council budget setting process.

## Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, to:**

   **(a) Approve the fees and charges as detailed in Appendix B of the report to take effect from 1 April 2020 (unless otherwise stated) or the earliest feasible date thereafter;**

   **(b) Note the proposed variations to fees and charges in comparison to the prevailing inflation rate detailed in the report;**

   **(c) Delegate to Heads of Service, following consultation with Lead Cabinet Members, authority to vary charges or introduce new charges during the course of the year where it is considered essential to do so in order to maintain income levels, improve the service offer to users and/or where opportunities arise to increase income.**

## Reason for Recommendations

4. To ensure that the Council receives income from fees and charges where allowable to contribute to the funding of services, to enable discretionary services to be provided and to assist the Council in preparing its Revenue Budget for 2020/2021.

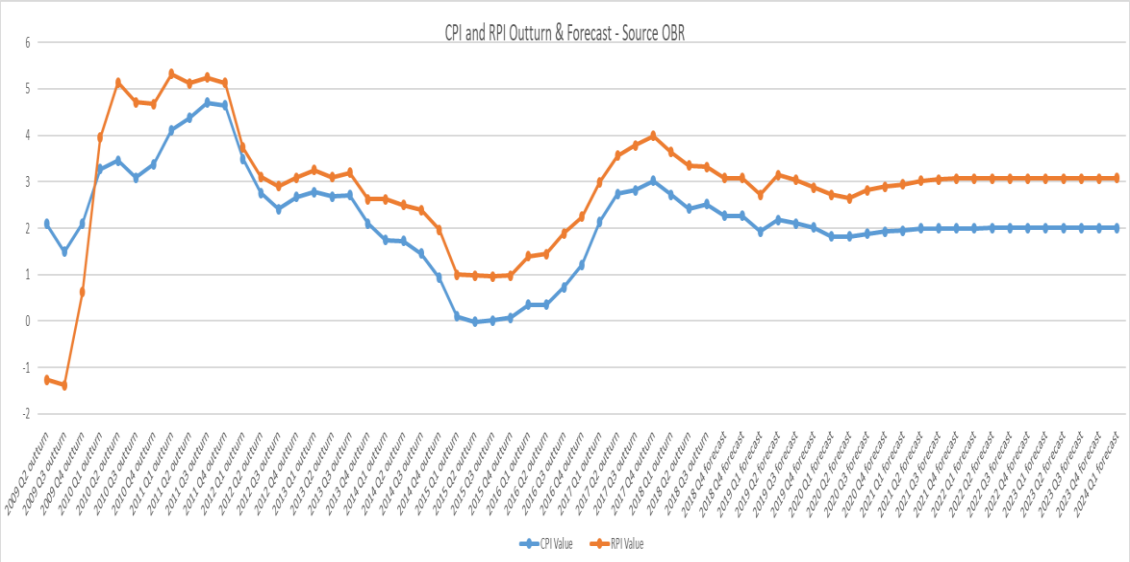
## Details

Economic Context

5. In determining the fees and charges for services it is appropriate that consideration is given to the wider economic context. The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target in a way that helps to sustain growth and employment. The MPC, at its meeting on 6 November 2019, voted by a majority to maintain the Bank Rate at 0.75%.

6. The Committee's inflation projections assume a smooth adjustment to the average of a range of possible outcomes for the United Kingdom's eventual trading relationship with the European Union. Reflecting Brexit-related volatility and uncertainties, underlying UK GDP growth slowed materially in 2019 but the MPC projects that it will improve during 2020. This will be supported by easier UK fiscal policy and a modest recovery in global growth. Inflationary pressures are projected to lesson, with CPI inflation remaining at 1.7% in September 2019 and expected to decline to around 1.25% by Spring 2020, owing to the temporary effect of falls in regulated energy and water prices. After falling in the short term, CPI inflation is projected to rise above the 2% target, as building excess demand leads to firmer domestic inflationary pressures.

7. The most recent CPI and RPI available figures as at November 2019, are 1.5% and 2.2% respectively. The quarterly indices are shown in the table below:




8. The general increases in costs reflected in the indices have a direct impact on the Council's costs. The prevailing economic trend expressed through the indices and the Bank of England's forecast for future inflation are both considered in proposing any increases in fees or charges. In light of these predictions for inflation a 2.0% uplift is proposed for fees and charges with effect from 1 April 2020.

Medium Term Financial Strategy (MTFS) – Context of Review

9. The approved MTFS identifies the commitment to explore income generating opportunities and to maximise income from fees and charges (where permitted to do so). It is also implicit that fees and charges should increase proportionately to the increase in the cost of providing services so that the net cost of services does not increase in real terms. The MTFS further emphasises that, in light of forecast savings targets, every effort will be made to increase annual income and reduce annual expenditure without materially reducing front line services provided by the Council.

Review of Fees and Charges: Effective from 1 April 2020

10. In determining the level of charges for 2020 it is proposed that increases in fees and charges should broadly reflect the prevailing trends in inflation except where there are regulatory requirements or a strong case for a higher or lower increase taking into account the requirement to maximise income. In addition, specific circumstances such as the sensitivity of price increases on the demand for the service, or the current market rates for services have been considered.

11. There are also some charges which are required to reflect the cost of providing the service, and these prices have been adjusted accordingly. Taken together these issues have led to a number of proposals where no increase is proposed or where the proposed increase varies significantly from inflation. There are also some instances where charges are very small and the increase may, therefore, appear significantly higher or lower than inflation purely as a result of rounding the charge to the nearest appropriate amount.

12. This report details, through the various appendices, the current charges that are applied, the proposed variations and the resulting proposed charge from 1 April 2020. All fees and charges in the appendices are shown net of Value Added Tax (VAT). Where VAT applies to a charge then the gross charge including VAT is also shown. In some instances, VAT may or may not apply in respect of a particular service depending upon the recipient of the service or the purpose of the service. The Cabinet is invited to consider the various charges proposed.

13. In undertaking this annual review, Heads of Service have been encouraged to identify any scope to extend the range of fees and charges and, if so, the level of additional income that could be generated. If available, any trends on the demand for the service over time and/or sensitivity to changes in charging policy are provided.

14. The following proposals have been identified where the new charge varies significantly from the agreed 2.0% rate of inflation, with the exception of statutory charges or where variations are small in monetary terms (i.e. less than £5.00):

    (a) Health and Wellbeing: The rationale for the variation of fees and charges relevant to health and well-being activities is outlined at **Appendix A**.

    (b) Planning: Fees are set to ensure the effective recovery of the cost of service delivery. The hourly rates to be used to calculate the fees chargeable for pre-application advice and Planning Performance Agreements have, therefore, been revised in light of the shared service arrangements and latest costs.

    (c) Land Charges: Substantial work has been undertaken to ascertain what the correct charge should be for the both the search of the Local Land Charges Register (Form LLC1) and for completing the enquiry form (CON29R) to provide prospective purchasers with information that relates to the property being searched. This has involved measuring the time taken to carry out a search and assessing the complexity of the work required.

    This has resulted in most fees increasing, although the fee to be applied for a LLC1 and CON29R (full commercial search) has been reduced. Whilst there is a requirement for the charge made to reflect the cost of providing the service, there is a constraint placed on the fee applied for the LLC1 official searches which are capped by statute at £25.00. In reality, the provision of the service costs more that the capped fee.

    (d) Other: In many cases fees are set by statute and the necessary provision is specified in the schedule of fees and charges.

15. The complete schedule of fees and charges, applying in 2019/2020 and proposed in 2020/2021 is outlined in **Appendix B** together with and explanation for the proposed variation in fees to apply from 1 April 2020.

## Options

16. While the Council could choose to do so, the option of not adopting the revised fees and charges from 1 April 2020 is not considered to be appropriate. The Council is required by law to set a balanced budget and the additional income from fees and charges contributes to this. In determining the new fee scales, due regard has been given to the sensitivity of price increases on the demand for the service.

## Implications

17. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

***Policy***

18. The Medium Term Financial Strategy (MTFS), reviewed by Cabinet on 4 December 2019, requires that fees and charges are maximised having regard to what the market will bear and policy decisions of the Council.

***Legal***

19. The proposed charges have regard to the various statutory requirements regarding the Council's ability to set fees and charges.

***Financial***

20. In considering the preparation of the 2020/2021 Revenue Budget it is proposed that fees and charges should be increased where considered feasible given the prevailing market sensitivities and demand, in accordance with the Council's stated intention of maximising revenue from fees and charges (including endeavours to maximise the recovery of costs incurred in providing discretionary services). The level by which it is proposed to increase fees and charges reflects the trends in inflation. It is proposed to apply a 2.0% increase for inflationary pressures to fees and charges except where there is a sound basis for proposing alternative pricing.

21. The income from the proposed charges is included in the draft Revenue Budget submitted to the Cabinet at this meeting for consideration.

***Risk***

22. The risk in setting any fee and charge is that it does not provide, due to change in usage, the projected income. A significant increase in charges may discourage the public from using a service resulting in an overall reduction in income. The income received is regularly monitored throughout the year as part of the Council's budget monitoring processes and any significant variation is reported to Cabinet.

***Environmental***

23. Consideration is given to the environmental impact of setting fees and charges and where possible will encourage behaviour that that supports the Council's aims to reduce carbon emissions.

***Equality Analysis***

24. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

25. Where the proposed increase to a fee or charge is significantly higher than the rate of inflation (other than in the case of higher increases in small charges resulting from rounding) a relevance test and, where required, an equality analysis will need to be completed in respect of the specific proposal.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 6 February 2019
- Business Plan 2019 - 2014 – Report to Council: 21 February 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Cabinet: 4 December 2019

## Appendices

A Health & Wellbeing Fees and Charges: Charging Policy Rationale

B Schedule of Fees and Charges: 2020/2021

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Appendix A

# Health and Wellbeing Fees and Charges: 2020/2021
# Charging Policy Rationale

Appendix A shows the recommended fees and charges for 2020/2021 and a short explanation of how the fees have been calculated is included below:

**Active & Healthy 4 Life**

(i) Fees are set in discussion with the sports centres and are paid directly to the sports centres. The fees cover part of the cost of the initial assessment, gym sessions and part of the cost of the final assessment. The District Council subsidise the assessment costs to enable the cost to clients to be kept to a minimum to encourage participation. The District Council contributes to the cost of managing the scheme.

(ii) Fees were last amended in 2014 when the running of the scheme was brought in-house.

(iii) 2019/2020 saw a marked increase in the number of participants referred-to and completing the scheme. This has resulted in an increase in class numbers. Any increased costs are being covered by the extra income made from increased participation. No change to charges is recommended.

**Adult Friendly Netball League**

(i) The Adult Friendly Netball League has been running in South Cambridgeshire since 2008, building on the success of the 'Women Try Netball' programme which encourages women to get active. Approximately ½ of women and 1/3rd of all men in England are damaging their health through inactivity. Physical inactivity directly contributes to one in six deaths in the UK. Netball is a sport that many women have taken part in at school and benefits their social, physical and mental wellbeing.

(ii) The Sports Coordinator has been working with a group of volunteers from the teams that participate regularly in the league, to take over the organisation of the league, commencing October 2019.

(iii) This transition has been possible due to all participating teams and their players valuing this league, not just as a physical activity but the social benefits it adds to their busy lives.

(iv) The Council has no longer any involvement in collecting any fees from October 2019.

**Let's Get Moving**

(i) Let's Get Moving is a programme wholly funded by Public Health at Cambridgeshire County Council.

(ii) The programme runs activities across the district, and the charges are calculated based on the covering the costs of room hire at each venue. The programme has a budget which enables start up support for activities while attendance builds up to a maximum of 10 sessions. There after the aim is for the group to manage itself and collect the fees to cover costs.

(iii) All activities currently cover their individual running costs, and the cost to the participant is £3 per hour session. This increase has already been piloted with recent activities and not been a barrier to participation.

**Sports Camps**

(i) Camps on offer in 2019/2020 were netball, athletics, and Quick Cricket/Rounders taking place during School holidays at Easter, May Half-term, Summer and October Half-term.

(ii) Fees are benchmarked against other equivalent camps held across the county. The fees are set at a level aimed at cost recovery, which considers the cost of the venue, instructors, first aiders, administration and Sports Coordinator.

(iii) The fee was last increased in 2018/2019. This was a considerable increase of 20% for single day bookings, and 11% for booking multiple days or participants. A small discount is available when booking more than one child onto a camp or for booking multiple days.

(iv) Total expenditure for 2019/2020 (includes estimate for October 2019) was £15,898. Total income in the same period (includes estimate for October 2019) was £16,292. It is proposed that the fees for 2020/2021 increase to £25 for single bookings, and £21 for bookings eligible for discount. These fees allow for 2% increase in costs owing to inflation and will continue to cover costs in the event of a marked increase in bookings eligible for the discounted rate.

(v) During 2019 the Council has fully integrated a new online booking form and payment system. In establishing this new system, it has continued to take administration time. The process still has a manual element to transfer participant details onto a data sheet for registration purposes and recording income. The full extent of expenditure savings will come into effect during 2020.

Appendix B

# Schedule of Fees and Charges: 2020/2021

| Type of Fee/ Charge | Fee/Charge set by | Current Fee/Charge 2019/20 | Proposed Fee/Charge 2020/21 | Council policy when setting the fee/charge |
|---|---|---|---|---|
| **2020/2021 Fees and Charges Sustainable Communities and Wellbeing (see Appendix A)** | | | | |
| **Active & Healthy 4 Life Fees** | | | | |
| i. Initial assessment | Discretionary H&W PFH | £8.00 | £8.00 | None |
| i. Gym sessions (one hour each x 24) | Discretionary H&W PFH | £3.00 | £3.00 | None |
| iii. Final assessment | Discretionary H&W PFH | £8.00 | £8.00 | None |
| **Adult Friendly Netball League Fees** | | | | |
| i. Team participation fee | Discretionary H&W PFH | £75.00 | £0.00 | None |
| **Let's Get Moving Fees** | | | | |
| i. 1hour session | Discretionary H&W PFH | £2.50 | £3.00 | None |
| i. 1.5hour session (including refreshments) | Discretionary H&W PFH | £3.00 | No sessions | None |
| **Sports Camps** | | | | |
| i. One day attendance | Discretionary H&W PFH | £24.00 | £25.00 | None |
| ii. Two or more days attendance (per day) | Discretionary H&W PFH | £20.00 | £21.00 | None |
| iii. Two or more sibling's attendance on one or more days (per day) | Discretionary H&W PFH | £20.00 | £21.00 | None |

## 2020/2021 Administration Charges Housing

| | | | | |
|---|---|---|---|---|
| Solicitors' pre-sale enquiries (Standard sales pack) | | £110 | £110 | |
| Copy of lease/Document Provision | | £30 | £30 | |
| Remortgage Enquiry/Copy of Insurance schedule | | £30 | £30 | |
| Notice of Assignment/Notice of Charge/Notice of Transfer/Deed of Covenant | | £90 | £90 | |
| Deed of Variations/Deed of Postponement – Administration | | £150 | £150 | |
| Plus, CCC Solicitor fees and own solicitor fees | | £550+ | £550+ | |
| Home Improvement Application & Administration | | | | |
| standard consent letter | | £30 | £30 | |
| Approvals requiring investigation and a surveyor visit | | £125 | £125 | |
| Retrospective consent for improvements | | As above + £25.00 | As above + £25.00 | |
| Registering sub-let details | | £50 | £50 | |

## 2020/2021 Community Alarm Service

| Charge Description | Charge Basis | Current Charges 2019/20 (£) | Proposed Charges 2020/21 (£) | Increase (%) |
|---|---|---|---|---|
| **Community Alarm Service** | | | | |
| Council Supplied Alarm | Weekly | 4.47 | 4.47 | 0% |
| Mobile Alarm Solution | Weekly | 5.47 | 5.47 | 0% |
| Installation Charge (Within 30 mile radius) | One-Off | 30 | 30 | 0% |
| Installation Charge (Outside 30 mile radius) | One-Off | 36 | 36 | 0% |
| Replacement Pendant Charge | One-Off | 50 | 50 | 0% |

## 2020/2021 Planning fees and charges

| Type of Search | Includes VAT | Current Fee 2019/20 | Proposed Fee 2020/21 | Council policy when setting the fee/charge |
|---|---|---|---|---|
| LLC1 Official Search in respect of one parcel of land | | £25.00 | £25.00 | |
| **Residential Search** | | | | |
| CON29R | X | £109.20 | £116.00 | |
| LLC1 and CON29R (Full Residential Search) | X | £134.20 | £141.00 | |
| Additional Parcels of Land | X | £24.00 | £17.00 | |
| **Commercial Search** | | | | |
| CON29R | X | £109.20 | £175.00 | |
| LLC1 and CON29R (Full Commercial Search) | X | £230.20 | £200.00 | |
| Additional Parcels of Land | X | £24.00 | £28.00 | |
| **Additions** | | | | |
| Additional Enquiries | X | £18.00 | £12.00 | |
| **Con29O Optional enquiry questions:** | | | | |
| Q4 Road Proposals | X | £5.40 | £5.00 | |
| Q5 Advertisements | X | £2.64 | £9.50 | |
| Q6 Completion Notices | X | £2.76 | £6.00 | |
| Q7 Parks and Countryside | X | £5.40 | £6.00 | |
| Q8 Pipelines | X | £0.00 | £0.00 | |

| | | | | |
|---|---|---|---|---|
| Q9 Houses in Multiple Occupation | X | £5.40 | £6.00 | |
| Q10 Noise Abatement | X | £6.00 | £6.00 | |
| Q11 Urban Development Areas | X | £7.20 | £6.00 | |
| Q12 Enterprise Zones | X | £5.40 | £6.00 | |
| Q13 Inner Urban Improvement Areas | X | £5.40 | £6.50 | |
| Q14 Simplified Planning Zones | X | £5.40 | £6.00 | |
| Q15 Land Maintenance Notices | X | £5.40 | £6.00 | |
| Q16 Mineral Consultation and Safeguarding Areas | X | £5.40 | £5.20 | |
| Q17 Hazardous Substance Consents | X | £7.80 | £4.50 | |
| Q18 Environmental and Pollution Notices | X | £5.40 | £6.00 | |
| Q19 Food Safety Notices | X | £6.00 | £6.00 | |
| Q20 Hedgerow Notices | X | £6.00 | £6.00 | |
| Q21 Flood Defence and Land Drainage Consents | X | £5.40 | £5.20 | |
| Q22 Common Land and Town or Village | X | £12.60 | £10.00 | |

**Discretionary services**

Discretionary services (including Pre-application work and Planning and Performance Agreements (PPAs)) will be charged for on a case by case basis. This charge will be based on full recovery of the cost of delivering the agreed work.

Officer time will be charged at the following rates:

| Officer grade | Hourly Charge (£) |
|---|---|
| 2 | 42 |
| 3 | 51 |
| 4 | 58 |
| 5 | 64 |
| 6 | 73 |
| 7 | 86 |
| 8 | 91 |
| 10 | 119 |

The full direct cost of any external consultants, contractors or agency staff incurred by the Planning Service in the delivery of the discretionary service will also be included in any fees charged for the work done.

## 2020-21 H&ES Fees and Charges

| 1. Environmental Protection Act 1990 / Pollution Prevention Control Act 1999 / PPC Regulations 2000 | | | | |
|---|---|---|---|---|
| Standard process (includes solvent emission activities) | Statutory fee set by DEFRA | £1,650.00 | £1,650.00 | Statutory fees set by DEFRA |
| Additional fee for operating without a permit | Restructured for 2018/19 | £1,188.00 | £1,188.00 | |
| PVRI, and Dry Cleaners | | £155.00 | £155.00 | |
| PVR I & II combined | | £257.00 | £257.00 | |
| VRs and other Reduced Fee Activities | | £362.00 | £362.00 | |
| Reduced fee activities: Additional fee for operating without a permit | | £99.00 | £99.00 | |
| Mobile plant** | | £1,650.00 | £1,650.00 | |
| for the third to seventh applications | | £985.00 | £985.00 | |
| for the eighth and subsequent applications | | £498.00 | £498.00 | |

| | | | | |
|---|---|---|---|---|
| Where an application for any of the above is for a combined Part B and waste application, add an extra £310 to the above amounts | | £808.00 | £808.00 | |
| | | | | |
| **Annual subsistence charge** | | | | |
| Standard process Low | | £772 (+£104) * | £772 (+£104) * | * The additional amounts in brackets must be charged where a permit is for a combined Part B and waste installation.<br><br>Where a Part B installation is subject to reporting under the E-PRTR Regulation, add an extra £103 to the above amounts |
| Standard process Medium | | £1,161 (+£156) * | £1,161 (+£156) * | |
| Standard process High | | £1,747 (+£207) | £1,747 (+£207) | |
| PVRI, and Dry Cleaners L/M/H | | £79/£158/£237 | £79/£158/£237 | |
| PVR I & II combined L/M/H | | £113/£226/£341 | £113/£226/£341 | |
| VRs and other Reduced Fees | | £228/£365/£548 | £228/£365/£548 | |
| Mobile plant, for first and second permits L/M/H** | | £646/£1034/£1,506 | £646/£1034/£1,506 | |
| for the third to seventh permits L/M/H | | £385/£617/£924 | £385/£617/£924 | |
| eighth and subsequent permits L/M/H | | £198/£316/£473 | £198/£316/£473 | |
| Late payment Fee | | £52.00 | £52.00 | |

| | | | | |
|---|---|---|---|---|
| **Transfer and Surrender** | | | | |
| i. Standard process transfer | Statutory: DEFRA | £169.00 | £169.00 | Not applicable Statutory Fee |
| ii. Partial transfer | | £497.00 | £497.00 | |
| iii. New Operator at Low Risk Reduced Fee Activity | | £78.00 | £78.00 | |
| iv. Surrender: all Part B activities | | £0.00 | £0.00 | |
| v. Reduced fee activities: | | £0.00 | £0.00 | |
| · Transfers – Service Stations, Waste Oil Burners <0.4MW and Dry Cleaners | | £0.00 | £0.00 | |
| Partial transfer | | £47.00 | £47.00 | |
| **Temporary Transfer for Mobiles** | | | | |
| i. First Transfer | Statutory: DEFRA | £53.00 | £53.00 | Not applicable Statutory Fee |
| ii. Repeat Following Enforcement or Warning | | £53.00 | £53.00 | |
| **Substantial Change s10 & s11** | | | | |
| i. | Statutory: DEFRA | | | Not applicable Statutory Fee |
| ii. Standard process | | £1,050.00 | £1,050.00 | |
| iii. | | £1,650.00 | £1,650.00 | |

| | | | | |
|---|---|---|---|---|
| iv. Standard process where the substantial change results in a new PPC activity | | £102.00 | £102.00 | |
| v. Reduced fee activities | | | | |
| Reduced fee activities are; Service Stations, Vehicle Refinishers, Dry Cleaners and Small Waste Oil Burners under 0.4MW | | | | |
| **LAPPC Mobile Plant Charges (if not subject to simplified Permits)** | | | | |
| i. Application Fee – No. of Permits | Statutory: DEFRA | | | Not applicable Statutory Fee |
| 1 | | £1,650.00 | £1,650.00 | |
| 2 | | £1,650.00 | £1,650.00 | |
| 3 | | £985.00 | £985.00 | |
| 4 | | £985.00 | £985.00 | |
| 5 | | £985.00 | £985.00 | |
| 6 | | £985.00 | £985.00 | |
| 7 | | £985.00 | £985.00 | |
| 8 and over | | £498.00 | £498.00 | |
| | | | | |
| ii. Subsistence Fee – No. of Permits | | (Low/Med/High) | (Low/Med/High) | |

| | | | | |
|---|---|---|---|---|
| 1 | | £646/1034/1506 | £646/1034/1506 | |
| 2 | | £646/1034/1506 | £646/1034/1506 | |
| 3 | | £385/617/924 | £385/617/924 | |
| 4 | | £385/617/924 | £385/617/924 | |
| 5 | | £385/617/924 | £385/617/924 | |
| 6 | | £385/617/924 | £385/617/924 | |
| 7 | | £385/617/924 | £385/617/924 | |
| 8 and over | | £198/316/473 | £198/316/473 | |
| **LA-IPPC Charges (Part A2)** | | | | |
| i. Application | Statutory: DEFRA | £3,363.00 | £3,363.00 | Fee set by DEFRA<br><br>Every subsistence charge includes the additional £104 charge to cover LA extra costs in dealing with reporting under the E-PRTR Regulation |
| ii. Additional Fee for Operating without a Permit | | £1,188.00 | £1,188.00 | |
| iii. Annual Subsistence – Low | | £1,447.00 | £1,447.00 | |
| iv. Annual Subsistence – Med | | £1,611.00 | £1,611.00 | |
| v. Annual Subsistence – High | | £2,334.00 | £2,334.00 | |
| | | | | |
| vi. Substantial Variation substantial variation (where 9 (2) (a) or 9 (2)(B) of the scheme applies) | | £3,363.00 | £3,363.00 | |
| vii. Transfer | | £235.00 | £235.00 | |

| | | | | |
|---|---|---|---|---|
| viii. Partial Transfer | | £698.00 | £698.00 | |
| ix. Surrender | | £698.00 | £698.00 | |
| Late Payment fee (new) | | £52.00 | £52.00 | |
| **Newspaper Advertisements** | | | | |
| Newspaper adverts may be required under EPR at the discretion of the LA as part of the consultation process when considering an application (see Chapter 9 of the General Guidance Manual). This will be undertaken and paid for by the LA and the charging scheme contains a provision for the LA to recoup its costs | | | | |
| **2. Licences** | | | | |
| **Game Dealer** | | | | Legislation governed by Scrap Metal Dealers Act 2013. Fee currently covers cost of administrating the service |
| Game Dealer | Statutory: Game Act 1831 & Game Licensing Act 1860 | Nil | Nil | |
| **Scrap Metal dealers' licence** | | | | Legislation governed |

| | | | | |
|---|---|---|---|---|
| Mobile licence | Discretionary H&ESPFH | £189.00 | £194.00 | by Scrap Metal Dealers Act 2013. Fee currently covers cost of administrating the service |
| Site licence | | £235.00 | £241.00 | |
| **Sex Shop Establishment** | | | | Fees to be consistent with neighbouring authorities and ensure recovery of costs. |
| i. Initial application | Discretionary H&ESPFH | £3,800.00 | £3,900.00 | |
| ii. Renewal | | £690.00 | £708.00 | |
| **Acupuncture, Ear Piercing, Tattooing & Electrolysis** | | | | To facilitate the identification of bona fide skin piercing businesses registration fees to be kept at cost<br><br>Introduction of new fees to cover personal and mobile activities |
| Business registration | Discretionary H&ESPFH | £122.00 | £125.00 | |
| Personal Registration | | £122.00 | £125.00 | |
| Mobile unit | | £122.00 | £125.00 | |
| Mesotherapy & Dermal Fillers | | £122.00 | £125.00 | |
| **Houses in Multiple Occupation meeting the legal definitions** | | | | Appropriate fee commensurate with costs of admin and inspections |
| New Application | Legal formula | £750.00 per 5yr period | £765.00 | |
| Renewal | | £450 per 5yr period | £460.00 | |
| New applications 01.04.18 onwards | | £375 per 1yr licence | £383.00 | |
| **Caravan Sites = Mobile Homes Act 2013** | | | | Fees set at cost recovery of administering the service<br>Annual fee for 0-2 units set at a level to |
| Licence fee application 0-2 Units | Discretionary | £130.00 | £134.00 | |
| Licence fee application 3 – 9 units | | £260.00 | £267.00 | |

| | | | | |
|---|---|---|---|---|
| Licence fee – application 10 units or more | | £390.00 | £400.00 | encourage registration |
| Annual fee 0- 2 units | | £95.00 | £98.00 | |
| Annual fee 3 to 9 units | | £245.00 | £252.00 | |
| Annual fee 10 units or more | | £355.00 | £364.00 | |
| Licence variation fee | | £85.00 | £88.00 | |
| Transfer application fee | | £85.00 | £88.00 | |
| Miscellaneous changes to existing licence details | | £85.00 | £88.00 | |
| **Animal Welfare Licence** | | | | To encourage the start-up of small businesses and ensure that health & safety and animal welfare visits are made, and appropriate advice given to proprietors. Charges are to cover the cost of Officers' time, administration on-costs all new Dog breeding establishment are subject to inspection, all others are risk based |
| Application Fee (all activities) | Discretionary :H&ESPFH | £65.00 | £67.00 | |
| Maintenance Fee (except exhibiting animals): | | | | |
| 1 Year | | £175.00 | £180.00 | |
| 2 Year | | £345.00 | £354.00 | |
| 3 Year | | £520.00 | £533.00 | |
| Copy of licence, change of details not requiring an inspection | | £10.50 | £11.00 | |
| **• Boarding of Animals:** | | | | |

| | | | |
|---|---|---|---|
| Initial Rating or re-rating Inspection Fee: | Discretionary :H&ESPFH | | |
| Up to 10 animals | | £101.00 | £104.00 |
| 11 – 30 animals | | £135.00 | £139.00 |
| 31 – 60 animals | | £168.00 | £173.00 |
| 61 – 99 animals | | £201.00 | £206.00 |
| 100+ animals | | £235.00 | £241.00 |
| Variation of a licence requiring a re-inspection: | Discretionary :H&ESPFH | | |
| Up to 10 animals | | £101.00 | £104.00 |
| 11 – 30 animals | | £135.00 | £139.00 |
| 31 – 60 animals | | £168.00 | £173.00 |
| 61 – 99 animals | | £201.00 | £206.00 |
| 100+ animals | | £235.00 | £241.00 |
| **• Dog Breeding** | | | |
| Initial rating or re-rating inspection fee | | £35.00 + vet fee | £36.00 + vet fee |
| Variation of a licence requiring a re-inspection | | £35.00 + vet fee | £36.00 + vet fee |
| **• Hiring of Horses** | | | |
| Initial rating or re-rating inspection fee | | £35.00 + vet fee | £36.00 + vet fee |

| | | | | |
|---|---|---|---|---|
| Variation of a licence requiring a re-inspection | | £35.00 + vet fee | £36.00 + vet fee | |
| **• Selling animals as pets** | | | | |
| Initial rating or re-rating inspection fee | | £168.00 | £173.00 | |
| Variation of a licence requiring a re-inspection | | £168.00 | £173.00 | |
| **• Exhibiting animals** | | | | |
| Initial rating or re-rating inspection fee | | £100.00 | £103.00 | |
| Maintenance fee (3 years) | | £520.00 | £533.00 | |
| Variation of a licence requiring a re-inspection | | £101.00 | £104.00 | |
| **Dangerous Wild Animals** | Discretionary: H&ESPFH | £90.00 Plus relevant vet fees | £93.00 | To recover costs of inspection Officer's time with administrative on-costs veterinary costs borne by applicant where required |

| | | | | |
|---|---|---|---|---|
| **Zoos (6 year licence)** | Discretionary: H&ESPFH | Actual costs involved | Actual costs involved | To cover the cost of providing the service with acknowledgement of the demands of animal welfare and public safety. Actual Officer costs (including vet & other officials' fees) for year together with any other charges incurred in the admin of zoo licensing |
| Street Trading | | | | Simplified fee structure to recover costs of administering, monitoring & inspecting street trading provisions |
| i. Mobile Traders in villages up to 2 nights a week | Discretionary: H&ESPFH | £245.00 | £252.00 | |
| ii. Over 2 nights a week | | £459.00 | £471.00 | |
| **Layby traders** | Discretionary: H&ESPFH | £803.00 (including rates) | £823.00 (including rates) | Simplified fee structure to recover costs of administering, monitoring & inspecting provisions |
| **3. HACKNEY CARRIAGE & PRIVATE HIRE VEHICLE LICENSING** | | | | |
| **Driver's Licence** | | | | Recovery of the whole costs of the Hackney Carriage and Private Hire vehicle licensing system so that |
| i. Grant | Discretionary: H&ESPFH | £225.00 | £231.00 | |
| ii. Renewal | | £123.00 | £126.00 | |

| | | | | |
|---|---|---|---|---|
| iii. Fee for competency base test for drivers – new applicants or re-test as part of compliance | | £50.00 | £50.00 | the costs of the service are borne by the user.<br><br>Vehicle application fee to include door stickers from 2018 |
| iii. Fee for safeguarding course and test for drivers – new applicants or re-test as part of compliance | | £60.00 | £60.00 | Legislation introduced in October 2015 requires Local Authorities to offer a fee for a Five year operator licence |
| iv. Replacement badge | | £10.00 | £11.00 | |
| **Operator's Licence (1yr)** | | | | |
| i. Single vehicle | Discretionary: H&ESPFH | £100.00 | £103.00 | |
| ii. Two vehicles | | £173.00 | £178.00 | |
| iii. Three to five vehicles | | £233.00 | £239.00 | Small reduction in vehicle renewal fee reflects the streamlining and improved efficiency of the process |
| iv. Six to ten vehicles | | £306.00 | £314.00 | |
| v. Eleven to Twenty vehicles | | £369.00 | £379.00 | |
| vi. Twenty one vehicles and above | | £510.00 | £523.00 | |
| vii. Name/address change to existing licence | | £10.00 | £11.00 | |
| **Operator's Licence (5yr)** | | | | |
| i. Single vehicle | Discretionary: | £439.00 | £450.00 | |

| | | | | |
|---|---|---|---|---|
| ii. Two vehicles | H&ESPFH | £796.00 | £816.00 | |
| iii. Three to five vehicles | | £1,040.00 | £1,066.00 | |
| iv. Six to ten vehicles | | £1,316.00 | £1,349.00 | |
| v. Eleven to Twenty vehicles | | £1,520.00 | £1,558.00 | |
| vi. Twenty one vehicles and above | | £2,218.00 | £2,274.00 | |
| **Vehicle Licensing (including inspection)** | | | | |
| i. Grant (plate/ door signage stickers included) | Discretionary: H&ESPFH | £148.00 | £152.00 | |
| ii. Door signage - magnetic (on request) | | £10.00 | £11.00 | |
| iii. Renewal | | £102.00 | £105.00 | |
| iv. Replacement plate | | £20.00 | £21.00 | |
| Replacement PH Door signage (stickers x2) | | £15.00 | £16.00 | |
| Replacement PH Door signage (magnetic x2) | | £25.00 | £26.00 | |
| **Small Lottery Licence** | | | | Not applicable Statutory Fee |
| i. Grant | Statutory: Gambling Act 2005 | £40.00 | £40.00 | |
| ii. Renewal | | £20.00 | £20.00 | |
| **Licence to Kill Game** | | | | Not applicable Paid to post office and |
| i. Full year | Statutory | £6.00 | £6.00 | |

| | | | | |
|---|---|---|---|---|
| ii. Part year | | £4.00 | £4.00 | then income transferred to SCDC half yearly Statutory Fee |
| iii. Occasional | | £2.00 | £2.00 | |
| **Stray Dogs** | | | | Charge structure to reflect SCDC administration, transportation and kennelling costs |
| Seizure fee | Statutory: The Environmental Protection (Stray Dogs) Regulations 1992 | Prescribed seizure fee £25.00 | £26.00 | |
| **Seizure with transport and/or kennelling** | | | | |
| Transportation/ Admin Fee | Other charges Discretionary ESPFH | £57.00 | £59.00 | |
| Kennelling Fee | | £20.00 per day + VAT | £20.00 per day + VAT | |
| Veterinary Fees if applicable | | Veterinary Fees if applicable | Veterinary Fees if applicable | |
| **4. Refuse & Recycling Service** | | | | |
| **Hazardous Domestic Collections** | | | | Fees set to promoting more sustainable methods of disposal such as re-use or recycling and to manage demand, placing costs on those that use services |
| Per item, fridge/freezer/CRT monitor/TV/Microwave etc. | Discretionary: H &ES PFH | £25.00 | £25.00 | |
| **Bulky Domestic Collections** | | | | |

| | | | | |
|---|---|---|---|---|
| Bulky Household Waste two to three items (excluding hazardous waste items) | 75 | £30.00 | £30.00 | without unduly disadvantaging those without access to alternatives e.g. bulky item disposal. |
| Per item (after three) Max 9 | | £5.00 | £5.00 | |
| Emptying of contaminated bin/additional empty (per bin) | | £30.00 | £35.00 | |
| Clearance of rubbish from bin stores | | By quote | By quote | |
| Annual 2nd green bin charge – per additional 240 litre (October to October) | | £35.00 | £35.00 | |
| Annual 2nd green bin charge – Per additional 140 litre (October to October) | | £30.00 | £30.00 | |
| Additional garden waste capacity for flats (per 1100 litre bin) | | £75.00 | £80.00 | |
| **Bins** | | | | |
| Delivery of bin(s) for new property (up to) | | £77.50 | £80.00 | |

| | | | | |
|---|---|---|---|---|
| NEW Additional approved black bin - Large families etc. | | £50.00 | £50.00 | |
| Delivery of a replacement black bin (damaged /stolen) | | £50.00 | £50.00 | |
| Delivery of a replacement green/blue bin (damaged /stolen) | | FOC | FOC | |
| Additional blue bin charge | | FOC | FOC | |
| Recycling Kitchen Caddy Sacks (in packs of 50) | | £3.00 | £3.00 | |
| Recycling Kitchen Caddy Sacks (in packs of 10) including delivery | | £4.49 | n/a | |
| **5. TRAINING COURSES** | | | | |
| Food Hygiene Level 2 | Discretionary: ESPFH | £75.00 (General Public) | | Set at costs competitive with external organisations to encourage attendance at Environmental Health courses |
| Food Hygiene Level 3 | | £305.00 | | |
| Health & Safety Level 2 | | £67.00 | | |
| Health & Safety Level 3 | | £300.00 | | |
| **6. OTHER FEES AND CHARGES** | | | | |

| | | | | |
|---|---|---|---|---|
| Staff involved in civil litigation | Discretionary: ESPFH | Varies due to specific Officer & time involved | Varies due to specific Officer & time involved | To cover staff costs |
| Provision of information – Local Land charge searches | Discretionary: ESPFH | £150.00 Maximum fee | | To recover costs of administration and officer time in researching and reporting on environmental information. |
| Supply of specific information from records | Statutory: The Freedom of Information and Data Protection (Appropriate Limit and Fees) Regulations 2004 | As listed in SCDC FOI Policy & Procedure April 2009 | As listed in SCDC FOI Policy & Procedure April 2009 | Fees vary due to nature of request (see SCDC web site FOI Fee Structure) |
| Officers offering chargeable advice including enforcement charges where legislation permits | Discretionary: ESPFH | £66.00/hr | | To ensure that where services can be charged for SCDC covers as a minimum the cost of that advice or actions |
| Serving of improvement notices under the Housing Act 2004 | Power to charge for serving improvement notices | £66.00/hr Max charge £250.00 | | New fee to cover officer time in preparation and serving of notices |
| **Removal & Disposal of Abandoned Vehicles** | | | | Not applicable Statutory fee |

| | | | | |
|---|---|---|---|---|
| i. Removal | Statutory: Refuse Disposal (Amenity) Act 1978 Removal, Storage & Disposal of Vehicle (Prescribed Sums & Charges) Regulations 1989 as amended | Subject to contractual changes Removal 120.00 | | |
| ii. Storage (per day) | | Storage £20.00 per day | | |
| iii. Disposal | | Disposal £85.00 | | |

| 7. FIXED PENALTY PROVISIONS | | | | | | |
|---|---|---|---|---|---|---|
| **Offence** | **Fee/charge set by Legislation** | **Fee/Charge 2019/20** | | **Proposed** | | **Council policy when setting the fee/charge** |
| | | Full amount of penalty | FP reduced if paid within 10 days | Full amount of penalty | FP reduced if paid within 10 days | |
| **Depositing Litter** | Environmental Protection Act 1990 | £150 | £50.00 | | | Not applicable Statutory fee<br><br>Reduction is a discretionary matter |
| **Littering from a vehicle** | Regulation 4 LOVR | £150 | £50.00 | | | |
| **Section 55 offences – dog related offences** | Clean Neighbourhood & Env Act 2005 | £75.00 | £50 | | | |
| **Smoking ban offences (smoking in a public place & failure to display 'no smoking' signs)** | Sec 9 Health Act | Smoking: £50<br><br>No 'No Smoking' sign: £200 | Smoking: £30<br><br>No 'No Smoking' sign: £150 | | | |
| **Failure to Produce Waste Transfer Note** | Control of Pollution (Amendment) Act 1989 | £300.00 | £180.00 | | | |
| **Failure to Produce Waste Carriers Licence** | Environmental Protection Act 1990 | £300.00 | £180.00 | | | |
| **Abandoning a Motor Vehicle** | Sec 2(A)1 RD(A)/ Sec 10 CNEA | £200.00 | £120.00 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Exposing 2 or more vehicles for sale on a road** | Clean Neighbourhood & Environment Act 2005 | £100.00 | £60.00 | | | |
| **Repairing vehicle on the road** | Clean Neighbourhood & Environment Act 2005 | £100.00 | £60.00 | | | |
| **Breach of a Community Protection Notice** | Sec 48 Anti-Social Behaviour, Crime and Policing Act 2014 | £100 | £65 | | | Full amount is statutory<br><br>Reduced fee is discretionary |
| **Breach of a Public Spaces protection Order** | s.63 and/or s.67, Anti-social Behaviour, Crime and Policing Act 2014 | £100 | £65 | | | Full amount is statutory<br><br>Reduced fee is discretionary |
| **Deface any Property by painting, writing, etc.**<br>**(Graffiti & fly posting)** | Anti-Social Behaviour Act 2003 | £150.00 | £50.00 | | | Not applicable<br>Statutory fee |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Painting or affixing things to a structure on the Highway** | Highways Act 1980 | £150.00 | £50.00 | | | |
| **Failure to place waste in prescribed container (Household)** | Environmental Protection Act 1990 | £110.00 | £60.00 | | | |
| **Failure to place waste in prescribed container (Commercial)** | Environmental Protection Act 1990 | £110.00 | £60.00 | | | |
| **Unauthorised distribution of literature on designated land** | Environmental Protection Act 1990 | £150.00 | £50.00 | | | |
| **Noise from dwellings** | Noise Act 1996 | £110.00 | £60.00 | | | |
| **Noise from licensed premises** | Noise Act 1996 | £500.00 | No reduction | | | |
| **Fly tipping Fixed penalty charge** | Environmental Protection Act 1990 | £400 | £240 | | | |

## Licensing Act 2003 – Fees (Statutory)

| **Premises/Club Licence** | | **Fee/Charge 2019/20** | **Proposed Fee/Charge 2020/21** | |
|---|---|---|---|---|
| Band A | | £100.00 | £100.00 | Fee set by Central Government |
| Band B | | £190.00 | £190.00 | |
| Band C | | £315.00 | £315.00 | |
| Band D | | £450.00 | £450.00 | |
| D and Primary Business Alcohol Sales x 2 | | £900.00 | £900.00 | |
| Band E | | £635.00 | £635.00 | |
| E and Primary Business Alcohol Sales x 3 | | £1, 905.00 | £1, 905.00 | |
| **Annual Fee** | | **Fee/Charge 2019/20** | **Proposed Fee/Charge 2020/21** | |
| Band A | | £70.00 | £70.00 | Fee set by Central Government |
| Band B | | £180.00 | £180.00 | |
| Band C | | £295.00 | £295.00 | |
| Band D | | £320.00 | £320.00 | |
| Band E | | £350.00 | £350.00 | |
| Additional fees for large venues and events | | | | |
| **Number in Attendance at any one time** | | **Fee/Charge 2019/20** | **Proposed Fee/Charge 2020/21** | |

| | | | | |
|---|---|---|---|---|
| 5,000 to 9,999 | | £1, 000 | £1, 000 | Fee set by Central Governmen t |
| 10,000 to 14,999 | | £2, 000 | £2, 000 | |
| 15,000 to 19,999 | | £4,000 | £4,000 | |
| 20,000 to 29,999 | | £8, 000 | £8, 000 | |
| 30, 000 to 39,999 | | £16,000 | £16,000 | |
| 40, 000 to 49, 999 | | £24, 000 | £24, 000 | |
| 50, 000 to 59, 999 | | £32, 000 | £32, 000 | |
| 60, 000 to 69, 000 | | £40, 000 | £40, 000 | |
| 70, 000 to 79,999 | | £48, 000 | £48, 000 | |
| 80, 000 to 89, 999 | | £56, 000 | £56, 000 | |
| 90, 000 and over | | £64, 000 | £64, 000 | |
| **Temporary Events** | | £21 per event | £21 per event | |

## Schedule of Maximum Fees – Gambling Act 2005
## (Council has set maximum fee permitted)

| Classes of premises licence | Maximum non-conversion application fee in respect of provisional statement premises | Maximum non-conversion application fee in respect of other premises | Maximum annual fee | Maximum fee for application to vary licence | Maximum fee for application to transfer a licence | Maximum fee for application for reinstatement of a licence | Maximum fee for application for provisional statement |
|---|---|---|---|---|---|---|---|
| Regional casino premises licence | £8,000 | £15,000 | £15,000 | £7,500 | £6,500 | £6,500 | £15,000 |
| Large casino premises licence | £5,000 | £10,000 | £10,000 | £5,000 | £2,150 | £2,150 | £10,000 |
| Small casino premises licence | £3,000 | £8,000 | £5,000 | £4,000 | £1,800 | £1,800 | £8,000 |
| Converted casino premises licence | | | £3,000 | £2,000 | £1,350 | £1,350 | |
| Bingo premises licence | £1,200 | £3,500 | £1,000 | £1,750 | £1,200 | £1,200 | £3,500 |
| Adult gaming centre premises licence | £1,200 | £2,000 | £1,000 | £1,000 | £1,200 | £1,200 | £2,000 |
| Betting premises (track) licence | £950 | £2,500 | £1,000 | £1,250 | £950 | £950 | £2,500 |
| Family entertainment centre premises licence | £950 | £2,000 | £750 | £1,000 | £950 | £950 | £2,000 |
| Betting premises (other) licence | £1,200 | £3,000 | £600 | £1,500 | £1,200 | £1,200 | £3,000 |

**These fees are currently set at the maximum amount**

## Schedule of Abandoned Vehicles Fees – Road Traffic Act 1988 (Retention and Disposal of Seized Motor Vehicles) (Amendment) Regulations 2008

**Table 1 – Regulation 6(2)**

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| ***Vehicle position and condition*** | ***Vehicle equal to or less than 3.5 tonnes MAM*** | ***Vehicle exceeding 3.5 tonnes MAM but equal to or less than 7.5 tonnes MAM*** | ***Vehicle exceeding 7.5 tonnes MAM but equal to or less than 18 MAM*** | ***Vehicle exceeding 18 tonnes MAM*** |
| Vehicle on road, upright and not substantially damaged or any two wheeled vehicle whatever its condition or position on or off road | £150 | £200 | £350 | £350 |
| Vehicle, excluding a two wheeled vehicle, on road but either not upright or substantially damaged or both. | £250 | £650 | Unladen–£2000 | Unladen–£3000 |
| | | | Laden–£3000 | Laden–£4500 |
| Vehicle, excluding a two wheeled vehicle, off road, upright and not substantially damaged | £200 | £400 | Unladen–£1000 | Unladen–£1500 |
| | | | Laden–£1500 | Laden–£2000 |

| | | | | |
|---|---|---|---|---|
| Vehicle, excluding a two wheeled vehicle, off road but either not upright or substantially damaged or both | £300 | £850 | Unladen–£3000 | Unladen–£4500 |
| | | | Laden–£4500 | Laden–£6000 |

**Table 2 – Regulation 6(3)**

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| ***Two wheeled vehicles*** | ***Vehicle, not including a two wheeled vehicle, equal to or less than 3.5 tonnes MAM*** | ***Vehicle exceeding 3.5 tonnes MAM but equal to or less than 7.5 tonnes MAM*** | ***Vehicle exceeding 7.5 tonnes MAM but equal to or less than 18 tonnes MAM*** | ***Vehicle exceeding 18 tonnes MAM*** |
| £10 | £20 | £25 | £30 | £35 |

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South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Councillor John Williams,<br>Lead Cabinet Member for Finance | |
| **LEAD OFFICER:** | Trevor Roff, Interim Director of Finance | |

# Summary General Fund Revenue Budget 2020/2021

## Executive Summary

1. To consider the summary General Fund Revenue Budget for 2020/2021 and to recommend the Revenue Budget to Council.

2. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's overall budgets.

## Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, to:**

   **(a) Take into account the detailed budgets presented at Appendix B (white pages), and summarised at Appendix A (blue page), with an estimated General Fund Gross Operating Expenditure for 2020/2021 of £65.899 million, estimated Gross Operating Income of £41.617 million and estimated General Fund Net Operating Expenditure of £24.282 million;**

   **(b) Acknowledge the key factors which have led to the proposed General Fund Revenue Budget, with service pressures summarised at Appendix C (green pages) and offsetting efficiency savings/policy options summarised at Appendix D (yellow pages);**

   **(c) Acknowledge that the 2020/2021 General Fund Revenue Budget gross expenditure is covered by forecast income sources (assuming no change in Government grant) and, therefore, any addition(s) to expenditure that are made by the Cabinet or Council will need to identify matching savings and/or additional income if the proposed level of Council Tax is not to change;**

   **(d) Approve the 2020/2021 General Fund Revenue Budget taking into account the statement by the Chief Finance Officer on the risks and robustness of the estimates as required under Section 25 of the Local Government Act 2003 (reproduced at Appendix F);**

   **(e) Set the Council Tax Requirement for 2020/2021 at £9,562,361;**

   **(f) Approve an increase in the District element of the Council Tax of £5 per annum, giving an average Band D Council Tax of £150.31, plus the relevant amounts required by the precepts of the Parish Councils, Cambridgeshire County Council, Cambridgeshire Police & Crime Commissioner and the Cambridgeshire Fire Authority;**

**(g) Authorise the Head of Finance, on the basis of the proposals set out in the report, to prepare the formal Council Tax Resolution for presentation to Council at its scheduled meeting on 20 February 2020;**

**(h) Approve the estimates of the amounts required to be made under the Non-domestic Rating (Rates Retention) Regulations 2013 as set out in paragraphs 31 to 34;**

**(i) Approve the acceptance of any grants made during 2019/2020 by the Government under Section 31 of the Local Government Act 2003 in respect of Business Rates;**

**(j) Approve the use of the additional income from the Business Rate Pool, estimated at £1,100,000 in 2020/2021, for transfer to the established Renewables Reserve for priority projects;**

**(k) Subject to any changes to the recommendations above, recommend to Full Council:**

**(i) The 2020/2021 General Fund Revenue Budget based on known commitments at this time and planned levels of Service/functions resulting in a Budget Requirement of £24.329 million;**

**(ii) The District Council Precept on the Collection Fund (Council Tax Requirement) of £9.562 million in 2020/2021 (based on the Provisional Government Settlement) and a Band D Council Tax of £150.31.**

## Reason for Recommendations

4. To enable the Cabinet to recommend to Full Council the 2020/2021 General Fund Revenue Budget.

## Details

### (A) Prospects for Local Government

5. This report sets out the draft revenue budget proposals for 2020/2021 that have been prepared in the context of a significantly changing financial landscape for local government, particularly the significant scrutiny and changes to how local government is funded and the detailed provisions of the Local Government Finance Settlement.

6. The 2019 Finance Settlement was expected to be a pivotal year for local government as 2019/2020 was the final year of the four-year funding settlement. Major changes in local government funding had been expected, including an increase in the local business rate share to 75% (from 50%), a business rate baseline reset, a Fair Funding Review, and other changes to key funding streams, such as social care and New Homes Bonus. The Government, however, confirmed on 4 September 2019 that there would be a one-year spending review for 2020/2021. The Comprehensive Spending Review – which was due to be delivered in the autumn – will now be held in 2020 and will apply from April 2021.

7. A detailed refresh of the Medium Term Financial Strategy (MTFS) was considered by Cabinet, at its meeting on 6 December 2019, and this provided (i) an assessment of the resources available to the Council over the medium term and (ii) an assessment of spending pressures based on existing levels of service delivery and known policy/legislative changes. The determination of the 2020/2021 revenue budget has, therefore, been informed by the MTFS financial forecasts, together with established and effective budget monitoring arrangements that have created a sound foundation for the management of the Council's financial resources.

8. The financial landscape requires a reliance on an effective budget strategy and sound medium term financial planning to ensure that the Council's limited resources are targeted to priority services and outcomes.

**(B) <u>Economic Outlook</u>**

9. The UK economy has recovered since the financial crisis in 2008/2009 but growth slowed towards the end of 2018. The Office for Budget Responsibility (OBR) economic and fiscal outlook report, prepared in March 2019, judged that the economy was operating slightly above potential in the fourth quarter of 2018 – by 0.2 per cent, little changed from the margin assumed in October 2018. GDP growth in 2019 has, however, been reduced from 1.6 to 1.2 per cent, which pushes the output gap into negative territory in 2020. The downward revision is in part due to slackening momentum in 2018 and OBR judgement that this will continue into early 2019. As Brexit uncertainty begins to dissipate, and productivity growth gradually improves, OBR expect GDP growth to pick up to 1.4 per cent in 2020 and to 1.6 per cent a year thereafter as the small margin of spare capacity is absorbed.

10. The Bank of England has maintained the UK bank rate at 0.75% since August 2018 and is anticipated to remain at low levels throughout the remainder of 2020/2021 and 2021/2022. The anticipated path of any base rate change reflects the fragility of the recovery and this will continue, therefore, to have a significant impact on the investment return achieved by the Council. There will be a revenue impact from the increase in interest rates from the Public Works Loan Board (PWLB) by one percentage point from 8 October 2019, meaning a typical rate for a loan is now 2.8% instead of 1.8%, and this will need to be factored into the borrowing cost projections associated with capital programme projects and investments.

11. Inflation used to drive expenditure and income assumptions in revenue budget planning have been based on the Bank of England and OBR forecasts; the percentage applied in the MTFS and in the proposed budget is 2% reflecting the Government target for the Community Price Index (CPI). Inflation, measured in terms of CPI, was 1.9% in June 2019 and 1.7% in September 2019, a little below the Bank of England's target of 2%.

12. The housing market remains flat and, in May 2019, the Bank of England downgraded its forecasts for both mortgage lending and the housing market. The expectation was for less lending for house purchases, and house price falls rather than rises. It had expected growth of 0.25% per quarter but revised forecasts indicated that house prices were likely to fall by 1.25% during 2019. An excess of supply of housing in some regions, Brexit-related uncertainties and affordability constraints have be cited as reasons for the revised expectations. Changes to the buy-to-let market, including the surcharge in Stamp Duty and lower mortgage interest relief, have reduced demand. The definite slow-down in the property market has an impact on the growth aspirations for the area and, to a limited extent, the Council's capital programme in so far as potential funding of capital investment from capital receipts.

## (C) Budget Formulation

13. In looking specifically at the 2020/2021 Revenue Budget, the Council needs to be mindful of the financial backdrop and will need to ensure that any proposals, in particular around efficiencies and policy options, need to be realistic and above all sustainable. The financial landscape will, therefore, require reliance on an effective budget strategy and sound medium term financial planning to ensure that the Council's limited resources are targeted to priority services and outcomes.

14. The Revenue Budget has been prepared in accordance with the Council's MTFS approved by Cabinet on 4 December 2019. The clear message is that budget setting and medium term financial planning will be tough over the duration of the MTFS (to 2025) and, as such, the financial objectives identified at paragraph 54 below have helped guide the budget process. In determining the 2020/2021 revenue budget, due and proper regard has been given to its ongoing sustainability and the observance of a number of overarching principles. This has involved:

    (a) An overall commitment to endeavour to increase annual income sources and reduce annual expenditure without materially reducing front line services provided by the Council;

    (b) A comprehensive review of the base budget to provide greater assurance for the future. The review has been based upon regular established monitoring processes, and has incorporated a review of the alignment between the original budget and service activity;

    (c) The commitment, in response to the financial challenges, to an ambitious 4-year plan to transform service quality, realign financial resources to business plan priorities and improve customer service.

    (d) A positive commitment to achieve better value for money for the service areas whilst maintaining quality, accessible front line services and the adoption of a Value for Money Strategy by the Cabinet on 4 September 2019.

    (e) The continued review and tight control of the capital programme given the impact of borrowing on the revenue budget.

15. The resulting draft 2020/2021 revenue budget sets out the Council's finances and the efficiencies required to produce a balanced budget in the light of the ongoing reduction in Government grant funding and other pressures.

## (D) Provisional Settlement – Funding Sources

16. The provisional finance settlement announcement, on 20 December 2019, made no significant changes to the funding allocations compared to 2019/2020. Whilst this benefits the Council in 2020/2021 compared to existing MTFS forecasts, in overall terms there are very significant risks to the funding level from 2021/2022 for District Council's with the expectation that the Council will lose a significant share of its funding as a result of the funding changes – the business rate baseline reset is particularly damaging. There is, however, likely to be some form of damping support from 2021/2022, although it would be phased out over time.

17. The key headlines in relation to the Provisional Local Government Finance Settlement are as follows:

(i) Council Tax referendum principle of the higher of 1.99% or £5 per dwelling for 2020/2021;

(ii) Continuation of the existing Business Rate Retention Scheme for a further year, with revised proposals to be introduced from 2021/2022;

(iii) Continuation of the Rural Service Grant of £131,000 for a further year in recognition of the additional cost of providing services in sparse rural areas, pending implementation of the Fair Funding Review;

(iv) Continuation of New Homes Bonus (NHB) but the allocation in 2020/2021 of £1,346,012 will be for one year only, plus legacy payments (which will continue for a further two years only). There is a clear indication that NHB will be replaced with details subject to usual consultation processes during 2020.

18. The spending power of the Council, based upon the provisional settlement, can be summarised as follows:

| | **2019/2020 £'000** | **2020/2021 Provisional £'000** | **Change %** | **2021/2022 £'000** |
|---|---|---|---|---|
| Settlement Funding Assessment (SFA): | | | | |
| - Business Rates Baseline | 2,605 | 2,647 | 1.6% | 2,699 |
| - Revenue Support Grant (RSG) | - | - | - | - |
| **Total SFA – Per 2020/2021 Settlement** | **2,605** | **2,647** | **1.6%** | **2,699** |
| - Rural Services Grant | 131 | 131 | - | - |
| - Transition Grant | - | - | - | - |
| New Homes Bonus (NHB) Grant | 2,473 | 2,767 | 11.9% | 1,008 |
| Council Tax Income | 9,093 | 9,562 | 5.2% | 10,042 |
| **Core Spending Power** | **14,302** | **15,107** | **5.6%** | **13,749** |

19. While the level of Settlement Funding Assessment (SFA) for 2020/2021 remains stable as a result of the one-year settlement, there is considerable uncertainty relating to the SFA for 2021/2022, 2022/2023, 2023/2024 and 2024/2025. The outcome of the Fair Funding Review, a probable baseline reset, and a review of NHB create further uncertainty.

20. The key elements of local government funding, some of the assumptions made for the period from 2021/2022 and local prospects were outlined in the refresh of the MTFS reported to Cabinet on 4 December 2019. These are outlined in more detail in the "Funding the Budget Requirement" Section below.

## (E) Spending Baseline, Spending Pressures and Savings

21. The table below sets out headline movements from the 2019/2020 approved budget. Detailed analysis by service area is outlined in **Appendices A and B**.

| | Increased Resource | Reduced Resource |
|---|---|---|
| **Resources** | **£m** | **£m** |
| Council Tax | 465,000 | - |
| Business Rates | 4,979,000 | - |
| Rural Services Grant | - | - |
| New Homes Bonus | 295,000 | - |
| **Net increase in Resources** | **5,739,000** | |
| | **Reduced Spending/ Funding changes** | **Increased Spending** |
| **Spending** | **£m** | **£m** |
| Environmental Services | | 1,718,000 |
| Housing Services | | 128,000 |
| Planning Services | 924,000 | |
| Corporate Services | 757,000 | |
| Interest Payable | | 2,119,000 |
| Investment Income | 2,533,000 | |
| Other Levies & Contributions | | 327,000 |
| Capital Financing & MRP | | 5,877,000 |
| Contribution to General Fund | | 826,000 |
| Contribution to General Fund | 1,042,000 | |
| **Spending Adjustments** | **5,256,000** | **10,995,000** |

22. The most significant of these are set out below:

(a) The "Net Increase in Resources" is set out in more detail at Section "G" below (paragraphs 30 to 41). The increase in Council Tax is based upon a £5 increase on 2020/2021 levels.

(b) Spending pressures and growth bids were originally considered by Cabinet, at its meeting on 4 December 2019, and have subject to further refinement. These are summarised at **Appendix C** and include the following:

- Environment pressures – these predominately relate to the additional costs of the waste collection service in line with housing growth and recycling disposal contracts, together with an investment in measures aimed at improving recycling performance, accelerating the implementation of air quality monitoring and deterring fly-tipping in the District (in line with Business Plan priorities).

- Community services – reflecting the Business Plan commitment to (i) provide Community Liaison Forums and (to ii) achieve, on a phased basis, District wide coverage of effective mobile warden partnerships to ensure support for elderly and vulnerable people across the area who currently have limited or no access to this service.

- Zero Carbon Community Fund – a base budget allocation of £100,000 to support community renewable projects that have, to date, relied upon funding from the earmarked Renewables Reserve.

- Economic Development – the commitment to provide, in line with approved Business Plan priorities, a Business Support Service with dedicated resource to support local businesses and the specific needs of the rural area (including rural inward investment, the organisation of business events and effective promotion of the area).

- Project Management – the creation of core professional capacity in the organisation to deliver large capital investment projects (such as Northstowe Civic Hub) and other commercial investment projects.

- Corporate services – predominately relate to the provision of essential ICT capacity, additional internal audit coverage, health and safety support and additional capacity for Member training and development.

(c) Pay and prices incorporate a pay increase of 2% and an assessment of contracted service inflation.

(d) Funding changes (e.g. incorporating the additional S31 grants related to business rates and additional income from the Council's investments).

(e) Capital financing charges to support the forward capital programme (see separate report on the agenda).

(f) Savings proposals are set out in more detail at Section E below (paragraphs 25 to 29) and **Appendix D**.

23. It has been established practice to identify, as part of the budget determination process, areas at risk of further expenditure being incurred during the year with funding released at year end, when the financial implications are known The 2019/2020 revenue budget included the sum of £75,000 for the following "precautionary items" that were identified during the budget process in 2019/2020:

| | **£'000** |
|---|---:|
| Homelessness - additional accommodation | 60 |
| Waste MRF Contamination | 100 |
| Potential cost of Holiday/Overtime back pay claims | 70 |
| District By-Election | 10 |
| National Assistance Burials Act | 10 |
| **TOTAL** | **250** |

24. It is more appropriate to maintain a prudent level of revenue contingency to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding during the financial year. The draft 2020/2021 revenue budget includes the sum of £250,000 for this purpose, which represents approximately 1% of the net operating expenditure.

## (F) Proposed Savings

25. The Council has embarked on an ambitious 4-year plan to transform service quality, realign financial resources to business plan priorities and improve customer service.

26. A range of savings proposals, including income generation opportunities, were originally considered by Cabinet at its meeting on 4 December 2019 and covered the period from 2020/2021 to 2023/2024. These have been subject to further refinement and consultation with employees and other stakeholders and the schedule of proposals, at **Appendix D**, have been included in the 2020/2021 Revenue Budget.

27. The profile of savings is influenced by deliverability and lead in times and an analysis by years is shown by workstream below (excluding HRA related savings):

| Workstream | 2020/2021 | | 2021/2022 | | 2022/2023 | | 2023/2024 | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000s | % | £000s | % | £000s | % | £000s | % | £000s |
| Workforce Operating Model | 0.375 | | 0.207 | | 0.137 | | 0.100 | | 0.819 |
| Alternative Ways of Working | 0.065 | | 0.096 | | 0 | | 0 | | 0.161 |
| Business & Growth | 1.028 | | 0.635 | | 0.990 | | 0.990 | | 3.643 |
| Managing Demand Better | 0.272 | | 0.107 | | 0.025 | | 0.025 | | 0.429 |
| **TOTAL** | **1.740** | **34** | **1.045** | **21** | **1.152** | **23** | **1.115** | **22** | **5.052** |

28. There has, in addition, been a great deal of work undertaken, in consultation with Heads of Service on budget challenge, in order to identify other savings on budgets sufficient to reduce the level of costs to the level of resources available, or to ensure that budgets are appropriately aligned. This has resulted in budget adjustments being made in the context of maintaining the relationship between resource allocation and the Council's Business Plan priorities.

29. In relation to partnership arrangements, the implementation of a "recharge model" for existing shared services has been a priority in order to ensure that recharges are fair and consistently applied and that taxpayers in one area are not subsidising services provided in another. This has resulted in an adjustment in the level of recharges that will be phased over a three year period. The adjustments result in a saving to the Council in 2020/2021 and this has been factored into the revenue budget. It is expected that further savings will be made in 2021/2022 and 2022/2023.

**(G) <u>Funding the Budget Requirement</u>**

30. Funding the Budget Requirement incorporates:

(i) Revenue Support Grant/Business Rates
(ii) Other Specific Grants
(iii) Council Tax

(i) <u>Revenue Support Grant/Business Rates Retention</u>

31. The Business Rate Retention Scheme (BRRS) was introduced in April 2013 to provide Councils with stronger financial incentives to support property development and boost the economy in their local area. It means that Councils bear a proportion of the real-terms change in business rates revenues in their area: gaining when revenues grow in real terms, losing when they fall. The proportion was initially set at 50% across England. In two-tier areas, like Cambridge, 40% is retained by the District and 9% is retained by Cambridgeshire County Council and 1% by the Cambridgeshire Fire Authority. It is now expected that the introduction of the new funding model for Local Government, predicated on changes to BRSS to enable a 75% retention of Business Rates, will be introduced effective from 2021/2022 and this will influence the forward financial forecasts. It is expected that most, if not all of the 25% increase, will go to authorities with adult social care responsibilities.

32. The Provisional Local Government Finance Settlement was announced on the 20 December 2019 and sets out the Council's SFA for 2020/2021. This is identified in the table below, together with the other factors relevant to determining the Business Rates Yield for 2020/2021:

| | 2019/2020<br>£'000 | 2020/2021 Provisional<br>£'000 | Change<br>% | 2021/2022<br>£'000 |
|---|---|---|---|---|
| Settlement Funding Assessment (SFA): | | | | |
| - Baseline Funding Level | 2,605 | 2,647 | 1.6% | 2,699 |
| - Tariff | 26,058 | 26,482 | 1.6% | 27,012 |
| - Business Rates Baseline | 28,663 | 29,129 | 1.6% | 29,711 |
| - Section 31 Grants | 3,006 | 3,175 | 5.6% | - |
| **Total SFA – Per 2020/2021 Settlement** | **2,605** | **2,647** | **1.6%** | **2,699** |
| Safety Net Threshold | 2,409 | 2,449 | 1.7% | - |
| Levy Rate (p in £) | £0.50 | £0.50 | | £0.50 |

33. Specifically, in relation to the preparation of the 2020/2021 Revenue Budget:

(a) The net Business Rates Yield has been estimated at £92,116 million for 2020/2021 as set out in **Appendix E**. The Council's share of this together with the deficit set out in Appendix E equates to £38,207 million compared to a Business Rates Baseline of £29.129 million as set out in the table above. The forecast is based on the number and rateable values of non-domestic properties currently shown in the valuation list. The Business Rates forecast is predicated on the following assumptions:

- Where growth or decline in the tax base, i.e. new developments, can be predicted with reasonable certainty this is reflected in the forecast yield.

- There will be no significant changes to the overall value of reliefs, e.g. empty property rate relief or charitable rate relief over the course of the financial year.

(b) The Council is entitled to a number of Section 31 Grants in relation to Business Rates to compensate for yield that is foregone due to national government policy, for example, the extension to eligibility for Small Business Rate Relief. These Section 31 Grants are included within the Council's net expenditure (at Appendix F).

(c) One of the key issues in relation to forecasting the Business Rates Yield is the volatility arising from settlement of valuation appeals. This needs to be considered in terms of previous "2010 List" and the current "2017 List". Nationally the estimated eventual loss arising due to appeals is 4.5%, however, based on analysis of appeals since 2017 under the new Check Challenge Appeal process it would seem that the level of appeals has reduced. A revised attrition rate of 3.1% has, therefore, been applied in respect of the appeals provision.

34. Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The Council successfully applied to be the lead authority of a consortium which also includes Cambridgeshire County Council, Peterborough City Council, Fenland District Council, East Cambridgeshire District Council and Cambridgeshire Fire Authority. The formal designation of the pool was confirmed on 18 December 2019 and it is estimated that the Council will benefit from an additional income in excess of £1.1 million. It is proposed that the sum is transferred annually to top up the Renewables Reserve to fund priority projects determined by the Council.

(ii) Rural Services Grant

35. The Council currently receives a Rural Services Grant in the sum of £131,000 in recognition of the additional cost of providing services in sparse rural areas. It is expected that, in future years, that this will roll into the Baseline Funding Level (BFL) because the Council's RSG will be nil from 2021/2022.

(iii) New Homes Bonus

36. New Homes Bonus (NHB) funding is currently based on the following:

(a) NHB is payable on housing growth over a threshold of 0.4% of the Tax Base;
(b) Payments are based on a rolling 4 year period.

37. Housing growth has been significant for this Council area and, as such, the Council has benefited from high levels of NHB. The future of NHB, however, looks very precarious and the expectation is that it will be phased-out and that authorities will only receive "legacy" payments. The recent consultation paper gives a clear signal that there will be only two years of "legacy payments" in 2021/2022, and only one in 2022/2023. The additional year that is "earned" in 2020/2021 is only a one-off and will only be paid for one year (with NHB ceasing to exist from 2023-2024 onwards).

38. The Council has been a major beneficiary of NHB, with the grant level peaking at £5.2 million in 2016/2017. The initial reforms of NHB reduced payments to £2.473 million in 2019/2020, and an allocation of £2.767 million included in the 2020/2021 revenue budget. 30% of NHB is set aside as a contribution to the Greater Cambridge Partnership Investment and Delivery Fund and this equates to £830,000. The draft 2020/2021 budget has assumed this continued level of contribution but, given the proposed NHB reforms and forward financial forecasts, the level of contribution is being reassessed and an alternative contribution may apply from 2021/2022.

(iv) Council Tax

39. Council Tax remains the most predictable and stable element of Local Government funding. This source of income is predicted to yield £9.562 million in 2020/2021 based upon an assumed £5 increase in Council Tax (the maximum level of permitted by Government) and an increase in tax base based upon the housing trajectory.

40. The Local Government Finance Act 1992 requires the Council to set its Council Tax Base for the ensuing financial year by 31 January preceding the start of the new financial year and to notify precepting bodies of the Tax Base that will apply to their area. The Council Tax base for the financial year 2020/2021 has been set at 63,617.6 Band D equivalent properties (an increase of 1.6% (1,041.3) compared to the 2019/2020 Tax Base of 62,576.30).

41. The proposed increase in Council Tax for 2020/2021 is 4.1%. This proposal equates to an increase of £5.00 on the average Band D property giving a Council Tax of £150.31 based upon the 2020/2021 Council Tax base of 63,617.6 Band D dwellings. The proposed 4.1% increase in Council Tax, results in a total yield from Council Tax of £9.640 million (including £0.078 million Collection Fund surplus).

**(H) Review of Reserves**

42. A detailed review of Reserves has been made as part of the budget setting process and a separate report is included on the agenda for the meeting.

## (I) Capital Programme

43. A review of the capital programme has been undertaken in conjunction with lead officers to ensure that proposed investment is prudent, sustainable and affordable and a separate detailed report to the Cabinet proposes a revised profiled capital programme. The Capital Financing implications of the proposed capital programme are reflected in the proposed General Fund Revenue Budget. In the event that all changes are approved, and the latest forecast capital receipts are forthcoming, a forecast borrowing requirement of £340.103 million will be needed to support the total capital programme to 2024/2025. This is an increase of £214.907 million compared to the original capital programme set in February 2019 but, of course, this was prior to the adoption of the Investment Strategy.

44. The revenue implications of the Capital Programme have also been taken into account in the draft 2020/2021 revenue budget and are detailed at **Appendix A**.

45. Given the financial challenges the Council is currently facing at this time, and the need for prudent financial management, the capital programme has been further scrutinised and, where possible, reduced funding for rolling programme projects (i.e. those areas of service which the Council invests in on an annual basis) has been made. It is considered prudent at this time to transfer expenditure to a value of £55,000 to the revenue budget (due to the shorter length of life of such schemes), either as part of the base revenue budget or by way of revenue contributions to capital expenditure (these schemes will, therefore, remain in the capital programme, but will be financed from revenue sources). This is in line with the support of Cabinet, when considering the capital programme update report on 6 November 2019, to support (if resources permit) the establishment of a Renewal and Repairs Fund for vehicles, plant and equipment as part of the 2020/2021 revenue budget process.

46. In determining the 2020/2021 revenue budget, the following annual contributions have, therefore, been included:

    (a) Repair and Renewal (Equipment & Plant) Fund: An annual revenue contribution of £250,000 to this Reserve for the purpose of defraying expenditure to be incurred from time to time in repairing, maintaining, replacing and renewing IT equipment and operational building plant and equipment belonging to the Council.

    (b) Software Fund: An annual contribution of £250,000 to this Reserve for the purpose of defraying expenditure to be incurred from time to time on IT replacement software solutions.

    (c) Property Investment Reserve: An annual contribution of £200,000 to this Reserve for the investment and refurbishment costs above and beyond tenant repairing lease obligations (e.g. investment to encourage improved re-letting terms). This could include upgrades to improve environmental standards.

## (J) Fees and Charges

47. An annual review of fees and charges has been made as part of the revenue budget process in order to determine the non-regulatory fees and charges to be set by the Council for the provision of services from April 2020. A separate report is included on the Cabinet agenda and the additional income from the revised fees and charges has been included in the draft 2020/2021 revenue budget.

**(K) General Fund Revenue Budget Summary**

48. The 2020/2021 General Fund Revenue Budget Summary is detailed at **Appendix A (blue page)** and the following is relevant:

(i) Revenue Support Grant (RSG) and Business Rates

These figures reflect the provisional Settlement for 2020/2021. Any adjustment (dependent on its effect) will be reported to Council on 20 February 2020.

(ii) Council Tax Collection Fund Balance in aid of Council Tax

The Council's share of estimated Council Tax surplus as at 31 March 2020 totals £0.078 million as approved by the Cabinet on 8 January 2020.

(iii) Net District Requirement from Council Tax

After allowing for the increase in the Council's Taxbase, the average Band D Council Tax will be **£150.31**.

(iv) District Precept on Collection Fund

In accordance with legislative requirements the District Precept on the Collection Fund will include Parish Precepts when known.

49. **Provided Members fully take into account the risks that are outlined at Appendix F, I can confirm that Directors/Heads of Service are satisfied with the level of budgets put forward for 2020/2021 relating to their respective service areas although it must be recognised that the budget allocations in 2020/2021, and the future prospects for service delivery, will be challenging and that pressures and constraints during the next financial year will be inevitable.**

## Options

50. There are options to remove or add items to the budget but, based on previous Cabinet decisions and the detailed discussions held with spending officers, the General Fund Revenue Budget as presented includes all items required to deliver council services and member priorities. The gross expenditure is covered by forecast income sources (assuming no change in Government grant) and, therefore, any addition(s) to expenditure that are required will need to identify matching savings and/or additional income if the proposed level of Council Tax is not to change.

## Implications

51. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

***Policy***

52. The MTFS, approved by Cabinet on 4 December 2019, identifies that the Council will ensure that annual ongoing General Fund revenue expenditure can be covered by annual income sources across the MTFS period in order to ensure a continuously stable financial base for the provision of Council services and functions. In doing so, the Council recognises that any significant use of reserves to fund ongoing expenditure commitments is unsustainable in the medium term.

53. The MTFS identifies that a prudent level of revenue contingency will be maintained to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding and, in this regard, the proposed General Fund Revenue Budget includes a revenue contingency of £250,000.

54. In accordance with the MTFS, the following financial objectives have guided the formulation of the 2020/2021 revenue budget:

- A sustainable medium term financial plan that allows the achievement of the Council's key objectives;
- Realistic levels of year on year spending which are supportable via annual income streams and do not require the use of general reserves to support recurring expenditure;
- General reserves should be maintained at all times at or above the agreed minimum level;
- Constraining annual Council Tax increases to an acceptable level;
- The pursuance of "invest to save" opportunities with a financial return on the investment in transforming activities over an acceptable payback period;
- A commitment to explore income generation opportunities and to maximise income from fees and charges;
- A commitment to maximise efficiency savings;
- The continued review and control of the Capital Programme given the impact on borrowing (see separate report on the agenda).

***Legal***

55. The Council is required by law to set a balanced revenue budget each year. There are two specific dates in relation to budget and Council Tax setting that are required by statute to be achieved. Firstly, it is a requirement that each local authority approves its Revenue Budget by 28 February each year for the forthcoming financial year. Secondly, a billing authority (i.e. this Council) is required to set the Council Tax for its area by 11 March each year for the forthcoming financial year.

56. It is a legal requirement (under Section 25 of the Local Government Act 2003) that before approving the ensuing year's Capital and Revenue Budget, the Council are required to receive and take into account a report of the Chief Finance Officer (Head of Finance) on the robustness of the estimates leading to the Council's Council Tax requirement and the adequacy of financial reserves. This needs to cover issues of affordability (having regard to Council Tax implications), prudence (having regard to Council policies/strategies) and sustainability (having regard to forecast annual expenditure and income). This report is attached at **Appendix F**.

***Financial***

Budget Overview

57. The proposed 2020/2021 revenue budget is set out in the table at **Appendix A**.

Government Funding Settlement

58. This report is based on the Provisional Government settlement relating to the revenue support grant and business rates redistribution. The consultation on the proposed settlement ended on 17 January 2020 but the final settlement has not yet been formally confirmed. It is, therefore, recommended that:

- if the Government grant were increased it is recommended that the balance would be transferred to the General Fund Reserve;
- if it is reduced that this be the first call on the general contingency.

Parish Council Precepts

59. Parish Councils had until 31 January to notify the Council of their precepts for the forthcoming year and, as such, the total of the precepts will be reported directly to Full Council on 20 February 2020 as part of Council Tax Resolution.

***Risk***

General

60. The Revenue Budget for 2020/2021 has been prepared on a prudent basis but there are risks which may affect the budget. These risks include the following:

- The extent of service pressure being higher or lower than anticipated.
- The delivery of planned efficiency savings.
- Unforeseen costs during the year which may exceed the provision in the general contingency of £250,000.
- The economic situation is either better or worse than anticipated with fluctuations in income sources (NB: This affects capital financing costs and fees and charges).
- Increases in inflation above those known or expected at this time.
- Member aspirations regarding service levels.
- The impact of changes in legislation.

It is also critical that the budget setting timescale is followed to ensure that statutory deadlines are complied with.

Specific

61. When the Council considers each revenue service and function budget endeavours are made to identify potential risks. Inevitably, during the year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council's budgeted income. The budget process has identified a number of service specific risks relating to the range of District Council Services and related budgets. An overall assessment of risk and an assessment of the robustness of estimates are set out in **Appendix F**.

***Environmental***

62. There are no environmental implications arising from this report.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 6 February 2019/Council: 21 January 2019
- Value for Money Strategy – Report to Cabinet: 4 September 2019
- Capital Programme Update and New Bids – Report to Cabinet: 6 November 2019
- 2019/2020 Revenue & Capital Budget Monitoring – Report to Cabinet: 6 November 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Cabinet: 4 December 2019

## Appendices

A Revenue Budget 2020/2021: Summary

B Revenue Budget 2020/2021: Detailed Budgets

C Service Pressures Taken into Account

D Service Efficiencies/Income Generation Opportunities

E Business Rate Yield Estimate 2020/2021

F Revenue Budget: Risks and Robustness

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Appendix A

## GENERAL FUND ESTIMATE SUMMARY

| 2019/20 Original Estimate £ 000's | 2019/20 Probable Outturn £ 000's | | Note | 2020/21 Budget Gross Expenditure £ 000's | 2020/21 Budget Gross Income £ 000's | 2020/21 Budget Net Expenditure £ 000's |
|---|---|---|---|---|---|---|
| 6,072 | 5,169 | Corporate Services | | 25,209 | (19,928) | 5,281 |
| 7,256 | 6,861 | Environmental & Health Services | | 16,579 | (7,605) | 8,974 |
| 1,493 | 1,441 | Housing General Fund | | 4,237 | (2,616) | 1,621 |
| 5,238 | 4,011 | Planning Services | | 10,172 | (5,857) | 4,314 |
| 205 | 0 | Contingency and unallocated | | 250 | 0 | 250 |
| **20,264** | **17,482** | **Net Cost of Services** | | **56,447** | **(36,006)** | **20,440** |
| (2,004) | (3,564) | Income from Investments | (a) | | (4,537) | (4,537) |
| 944 | 1,221 | Other Levies and Contributions | (b) | 1,271 | | 1,271 |
| 9 | 999 | Interest Payable (Inc. HRA) | (c) | 2,128 | | 2,128 |
| (1,063) | (911) | Depreciation Reversals & Other Adj. | | | (1,074) | (1,074) |
| 176 | 581 | Minimum Revenue Provision | | 2,075 | | 2,075 |
| 0 | 401 | Revenue Contributions to Capital | | 3,978 | | 3,978 |
| **18,326** | **16,209** | **Net Operating Expenditure** | | **65,899** | **(41,617)** | **24,282** |
| 604 | 6,798 | Contribution to/(from) General Fund | | 1,430 | | 1,430 |
| (340) | 234 | Contribution to/(from) Other Reserves | | | (1,382) | (1,382) |
| **18,590** | **23,241** | **To be met from Government Grants and Local Taxpayers** | | **67,330** | **(42,999)** | **24,329** |
| | | **Taxation and Grants** | | | | |
| (6,811) | (11,411) | Business Rates inc Section 31 | | | (11,790) | (11,790) |
| (9,175) | (9,192) | Council Tax | | | (9,640) | (9,640) |
| (2,603) | (2,638) | Other Government Grants | | | (2,898) | (2,898) |
| **(18,590)** | **(23,241)** | **Total Taxation and Grants** | | | | **(24,329)** |

Notes:-

(a) This includes Rental income from the Councils Commercial Portfolio and Interest Receivable from Ermine Street Housing and Other Counterparties.

(b) This includes the Drainage Levy and Contributions to the Combined Authority and Greater Cambridge Partnership.

(c) This Includes all Interest payable by the General Fund for both external borrowing and Investment Income passed to the Housing Revenue Account (HRA).

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Appendix B(1)

## CORPORATE AND CUSTOMER SERVICES

| | 2019/20 Original Estimate £ 000's | 2020/21 Original Estimate £ 000's |
|---|---|---|
| **DIRECT SERVICES** | | |
| COMMUNICATIONS | 287 | 303 |
| ELECTIONS | 0 | 0 |
| REGISTER OF ELECTORS | 343 | 367 |
| DEMOCRATIC REPRESENTATION | 1,172 | 979 |
| POLICY & PERFORMANCE | 254 | 263 |
| CORPORATE MANAGEMENT | 1,771 | 760 |
| COST OF COLLECTING BUSINESS RATES | 283 | 362 |
| COST OF COLLECTING COUNCIL TAX | 844 | 1,020 |
| HOUSING & COUNCIL TAX SUPPORT | 556 | 624 |
| RENT ALLOWANCES | 273 | 23 |
| RENT REBATES | 212 | 77 |
| TREASURY MANAGEMENT | 4 | 26 |
| INVESTMENT STRATEGY | 69 | 473 |
| MISCELLANEOUS FINANCE | 4 | 4 |
| **NET EXPENDITURE CHARGED TO GENERAL FUND** | **6,072** | **5,281** |

| | 2019/20 Original Estimate £ 000's | 2020/21 Original Estimate £ 000's |
|---|---|---|
| **SUBJECTIVE ANALYSIS** | | |
| Employee Related | 5,238 | 3,442 |
| Transport Related | 12 | 3 |
| Supplies and Services | 1,189 | 1,462 |
| Transfer Payments | 19,227 | 18,853 |
| Capital Financing Costs | 2 | 2 |
| Support Services | 1,554 | 2,182 |
| Internal Recharges | (1,217) | (735) |
| **Gross Expenditure** | 26,005 | 25,209 |
| **Gross Income** | (19,933) | (19,928) |
| **Net Expenditure** | **6,072** | **5,281** |

**Corporate Management previously included the pension deficit payment. This has now been allocated in line with employee costs across all services. The recharge to the HRA has also been reassessed and an increase in allocation has been made primarily relating to democratic representation which better reflects reality. Other changes include additonal resources to deliver the Investment Strategy and lower Rent Rebate and Rent Allowance costs. the latter reflects the increasingly sucessful collection of Housing Benefit overpayments through on going benefit.**

Appendix B(1)

**HEALTH AND ENVIRONMENTAL SERVICES**

| | 2019/20 Original Estimate £ 000's | 2020/21 Original Estimate £ 000's |
|---|---|---|
| **DIRECT SERVICES** | | |
| GREATER CAMBRIDGE SHARED WASTE SERVICE | 3,284 | 3,930 |
| STREET CLEANSING | 875 | 939 |
| AWARDED WATERCOURSES | 332 | 363 |
| WEBB'S HOLE SLUICE | 21 | 8 |
| SWAVESEY BYEWAYS | 1 | 1 |
| FOOTWAY LIGHTING | 143 | 139 |
| ENVIRONMENTAL PROTECTION | 258 | 118 |
| ENVIRONMENTAL HEALTH GENERAL | 551 | 945 |
| BUSINESS HUB | (36) | (30) |
| FOOD SAFETY | 221 | 227 |
| ENFORCEMENT (ENVIROCRIME) | 117 | 134 |
| ACTION ON DOGS | 12 | 13 |
| ANIMAL WELFARE LICENSING | (3) | 0 |
| LICENSING ACT | 44 | 30 |
| TAXI LICENSING | 57 | 147 |
| MISCELLANEOUS LICENSING | (8) | (13) |
| MISCELLANEOUS SERVICES | 4 | 5 |
| AGEING WELL | 44 | 244 |
| SUSTAINABILITY | 50 | 69 |
| TRANSPORT INITIATIVES & POLICY | 33 | 45 |
| VOLUNTARY SECTOR GRANTS | 147 | 146 |
| COMMUNITY SAFETY | 86 | 66 |
| COMMUNITY CHEST GRANTS | 61 | 109 |
| NORTHSTOWE - HEALTHY NEW TOWN | 65 | 90 |
| LOCALISM | 377 | 772 |
| HEALTH & WELLBEING | 246 | 214 |
| MUSEUM GRANTS | 9 | 9 |
| EMERGENCY PLANNING | 7 | 24 |
| RENEWABLE ENERGY | 246 | 230 |
| CHILDREN, YOUNG PEOPLE & FAMILIES | 12 | 0 |
| **NET EXPENDITURE CHARGED TO GENERAL FUND** | **7,256** | **8,974** |

| | 2019/20 Original Estimate £ 000's | 2020/21 Original Estimate £ 000's |
|---|---|---|
| **SUBJECTIVE ANALYSIS** | | |
| Employee Related | 7,745 | 8,392 |
| Premises Related | 21 | 26 |
| Transport Related | 1,769 | 1,688 |
| Supplies and Services | 3,317 | 3,383 |
| Third Party Payments | 94 | 94 |
| Transfer Payments | 14 | 16 |
| Capital Financing Costs | 449 | 449 |
| Support Services | 1,413 | 2,531 |
| **Gross Expenditure** | 14,822 | 16,579 |
| **Gross Income** | (7,566) | (7,605) |
| **Net Expenditure** | **7,256** | **8,974** |

**Increase in the cost of services includes £200,000 for Ageing Well to fund the Mobile Warden scheme, £200,000 to create a business support team and another amount of over £200,000 to create a Capital Projects Management team to support local capital investment projects. Although the budget has been included in the General Fund it is likely that some of this cost will fall on the HRA. These Increased staff costs attract also additional overhead recharges of around £300,000. Two further items of £30,000 each relate to setting up a Community Liaison forum for new developments and an improvement to recycling performance. Also once the Shared Services recharge work is concluded it is expected that additonal income of around £50,000 will be received in relation to Shared Waste.**

Appendix B(1)

## HOUSING GENERAL FUND

| | 2019/20 Original Estimate £ 000's | 2020/21 Original Estimate £ 000's |
|---|---|---|
| **DIRECT SERVICES** | | |
| HOUSING ASSOCIATION SUPPORT | 105 | 109 |
| HOMELESSNESS | 586 | 504 |
| LETTING & ADVISORY SERVICE | 111 | 121 |
| PRIVATE SECTOR LEASING SCHEME | 241 | 271 |
| SELF-BUILD VANGUARD | 20 | 12 |
| STRATEGIC HOUSING | 172 | 174 |
| SUB-REGIONAL HOMELINK SERVICE | 0 | 6 |
| EQUALITY & DIVERSITY | 6 | 5 |
| TRAVELLERS SITES | 32 | 88 |
| IMPROVEMENT GRANTS | 57 | 74 |
| VISITING SUPPORT SERVICE | 0 | 33 |
| GF SHELTERED PROPERTIES | 115 | 106 |
| HOUSING COMPANY | 0 | 27 |
| COMMUNITY LIFELINE SERVICES | 0 | (31) |
| RECHARGES FROM/(TO) HRA | 49 | 122 |
| **NET EXPENDITURE CHARGED TO GENERAL FUND** | **1,494** | **1,621** |

| | 2019/20 Original Estimate £ 000's | 2020/21 Original Estimate £ 000's |
|---|---|---|
| **SUBJECTIVE ANALYSIS** | | |
| Employee Related | 1,564 | 1,914 |
| Premises Related | 40 | 44 |
| Transport Related | 23 | 31 |
| Supplies and Services | 731 | 1,392 |
| Transfer Payments | 139 | 136 |
| Capital Financing Costs | 98 | 98 |
| Support Services | 477 | 788 |
| Internal Recharges | (213) | (166) |
| **Gross Expenditure** | 2,859 | 4,237 |
| **Gross Income** | (1,365) | (2,616) |
| **Net Expenditure** | **1,494** | **1,621** |

**The Community Lifeline service is open to all residents of the district and is now accounted for within the General Fund. It was previously included within the Housing Revenue Account but most users are not council tenants so it is more appropriate to account for the income and expenditure here. Whilst employee costs, equipment and monitoring costs show as additional expenditure this is offset by the charges for the service. Overall the service shows net income of £39,000 in 2020/21. The other main service areas include Homelessness, Private Sector Leasing and Improvement Grants most of which are funded by the Better Care Fund held by the County Council.**

**Appendix B(1)**

**PLANNING**

| | 2019/20 Original Estimate £ 000's | 2020/21 Original Estimate £ 000's |
|---|---|---|
| **DIRECT SERVICES** | | |
| OPERATIONS MANAGEMENT | 0 | 1,150 |
| DEVELOPMENT MANAGEMENT | 1,300 | (851) |
| LAND CHARGES | (177) | 151 |
| PLANNING POLICY | 1,793 | 1,940 |
| PRE-PLANNING APPLICATION | 0 | (216) |
| BUILDING CONTROL SERVICE | 119 | 121 |
| OPEN SPACE CHERRY HINTON | 0 | 0 |
| BUILDING NEW ENVIRONMENTS | 1,315 | 1,455 |
| ENFORCEMENT ISSUES | 285 | 430 |
| ECONOMIC DEVELOPMENT | 52 | 291 |
| TOURISM INITIATIVES | 19 | 35 |
| STRATEGIC SITES | 389 | (316) |
| CIL / S106 OFFICE | 139 | 170 |
| STREET NAMING AND NUMBERING | 4 | 4 |
| SHARED SERVICES RECHARGE | | (50) |
| **NET EXPENDITURE CHARGED TO GENERAL FUND** | **5,238** | **4,314** |

| | 2019/20 Original Estimate £ 000's | 2020/21 Original Estimate £ 000's |
|---|---|---|
| **SUBJECTIVE ANALYSIS** | | |
| Employee Related | 5,780 | 6,325 |
| Premises Related | 23 | 23 |
| Transport Related | 41 | 36 |
| Supplies and Services | 2,120 | 1,944 |
| Transfer Payments | 118 | 115 |
| Capital Financing Costs | 0 | 0 |
| Support Services | 2,301 | 1,728 |
| **Gross Expenditure** | 10,383 | 10,171 |
| **Gross Income** | (5,145) | (5,857) |
| **Net Expenditure** | **5,238** | **4,314** |

**The reduction in Planning budgets for 2020-21 is mainly attributable to, firstly, the removal of £500,000 Transformation Budget (a one off for 2019-20). After a thorough review of all PPA agreements, the service will look to recover PPA income which has not been captured in previous years (£216,000). There has also been an increase (£331,000) in the 'Shared Planning Service (SPS) contribution' from the City for 2020-21, as per the SPS agreement. Finally, the agency budget (£251,000) has been removed as the service is budgeted for the new structure. Once the Shared Services recharge work is concluded it is expected that additonal income of around £50,000 will be received in this Directorate.**

**Appendix B(2)**

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **CORPORATE SERVICES SUBJECTIVE ANALYSIS** | | |
| Staffing Costs | 5,238,480 | 3,442,495 |
| Transport Related Expenditure | 11,890 | 3,430 |
| Supplies and Services | 1,189,160 | 1,461,710 |
| Transfer Payments | 19,226,874 | 18,852,551 |
| Capital Financing Costs | 1,730 | 1,730 |
| Overhead and Internal Support Services | 1,554,056 | 2,181,637 |
| **Gross Expenditure** | **27,222,190** | **25,943,553** |
| **Gross Income** | **(21,149,490)** | **(20,662,262)** |
| Internal Recharges | (1,217,090) | (734,698) |
| External Income | (19,932,400) | (19,927,564) |
| **TOTAL NET EXPENDITURE** | **6,072,700** | **5,281,291** |

| | | |
|---|---|---|
| **COMMUNICATIONS** | | |
| Staffing Costs | 228,850 | 240,332 |
| Transport Related Expenditure | 1,000 | 500 |
| Supplies and Services | 149,480 | 143,780 |
| Capital Financing Costs | 1,730 | 1,730 |
| Overhead and Internal Support Services | 76,240 | 72,312 |
| **Gross Expenditure** | **457,300** | **458,654** |
| **Gross Income** | **(170,350)** | **(155,770)** |
| Sale Of Goods And Services | (29,300) | (26,600) |
| Recharge To Other Revenue Accounts | (141,050) | (129,170) |
| **TOTAL NET EXPENDITURE** | **286,950** | **302,884** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **ELECTIONS** | | |
| **Gross Expenditure** | **0** | **0** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **0** | **0** |
| **REGISTER OF ELECTORS** | | |
| Staffing Costs | 145,040 | 167,683 |
| Transport Related Expenditure | 230 | 330 |
| Supplies and Services | 127,120 | 118,660 |
| Overhead and Internal Support Services | 70,590 | 82,398 |
| **Gross Expenditure** | **342,980** | **369,071** |
| **Gross Income** | **0** | **(2,500)** |
| Sale Of Goods And Services | | (2,500) |
| **TOTAL NET EXPENDITURE** | **342,980** | **366,571** |
| **DEMOCRATIC REPRESENTATION** | | |
| Staffing Costs | 294,140 | 306,908 |
| Transport Related Expenditure | 680 | 1,750 |
| Supplies and Services | 457,460 | 427,050 |
| Transfer Payments | 82,694 | 77,270 |
| Overhead and Internal Support Services | 422,126 | 486,090 |
| **Gross Expenditure** | **1,257,100** | **1,299,068** |
| **Gross Income** | **(84,690)** | **(319,903)** |
| 51202 - Sale Of Goods A | (70) | (480) |
| 53100 - Costs Recovered | (1,120) | 0 |
| 58060 - Recharge To Oth | (83,500) | (319,423) |
| **TOTAL NET EXPENDITURE** | **1,172,410** | **979,165** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **POLICY & PERFORMANCE** | | |
| Staffing Costs | 207,410 | 184,671 |
| Transport Related Expenditure | 160 | 250 |
| Supplies and Services | 9,640 | 5,710 |
| Overhead and Internal Support Services | 37,220 | 72,213 |
| **Gross Expenditure** | **254,430** | **262,844** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **254,430** | **262,844** |
| **CORPORATE MANAGEMENT** | | |
| Staffing Costs | 2,468,750 | 645,912 |
| Transport Related Expenditure | 4,050 | 600 |
| Supplies and Services | 130,470 | 131,050 |
| Overhead and Internal Support Services | 155,550 | 243,871 |
| **Gross Expenditure** | **2,758,820** | **1,021,433** |
| **Gross Income** | **(988,220)** | **(261,605)** |
| 58060 - Recharge To Oth | (988,220) | (261,605) |
| **TOTAL NET EXPENDITURE** | **1,770,600** | **759,828** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **COST OF COLLECTING BUSINESS RATES** | | |
| Staffing Costs | 329,420 | 335,325 |
| Transport Related Expenditure | 2,470 | 0 |
| Supplies and Services | 85,740 | 93,695 |
| Overhead and Internal Support Services | 112,510 | 205,668 |
| **Gross Expenditure** | **530,140** | **634,688** |
| **Gross Income** | **(246,830)** | **(272,826)** |
| 51104 - Other Contribut | (230,000) | (239,806) |
| 53100 - Costs Recovered | (16,830) | (33,020) |
| **TOTAL NET EXPENDITURE** | **283,310** | **361,862** |

| | | |
|---|---|---|
| **COST OF COLLECTING COUNCIL TAX** | | |
| Staffing Costs | 535,940 | 505,832 |
| Transport Related Expenditure | 2610 | 0 |
| Supplies and Services | 187,370 | 224,085 |
| Overhead and Internal Support Services | 344,350 | 537,434 |
| **Gross Expenditure** | **1,070,270** | **1,267,351** |
| **Gross Income** | **(225,900)** | **(247,460)** |
| 53100 - Costs Recovered | (225,900) | (247,460) |
| **TOTAL NET EXPENDITURE** | **844,370** | **1,019,891** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **HOUSING & COUNCIL TAX SUPPORT** | | |
| Staffing Costs | 960,160 | 844,760 |
| Transport Related Expenditure | 690 | 0 |
| Supplies and Services | 29,320 | 67,130 |
| Transfer Payments | 18,660,060 | 18,674,635 |
| Overhead and Internal Support Services | 335,350 | 414,775 |
| **Gross Expenditure** | **19,985,580** | **20,001,300** |
| **Gross Income** | **(19,429,180)** | **(19,377,698)** |
| Government Grant | (19,429,180) | (19,377,698) |
| **TOTAL NET EXPENDITURE** | **556,400** | **623,602** |
| **RENT ALLOWANCES** | | |
| Transfer Payments | **272,560** | **23,330** |
| **RENT REBATES** | | |
| Transfer Payments | **211,560** | **77,316** |
| **TREASURY MANAGEMENT** | | |
| Supplies and Services | 8,560 | 21,050 |
| Overhead and Internal Support Services | 60 | 29,857 |
| **Gross Expenditure** | **8,620** | **50,907** |
| **Gross Income** | **(4,320)** | **(24,500)** |
| 58060 - Recharge To Oth (HRA) | (4,320) | (24,500) |
| **TOTAL NET EXPENDITURE** | **4,300** | **26,407** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **INVESTMENT STRATEGY** | | |
| Staffing Costs | 68,770 | 211,072 |
| Supplies and Services | 0 | 225,000 |
| Overhead and Internal Support Services | 0 | 36,991 |
| **Gross Expenditure** | **68,770** | **473,063** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **68,770** | **473,063** |
| **MISCELLANEOUS FINANCE** | | |
| Supplies and Services | 4,000 | 4,500 |
| Overhead and Internal Support Services | 60 | 28 |
| **Gross Expenditure** | **4,060** | **4,528** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **4,060** | **4,528** |

**Appendix B(2)**

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **HEALTH & ENVIRONMENTAL SERVICES SUBJECTIVE ANALYSIS** | | |
| Staffing Costs | 7,745,090 | 8,392,326 |
| Premises Related Expenses | 20,870 | 25,700 |
| Transport Related Expenditure | 1,768,900 | 1,687,540 |
| Supplies and Services | 3,316,680 | 3,383,183 |
| Third Party Payments | 94,080 | 94,500 |
| Transfer Payments | 14,150 | 16,320 |
| Capital Financing Costs | 448,570 | 448,570 |
| Overhead and Internal Support Services | 1,412,560 | 2,530,596 |
| **Gross Expenditure** | **14,820,900** | **16,578,735** |
| **Gross Income** | **(7,565,350)** | **(7,604,824)** |
| Internal Recharges | 0 | 0 |
| External Income | (7,565,350) | (7,604,824) |
| **TOTAL NET EXPENDITURE** | **7,255,550** | **8,973,911** |

| | | |
|---|---|---|
| **GREATER CAMBRIDGE SHARED WASTE SERVICE** | | |
| Staffing Costs | 5,325,760 | 5,637,530 |
| Transport Related Expenditure | 1,577,940 | 1,490,740 |
| Supplies and Services | 2,438,310 | 2,314,210 |
| Capital Financing Costs | 223,370 | 223,370 |
| Overhead and Internal Support Services | 738,260 | 1,265,721 |
| **Gross Expenditure** | **10,303,640** | **10,947,891** |
| **Gross Income** | **(7,019,950)** | **(7,018,240)** |
| Fees and Charges | (4,240,370) | (4,103,200) |
| Recoverable Charges | (1,263,140) | (1,269,000) |
| Recharge to CCC | (1,516,440) | (1,646,040) |
| **TOTAL NET EXPENDITURE** | **3,283,690** | **3,929,651** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **STREET CLEANSING** | | |
| Staffing Costs | 462,520 | 463,535 |
| Premises Related Expenses | 1,690 | 1,690 |
| Transport Related Expenditure | 139,600 | 137,510 |
| Supplies and Services | 99,740 | 105,970 |
| Capital Financing Costs | 112,730 | 112,730 |
| Overhead and Internal Support Services | 74,570 | 132,018 |
| **Gross Expenditure** | **890,850** | **953,453** |
| **Gross Income** | **(15,700)** | **(14,500)** |
| Fees & Charges Income | (15,700) | (14,500) |
| **TOTAL NET EXPENDITURE** | **875,150** | **938,953** |
| **AWARDED WATERCOURSES** | | |
| Staffing Costs | 153,310 | 150,571 |
| Premises Related Expenses | 7,320 | 8,500 |
| Transport Related Expenditure | 25,350 | 35,370 |
| Supplies and Services | 23,920 | 20,440 |
| Capital Financing Costs | 106,540 | 106,540 |
| Overhead and Internal Support Services | 15,520 | 41,141 |
| **Gross Expenditure** | **331,960** | **362,562** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **331,960** | **362,562** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **WEBB'S HOLE SLUICE** | | |
| Premises Related Expenses | 7,510 | 7,510 |
| Transfer Payments | 13,090 | 0 |
| Overhead and Internal Support Services | 460 | 12 |
| **Gross Expenditure** | **21,060** | **7,522** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **21,060** | **7,522** |
| **SWAVESEY BYEWAYS** | | |
| Supplies and Services | 2,860 | 3,000 |
| Transfer Payments | 1,060 | 0 |
| Overhead and Internal Support Services | 90 | 3 |
| **Gross Expenditure** | **4,010** | **3,003** |
| **Gross Income** | **(2,580)** | **(1,980)** |
| Contributn From Parish Council | 0 | (480) |
| Charge To Parish/Town Council | (2,580) | (1,500) |
| **TOTAL NET EXPENDITURE** | **1,430** | **1,023** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **FOOTWAY LIGHTING** | | |
| Staffing Costs | 37,900 | 38,996 |
| Transport Related Expenditure | 330 | 0 |
| Third Party Payments | 83,610 | 84,000 |
| Overhead and Internal Support Services | 20,970 | 16,012 |
| **Gross Expenditure** | **142,810** | **139,008** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **142,810** | **139,008** |

| | | |
|---|---|---|
| **ENVIRONMENTAL PROTECTION** | | |
| Staffing Costs | 145,090 | 0 |
| Transport Related Expenditure | 1,120 | 0 |
| Supplies and Services | 47,790 | 78,550 |
| Capital Financing Costs | 5,930 | 5,930 |
| Overhead and Internal Support Services | 66,050 | 34,450 |
| **Gross Expenditure** | **265,980** | **118,930** |
| **Gross Income** | **(7,850)** | **(900)** |
| 51000 - Contributions F | (6,280) | 0 |
| 53000 - Fees & Charges | (1,570) | (900) |
| **TOTAL NET EXPENDITURE** | **258,130** | **118,030** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **ENVIRONMENTAL HEALTH GENERAL** | | |
| Staffing Costs | 476,100 | 631,732 |
| Transport Related Expenditure | 7,570 | 8,500 |
| Supplies and Services | 0 | 13,970 |
| Overhead and Internal Support Services | 142,090 | 337,074 |
| **Gross Expenditure** | **625,760** | **991,276** |
| **Gross Income** | **(75,110)** | **(45,762)** |
| 53100 - Costs Recovered | (75,110) | (45,762) |
| **TOTAL NET EXPENDITURE** | **550,650** | **945,514** |
| **BUSINESS HUB** | | |
| **Gross Expenditure** | **0** | **0** |
| **Gross Income** | **(35,700)** | **(30,000)** |
| 53000 - Fees & Charges | (35,700) | (30,000) |
| **TOTAL NET EXPENDITURE** | **(35,700)** | **(30,000)** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **FOOD SAFETY** | | |
| Staffing Costs | 173,140 | 158,070 |
| Transport Related Expenditure | 3,170 | 3,200 |
| Supplies and Services | 670 | 1,100 |
| Overhead and Internal Support Services | 46,580 | 66,283 |
| **Gross Expenditure** | **223,560** | **228,653** |
| **Gross Income** | **(2,090)** | **(2,000)** |
| 53000 - Fees & Charges | (2,090) | (2,000) |
| **TOTAL NET EXPENDITURE** | 221,470 | 226,653 |
| **ENFORCEMENT (ENVIROCRIME)** | | |
| Staffing Costs | 84,510 | 87,119 |
| Transport Related Expenditure | 4,420 | 4,770 |
| Supplies and Services | 4,640 | 2,500 |
| Overhead and Internal Support Services | 26,830 | 40,930 |
| **Gross Expenditure** | **120,400** | **135,319** |
| **Gross Income** | **(3,660)** | **(1,200)** |
| 51404 - Bailiff Fees In | (3,660) | (1,200) |
| **TOTAL NET EXPENDITURE** | 116,740 | 134,119 |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **ACTION ON DOGS** | | |
| Third Party Payments | 10,470 | 10,500 |
| Overhead and Internal Support Services | 2,160 | 2,329 |
| **Gross Expenditure** | **12,630** | **12,829** |
| **Gross Income** | **(730)** | **0** |
| 53000 - Fees & Charges | (730) | 0 |
| **TOTAL NET EXPENDITURE** | 11,900 | 12,829 |
| **ANIMAL WELFARE LICENSING** | | |
| Supplies and Services | 650 | 0 |
| Overhead and Internal Support Services | 3,130 | 3,702 |
| **Gross Expenditure** | **3,780** | **3,702** |
| **Gross Income** | **(6,460)** | **(3,600)** |
| 53000 - Fees & Charges | 0 | (3,600) |
| 53000 - Fees & Charges | (640) | 0 |
| 53000 - Fees & Charges | (560) | 0 |
| 53000 - Fees & Charges | (1,200) | 0 |
| 53000 - Fees & Charges | (1,970) | 0 |
| 53000 - Fees & Charges | (2,090) | 0 |
| **TOTAL NET EXPENDITURE** | **(2,680)** | **102** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **LICENSING ACT** | | |
| Staffing Costs | 105,330 | 61,996 |
| Premises Related Expenses | 0 | 0 |
| Transport Related Expenditure | 2,180 | 1,500 |
| Supplies and Services | 3,990 | 0 |
| Overhead and Internal Support Services | 45,420 | 81,583 |
| **Gross Expenditure** | **156,920** | **145,079** |
| **Gross Income** | **(112,890)** | **(115,000)** |
| 53000 - Fees & Charges | (112,890) | (115,000) |
| **TOTAL NET EXPENDITURE** | 44,030 | 30,079 |

| | | |
|---|---|---|
| **TAXI LICENSING** | | |
| Staffing Costs | 168,430 | 233,090 |
| Transport Related Expenditure | 2,270 | 2,000 |
| Supplies and Services | 12,010 | 44,520 |
| Overhead and Internal Support Services | 63,210 | 111,974 |
| **Gross Expenditure** | **245,920** | **391,584** |
| **Gross Income** | **(188,790)** | **(245,000)** |
| 53000 - Fees & Charges | 0 | (60,000) |
| 53000 - Fees & Charges | (188,790) | (185,000) |
| **TOTAL NET EXPENDITURE** | **57,130** | **146,584** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **MISCELLANEOUS LICENSING** | | |
| Overhead and Internal Support Services | 5,830 | 1,790 |
| **Gross Expenditure** | **5,830** | **1,790** |
| **Gross Income** | **(13,960)** | **(14,460)** |
| 53000 - Fees & Charges | (6,500) | (7,000) |
| 53000 - Fees & Charges | (7,460) | (7,460) |
| **TOTAL NET EXPENDITURE** | **-8,130** | **-12,670** |
| **MISCELLANEOUS SERVICES** | | |
| Supplies and Services | 8,170 | 26,550 |
| Overhead and Internal Support Services | 220 | 61 |
| **Gross Expenditure** | **8,390** | **26,611** |
| **Gross Income** | **(4,760)** | **(21,750)** |
| 53000 - Fees & Charges | (1,050) | (1,050) |
| 53100 - Costs Recovered | | (12,200) |
| 53000 - Fees & Charges | (3,710) | (8,500) |
| **TOTAL NET EXPENDITURE** | **3,630** | **4,861** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **HECA** | | |
| Overhead and Internal Support Services | 60 | 0 |
| **Gross Expenditure** | **60** | **0** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **60** | **0** |
| **AGEING WELL** | | |
| Supplies and Services | 41,440 | 244,420 |
| Overhead and Internal Support Services | 2,770 | 25 |
| **Gross Expenditure** | **44,210** | **244,445** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **44,210** | **244,445** |
| **SUSTAINABILITY** | | |
| Staffing Costs | 32,260 | 48,138 |
| Transport Related Expenditure | 420 | 100 |
| Supplies and Services | 5,740 | 5,500 |
| Overhead and Internal Support Services | 11,920 | 15,286 |
| **Gross Expenditure** | **50,340** | **69,024** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **50,340** | **69,024** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **TRANSPORT INITIATIVES & POLICY** | | |
| Staffing Costs | 8,720 | 13,854 |
| Transport Related Expenditure | 390 | 0 |
| Supplies and Services | 14,340 | 30,650 |
| Overhead and Internal Support Services | 16,350 | 15,273 |
| **Gross Expenditure** | **39,800** | **59,777** |
| **Gross Income** | **(7,000)** | **(14,263)** |
| 53100 - Costs Recovered | (7,000) | (14,263) |
| **TOTAL NET EXPENDITURE** | **32,800** | **45,514** |
| **VOLUNTARY SECTOR GRANTS** | | |
| Transport Related Expenditure | 40 | 0 |
| Supplies and Services | 143,110 | 145,973 |
| Overhead and Internal Support Services | 3,530 | 37 |
| **Gross Expenditure** | **146,680** | **146,010** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **146,680** | **146,010** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **COMMUNITY SAFETY** | | |
| Staffing Costs | 50,580 | 35,440 |
| Transport Related Expenditure | 350 | 0 |
| Supplies and Services | 22,410 | 15,750 |
| Overhead and Internal Support Services | 12,410 | 15,283 |
| **Gross Expenditure** | **85,750** | **66,473** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **85,750** | **66,473** |
| **COMMUNITY CHEST GRANTS** | | |
| Staffing Costs | 0 | 34,171 |
| Transport Related Expenditure | 100 | 0 |
| Supplies and Services | 58,140 | 58,140 |
| Overhead and Internal Support Services | 2,740 | 16,555 |
| **Gross Expenditure** | **60,980** | **108,866** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **60,980** | **108,866** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **NORTHSTOWE - HEALTHY NEW TOWN** | | |
| Staffing Costs | 56,660 | 59,990 |
| Supplies and Services | 0 | 15,000 |
| Overhead and Internal Support Services | 8,500 | 15,327 |
| **Gross Expenditure** | **65,160** | **90,317** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **65,160** | **90,317** |
| **LOCALISM** | | |
| Staffing Costs | 323,260 | 517,991 |
| Transport Related Expenditure | 570 | 800 |
| Supplies and Services | 36,880 | 51,440 |
| Overhead and Internal Support Services | 59,450 | 217,242 |
| **Gross Expenditure** | **420,160** | **787,473** |
| **Gross Income** | **(43,460)** | **(15,000)** |
| 53000 - Fees & Charges | (15,000) | (15,000) |
| 53100 - Costs Recovered | (28,460) | 0 |
| **TOTAL NET EXPENDITURE** | **376,700** | **772,473** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **HEALTH & WELLBEING** | | |
| Staffing Costs | 102,320 | 141,065 |
| Premises Related Expenses | 4,350 | 0 |
| Transport Related Expenditure | 2,960 | 3,050 |
| Supplies and Services | 127,650 | 54,000 |
| Overhead and Internal Support Services | 33,490 | 50,527 |
| **Gross Expenditure** | **270,770** | **248,642** |
| **Gross Income** | **(24,660)** | **(34,641)** |
| 51104 - Other Contribut | (10,360) | 0 |
| 53000 - Fees & Charges | (14,300) | 0 |
| 53000 - Fees & Charges | | (2,000) |
| 51104 - Other Contribut | | (32,641) |
| **TOTAL NET EXPENDITURE** | **246,110** | **214,001** |
| **MUSEUM GRANTS** | | |
| Supplies and Services | 8,500 | 8,500 |
| Overhead and Internal Support Services | 200 | 0 |
| **Gross Expenditure** | **8,700** | **8,500** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **8,700** | **8,500** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **EMERGENCY PLANNING** | | |
| Staffing Costs | 2,090 | 0 |
| Supplies and Services | 5,010 | 21,000 |
| Overhead and Internal Support Services | 160 | 2,897 |
| **Gross Expenditure** | **7,260** | **23,897** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **7,260** | **23,897** |
| **RENEWABLE ENERGY** | | |
| Staffing Costs | 37,110 | 76,013 |
| Supplies and Services | 200,000 | 120,000 |
| Overhead and Internal Support Services | 8,460 | 33,558 |
| **Gross Expenditure** | **245,570** | **229,571** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **245,570** | **229,571** |
| **CHILDREN, YOUNG PEOPLE & FAMILIES** | | |
| Transport Related Expenditure | 120 | 0 |
| Supplies and Services | 10,710 | 0 |
| Overhead and Internal Support Services | 1,130 | 0 |
| **Gross Expenditure** | **11,960** | **0** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **11,960** | **0** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **NORTHSTOWE - COMMUNITY WING** | | |
| Premises Related Expenses | 0 | 8,000 |
| Supplies and Services | 0 | 2,000 |
| Overhead and Internal Support Services | 0 | 1,545 |
| **Gross Expenditure** | **0** | **11,545** |
| **Gross Income** | **0** | **(11,545)** |
| 53400 - Hire of rooms | 0 | -11545 |
| **TOTAL NET EXPENDITURE** | **0** | **0** |
| **A14 HIGHWAY ENGLAND** | | |
| Staffing Costs | 0 | 3025 |
| Overhead and Internal Support Services | 0 | 11,958 |
| **Gross Expenditure** | **0** | **14,983** |
| **Gross Income** | **0** | **(14,983)** |
| 53100 - Costs Recovered | 0 | (14,983) |
| **TOTAL NET EXPENDITURE** | **0** | **0** |

**Appendix B(2)**

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **HOUSING GENERAL FUND SUBJECTIVE ANALYSIS** | | |
| Staffing Costs | 1,563,794 | 1,914,208 |
| Premises Related Expenses | 39,680 | 44,220 |
| Transport Related Expenditure | 23,190 | 31,190 |
| Supplies and Services | 731,155 | 1,392,405 |
| Transfer Payments | 139,173 | 135,734 |
| Capital Financing Costs | 97,500 | 97,500 |
| Overhead and Internal Support Services | 476,618 | 787,823 |
| **Gross Expenditure** | **3,071,110** | **4,403,080** |
| **Gross Income** | **(1,578,470)** | **(2,782,030)** |
| Internal Recharges | (213,450) | (166,013) |
| External Income | (1,365,020) | (2,616,017) |
| | **1,492,640** | **1,621,050** |

| | | |
|---|---|---|
| **HOUSING ASSOCIATION SUPPORT** | | |
| Staffing Costs | 103,700 | 100,112 |
| Supplies and Services | 5,000 | 5,000 |
| Overhead and Internal Support Services | 19,340 | 25,161 |
| **Gross Expenditure** | **128,040** | **130,273** |
| **Gross Income** | **(23,160)** | **(21,676)** |
| Contributions | (5,000) | (5,000) |
| 53100 - Costs Recovered | (18,160) | (16,676) |
| | **104,880** | **108,597** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **HOMELESSNESS** | | |
| Staffing Costs | 615,670 | 557,002 |
| Transport Related Expenditure | 610 | 610 |
| Supplies and Services | 215,210 | 195,210 |
| Transfer Payments | 20,000 | 0 |
| Overhead and Internal Support Services | 199,270 | 238,987 |
| **Gross Expenditure** | **1,050,760** | **991,809** |
| **Gross Income** | **(465,210)** | **(487,743)** |
| 50000 - Government Gran | (400,650) | (436,258) |
| 51104 - Other Contribut | (30,000) | (15,000) |
| Recharge to HRA | (28,560) | (28,563) |
| Recharge to Shire Homes | (6,000) | (7,922) |
| | **585,550** | **504,066** |
| **LETTING & ADVISORY SERVICE** | | |
| Staffing Costs | 157,400 | 156,173 |
| Transport Related Expenditure | 1,080 | 1,080 |
| Supplies and Services | 20,740 | 16,990 |
| Overhead and Internal Support Services | 54,290 | 70,962 |
| **Gross Expenditure** | **233,510** | **245,205** |
| **Gross Income** | **(122,960)** | **(124,260)** |
| 8/3/24/ | (5,300) | (5,700) |
| 8/5/10/ | (117,660) | (118,560) |
| **TOTAL NET EXPENDITURE** | **110,550** | **120,945** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **PRIVATE SECTOR LEASING SCHEME** | | |
| Staffing Costs | 73,110 | 117,756 |
| Supplies and Services | 241,080 | 262,000 |
| Transfer Payments | 0 | 9,208 |
| Overhead and Internal Support Services | 33,740 | 36,718 |
| **Gross Expenditure** | **347,930** | **425,682** |
| **Gross Income** | **(106,860)** | **(154,795)** |
| Recharge to Shire Homes Lettings | (106,860) | (154,795) |
| **TOTAL NET EXPENDITURE** | **241,070** | **270,887** |

| | | |
|---|---|---|
| **SELF-BUILD VANGUARD** | | |
| Staffing Costs | 115,900 | 13,912 |
| Overhead and Internal Support Services | 43,570 | 12,041 |
| **Gross Expenditure** | **159,470** | **25,953** |
| **Gross Income** | **(139,440)** | **(13,915)** |
| Government Gran | (15,000) | (13,915) |
| Costs Recovered | (124,440) | 0 |
| **TOTAL NET EXPENDITURE** | **20,030** | **12,038** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **STRATEGIC HOUSING** | | |
| Staffing Costs | 99,090 | 143,993 |
| Transport Related Expenditure | 540 | 540 |
| Supplies and Services | 52,930 | 22,930 |
| Overhead and Internal Support Services | 19,660 | 25,600 |
| **Gross Expenditure** | **172,220** | **193,063** |
| **Gross Income** | **0** | **(18,890)** |
| Recharge to HRA | 0 | (18,890) |
| **TOTAL NET EXPENDITURE** | **172,220** | **174,173** |

| | | |
|---|---|---|
| **SUB-REGIONAL HOMELINK SERVICE** | | |
| Staffing Costs | 75,350 | 79,273 |
| Supplies and Services | 26,500 | 28,500 |
| Overhead and Internal Support Services | 19,720 | 24,063 |
| **Gross Expenditure** | **121,570** | **131,836** |
| **Gross Income** | **(121,570)** | **(125,910)** |
| Contributions F | (112,890) | (116,920) |
| Fees & Charges | (8,680) | (8,990) |
| **TOTAL NET EXPENDITURE** | **0** | **5,926** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **EQUALITY & DIVERSITY** | | |
| Supplies and Services | 5,130 | 5,130 |
| Overhead and Internal Support Services | 730 | 0 |
| **Gross Expenditure** | **5,860** | **5,130** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **5,860** | **5,130** |
| **TRAVELLERS SITES** | | |
| Staffing Costs | 82,540 | 116,491 |
| Premises Related Expenses | 31,680 | 36,220 |
| Transport Related Expenditure | 5,460 | 5,560 |
| Supplies and Services | 5,210 | 5,290 |
| Overhead and Internal Support Services | 21,860 | 38,086 |
| **Gross Expenditure** | **146,750** | **201,647** |
| **Gross Income** | **(115,040)** | **(113,260)** |
| Gross Rents (In | (57,550) | (58,530) |
| Gross Rents (In | (53,820) | (54,730) |
| Costs Recovered | (3,670) | |
| **TOTAL NET EXPENDITURE** | **31,710** | **88,387** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **IMPROVEMENT GRANTS** | | |
| Staffing Costs | 42,260 | 43,059 |
| Supplies and Services | 4,730 | 663,730 |
| Overhead and Internal Support Services | 10,100 | 27,622 |
| **Gross Expenditure** | **57,090** | **734,411** |
| **Gross Income** | **0** | **(660,000)** |
| Government Grants | 0 | (660,000) |
| **TOTAL NET EXPENDITURE** | **57,090** | **74,411** |
| **VISITING SUPPORT SERVICE** | | |
| Staffing Costs | 198,774 | 214,108 |
| Transport Related Expenditure | 15,500 | 15,500 |
| Supplies and Services | 4,625 | 2,625 |
| Transfer Payments | 3,373 | 2,113 |
| Overhead and Internal Support Services | 44,728 | 65,093 |
| **Gross Expenditure** | **267,000** | **299,439** |
| **Gross Income** | **(267,000)** | **(267,000)** |
| Grant Funding | (267,000) | (267,000) |
| **TOTAL NET EXPENDITURE** | **0** | **32,439** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **GF SHELTERED PROPERTIES** | | |
| Premises Related Expenses | 8,000 | 8,000 |
| Supplies and Services | 150,000 | 135,000 |
| Capital Financing Costs | 97,500 | 97,500 |
| Overhead and Internal Support Services | 9,610 | 0 |
| **Gross Expenditure** | **265,110** | **240,500** |
| **Gross Income** | **(150,000)** | **(135,000)** |
| Service Charges | (150,000) | (135,000) |
| **TOTAL NET EXPENDITURE** | **115,110** | **105,500** |
| **HOUSING COMPANY** | | |
| Staffing Costs | 0 | 311,599 |
| Supplies and Services | 0 | 500 |
| Overhead and Internal Support Services | 0 | 159,656 |
| **Gross Expenditure** | **0** | **471,755** |
| **Gross Income** | | **(444,581)** |
| Recharged to South Cambs Limited | 0 | (444,581) |
| **TOTAL NET EXPENDITURE** | **0** | **27,174** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **COMMUNITY LIFELINE SERVICE** | | |
| Staffing Costs | 57,029 | 60,730 |
| Transport Related Expenditure | 7,900 | 7,900 |
| Supplies and Services | 34,500 | 49,500 |
| Transfer Payments | 67,230 | 2,113 |
| Overhead and Internal Support Services | 48,341 | 63,831 |
| **Gross Expenditure** | **215,000** | **184,074** |
| **Gross Income** | **(215,000)** | **(215,000)** |
| 53000 - Fees & Charges Income | (215,000) | (215,000) |
| **TOTAL NET EXPENDITURE** | **0** | **(30,926)** |
| **RECHARGES FROM/(TO) HRA** | | |
| Transfer Payments | 115,800 | 122,300 |
| Overhead and Internal Support Services | 0 | 3 |
| **Gross Expenditure** | **115,800** | **122,303** |
| **Gross Income** | **(67,230)** | **0** |
| Contribution From HRA - Lifeline Alarms | (67,230) | 0 |
| **TOTAL NET EXPENDITURE** | **48,570** | **122,303** |

**Appendix B(2)**

| | 2019-20 Estimate | 2020-21 Estimate (Restructured) |
|---|---|---|
| **PLANNING SUBJECTIVE ANALYSIS** | | |
| Staffing Costs | 5,780,200 | 6,324,868 |
| Premises Related Expenses | 23,410 | 23,210 |
| Transport Related Expenditure | 40,530 | 36,530 |
| Supplies and Services | 2,120,400 | 1,943,820 |
| Third Party Payments | 117,900 | 115,400 |
| Overhead and Internal Support Services | 2,301,460 | 1,728,003 |
| **Gross Expenditure** | **10,383,900** | **10,171,831** |
| **Gross Income** | **(5,145,350)** | **(5,857,401)** |
| Internal Recharges | 0 | 0 |
| External Income | (5,145,350) | (5,857,401) |
| **TOTAL NET EXPENDITURE** | **5,238,550** | **4,314,430** |

| | | |
|---|---|---|
| **OPERATIONS MANAGEMENT - (Treated as a Support Service Charge in 2019/20)** | | |
| Staffing Costs | 0 | 820,353 |
| Supplies and Services | 0 | 180,080 |
| Overhead and Internal Support Services | 0 | 221,645 |
| **Gross Expenditure** | **0** | **1,222,078** |
| **Gross Income** | **0** | **(71,620)** |
| 53100 - Costs Recovered | 0 | (71,620) |
| **TOTAL NET EXPENDITURE** | **0** | **1,150,458** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **DEVELOPMENT MANAGEMENT** | | |
| Staffing Costs | 2,628,730 | 1,896,164 |
| Transport Related Expenditure | 26,190 | 22,190 |
| Supplies and Services | 1,074,730 | 574,730 |
| Overhead and Internal Support Services | 1,273,460 | 530,253 |
| **Gross Expenditure** | **5,003,110** | **3,023,337** |
| **Gross Income** | **(3,703,220)** | **(3,874,623)** |
| 51000 - Contributions From Other Local Authorities (Income) | (350,320) | |
| 51104 - Other Contributions & Reimbursements (Income) | 0 | (607,373) |
| 53000 - Fees & Charges Income | (3,117,250) | (3,117,250) |
| 53100 - Costs Recovered | (85,650) | 0 |
| 54107 - Pre-Application Fees Income | (150,000) | (150,000) |
| **TOTAL NET EXPENDITURE** | **1,299,890** | **(851,286)** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **LAND CHARGES** | | |
| Staffing Costs | 206,220 | 438,682 |
| Premises Related Expenses | 160 | 160 |
| Transport Related Expenditure | 20 | 20 |
| Supplies and Services | 161,120 | 161,120 |
| Overhead and Internal Support Services | 85,550 | 181,637 |
| **Gross Expenditure** | **453,070** | **781,619** |
| **Gross Income** | **(630,450)** | **(630,450)** |
| 53000 - Fees & Charges Income | (385,070) | (385,070) |
| 53001 - Fees & Charges Income (S) | (209,720) | (209,720) |
| 53002 - Fees & Charges Income (Z) | (28,060) | (28,060) |
| 53004 - Fees & Charges Income (B) | (7,600) | (7,600) |
| **TOTAL NET EXPENDITURE** | **(177,380)** | **151,169** |
| **PLANNING POLICY** | | |
| Staffing Costs | 1,040,390 | 1,124,539 |
| Premises Related Expenses | 200 | 0 |
| Transport Related Expenditure | 3,610 | 3,610 |
| Supplies and Services | 559,420 | 562,120 |
| Overhead and Internal Support Services | 281,300 | 275,711 |
| **Gross Expenditure** | **1,884,920** | **1,965,980** |
| **Gross Income** | **(91,890)** | **(26,270)** |
| 53100 - Costs Recovered | (91,890) | (26,270) |
| **TOTAL NET EXPENDITURE** | **1,793,030** | **1,939,710** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **PRE-PLANNING APPLICATION** | | |
| **Gross Expenditure** | **0** | **0** |
| **Gross Income** | **0** | **(215,828)** |
| **TOTAL NET EXPENDITURE** | **0** | **(215,828)** |
| **BUILDING CONTROL SERVICE** | | |
| Supplies and Services | 0 | 3,720 |
| Third Party Payments | 117,900 | 115,400 |
| Overhead and Internal Support Services | 1,190 | 1,935 |
| **Gross Expenditure** | **119,090** | **121,055** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **119,090** | **121,055** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **OPEN SPACE CHERRY HINTON** | | |
| Supplies and Services | 6,140 | 6,140 |
| Overhead and Internal Support Services | 0 | 3 |
| **Gross Expenditure** | **6,140** | **6,143** |
| **Gross Income** | **(6,140)** | **(6,140)** |
| 58501 - Interest Earned | (6,140) | (6,140) |
| **TOTAL NET EXPENDITURE** | **0** | **3** |
| **BUILDING NEW ENVIRONMENTS** | | |
| Staffing Costs | 1,014,470 | 1,142,158 |
| Premises Related Expenses | 21,050 | 21,050 |
| Transport Related Expenditure | 2,760 | 2,760 |
| Supplies and Services | 78,880 | 78,820 |
| Overhead and Internal Support Services | 216,420 | 228,136 |
| **Gross Expenditure** | **1,333,580** | **1,472,924** |
| **Gross Income** | **(18,290)** | **(18,290)** |
| 53000 - Fees & Charges Income | (14,500) | (14,500) |
| 53001 - Fees & Charges Income (S) | (3,790) | (3,790) |
| **TOTAL NET EXPENDITURE** | **1,315,290** | **1,454,634** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **ENFORCEMENT ISSUES** | | |
| Staffing Costs | 168,010 | 305,381 |
| Transport Related Expenditure | 2,720 | 2,720 |
| Supplies and Services | 50,000 | 50,000 |
| Overhead and Internal Support Services | 64,320 | 72,124 |
| **Gross Expenditure** | **285,050** | **430,225** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **285,050** | **430,225** |
| **ECONOMIC DEVELOPMENT** | | |
| Staffing Costs | 0 | 80,520 |
| Supplies and Services | 66,220 | 185,700 |
| Overhead and Internal Support Services | 0 | 25,110 |
| **Gross Expenditure** | **66,220** | **291,330** |
| **Gross Income** | **(13,770)** | **0** |
| 53100 - Costs Recovered | (13,770) | 0 |
| **TOTAL NET EXPENDITURE** | **52,450** | **291,330** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **TOURISM INITIATIVES** | | |
| Transport Related Expenditure | 140 | 140 |
| Supplies and Services | 17,500 | 35,000 |
| Overhead and Internal Support Services | 1,010 | 6 |
| **Gross Expenditure** | **18,650** | **35,146** |
| **Gross Income** | **0** | **0** |
| **TOTAL NET EXPENDITURE** | **18,650** | **35,146** |
| **STRATEGIC SITES** | | |
| Staffing Costs | 628,590 | 385,552 |
| Premises Related Expenses | 2,000 | 2,000 |
| Transport Related Expenditure | 5,090 | 5,090 |
| Supplies and Services | 89,650 | 89,650 |
| Overhead and Internal Support Services | 270,990 | 90,950 |
| **Gross Expenditure** | **996,320** | **573,242** |
| **Gross Income** | **(607,090)** | **(889,680)** |
| 53000 - Fees & Charges Income | (431,240) | (441,240) |
| 53100 - Costs Recovered | (100,850) | 0 |
| 54107 - Pre-Application Fees Income | (75,000) | (448,440) |
| **TOTAL NET EXPENDITURE** | **389,230** | **(316,438)** |

| | 2019-20 Estimate | 2020-21 Estimate |
|---|---|---|
| **CIL / S106 OFFICE** | | |
| Staffing Costs | 93,790 | 131,519 |
| Overhead and Internal Support Services | 106,010 | 99,997 |
| **Gross Expenditure** | **199,800** | **231,516** |
| **Gross Income** | **(61,000)** | **(61,000)** |
| 57007 - S106 Costs Recoverable | (61,000) | (61,000) |
| **TOTAL NET EXPENDITURE** | **138,800** | **170,516** |
| **STREET NAMING AND NUMBERING** | | |
| Supplies and Services | 16,740 | 16,740 |
| Overhead and Internal Support Services | 1,210 | 496 |
| **Gross Expenditure** | **17,950** | **17,236** |
| **Gross Income** | **(13,500)** | **(13,500)** |
| 51202 - Sale Of Goods And Services | (13,500) | (13,500) |
| **TOTAL NET EXPENDITURE** | **4,450** | **3,736** |

Appendix C

# Summary of Service Pressures/New On-Going Funding Bids

| New Revenue Budget Bids: Staff Related | Ongoing £ pa |
|---|---|
| **New Post: Health & Safety Officer** | 40,000 |
| A recent health and safety compliance audit identified the need for additional support to maintain compliance with the Council's statutory responsibility for health and safety. The safety of communities, visitors and staff is really important and a designated post of Health & Safety Officer is now recommended. | |
| **ICT Resource [Local Government Association (LGA) Review]:** | |
| • Intelligent Client – Skilled Resource (1 FTE) | 60,000 |
| A recent review, by the LGA, recommended the strengthening of the intelligent client function within the Council by an additional full time skilled resource to enable the relationship between the Council and the 3C Partnership to be better managed. | |
| • Digital Team Support | 150,000 |
| The funding for the 3C Digital Support Team is imbalanced between the partner Councils and inadequate to access the full range of services. Additional funding will enable the Council to accelerate its delivery of digital services and access web-site development and support, portal and business system integration and mobile application/voice development. | |
| **Project Initiation/Management (Capital Projects) – Core Resource:** | |
| • Client Side Project Officer [2 FTE] | 100,000 |
| • Project Support Officer [1 FTE] | 40,000 |
| • Project Surveyor/Clerk of Works (1 FTE) | 50,000 |
| The funding supports the creation of core professional capacity in the organisation to deliver large capital investment projects. This includes projects such as the construction of a Sports Pavilion, Community Centre and Civic Hub (as part of Northstowe Phase 1 and Phase 2). It will also support an extension to the New Build Programme and a range of commercial investment projects. | |
| **Business Plan Priority – Support Business Growth in the District:** | |
| • Business Support Service [4 FTE] | 200,000 |
| To provide dedicated resource to support local businesses and the specific needs of the rural area and to enable the Council to pursue with vigour its Business Plan commitments, including the provision of information and support to businesses, encouraging rural inward investment, organising business events and effective area promotion. This includes revenue funding for a business support programme, marketing and promotion. | |
| **Business Plan Priority – Mobile Warden Partnerships** | 200,000 |
| To achieve, on a phased basis, District wide coverage of effective mobile warden partnerships to ensure support for elderly and vulnerable people across the area who currently have limited or no access to this service. | |

| | |
|---|---|
| **Business Plan Priority – Community Liaison Forum**<br>To deliver effective community engagement on new developments through Community Liaison Groups (building on the successes in Northstowe and Cottenham) thus enabling the delivery of better housing developments and communities for all. A designated post of Community Liaison Officer is proposed to fulfil this role. | 30,000 |
| **Business Plan Priority – Improve Recycling Performance**<br>To provide support at community based events, including the provision of advice to local communities on recycling practice and organising the temporary provision of recycling bins, litter picking equipment and reusable cups etc. | 30,000 |
| **TOTAL** | **900,000** |

## Summary of New On-going Funding Bids:
### Non-Staffing Related

| NEW REVENUE BUDGET BIDS: NON - STAFF RELATED | ONGOING £ PA |
|---|---|
| **Waste Service: MRF Costs**<br>The pressure is due to changes in the world commodity market which has led to a fall in the secondary material value and an increase in the quality requirements for material for recycling. This has already impacted on the level of income from recyclate. | 100,000 |
| **Waste Service: Additional Vehicles/Associated Revenue Costs**<br>This relates to the additional revenue costs, comprising transport and employee costs, of a new vehicle. In line with housing growth, and planned replacements, it is planned to add one additional vehicle in 2020/2021 (funded by the Council) and a further vehicle in 2021/2022 (funded by Cambridge City Council). | 135,000 |
| **Human Resources: New IT System**<br>This relates to the additional cost of software licences, hosting charges and maintenance costs of the new system human resources software solution. | 23,400 |
| **Upgrade AV and Delegate Systems: Council Chamber**<br>This relates to the ongoing support costs of the replacement equipment. | 19,000 |
| **IT Investment: Other Projects**<br>This relates to the revenue costs of the call management system (£2,900), server and network monitoring system (£3,800) and resource planning tool (£2,900). | 9,600 |
| **Members' Services: Member Training & Development**<br>There is currently insufficient capacity to support Members and to deliver the Member Development Programme leading to risk of Members not being equipped with the skills, knowledge and information they need to carry out their roles. | 8,900 |

| | |
|---|---|
| **Procurement: Electronic Tendering System**<br><br>This relates to the ongoing support costs of the replacement electronic tendering system (procured in partnership with Cambridgeshire County Council, Cambridge City Council and Huntingdonshire District Council. | 2,700 |
| **Shared Audit Service: Additional Audit Days**<br><br>The risk based internal audit plan is continuously appraised and updated. The plan coverage has been lower than some other Councils and, following review by the Audit & Corporate Governance Committee, the approved plan requires more audit days, which reflects the need to provide an appropriate level of assurance. | 62,000 |
| **Business Plan Priorities:** | |
| • Air Quality Monitoring<br><br>To install air quality monitors, collate baseline data and commence remedial action at sensitive sites in the District. | 30,000 |
| • Fly Tipping<br><br>To take actions to deter fly-tipping in the District, including the installation of overt surveillance and signage in hot spot locations to ensure that the campaign against fly tipping is visible and effective.<br>There are no additional resource implications arising from this initiative as a revenue budget is already in place for signage and campaigning, including the installation of overt surveillance cameras. | Within Existing Resources |
| **TOTAL** | **390,600** |

| | |
|---|---|
| **Overall Total** | **£1,290,600** |

**Value Attributable To:**

| | |
|---|---|
| **General Fund** | **£1,038,800** |
| **Capital** | **£190,000** |
| **Housing Revenue Account** | **£61,800** |

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Appendix D

# Service Efficiencies/Income Generation Opportunities: 2020-2024

| Theme 1: Develop a Workforce Operating Model | | | Timeline/Saving | | | |
|---|---|---|---|---|---|---|
| | | | 2020/2021 £ | 2021/2022 £ | 2022/2023 £ | 2023/2024 £ |
| **1** | Undertake a thorough review of processes across the organisation to identify potential changes to workforce deployment and a revised senior management structure, targeting a saving of **£600,000 per annum** by 31 March 2024.<br>(* proposals approved by Council in May 2019) | | **£230,000 *** | **£170,000** | **£100,000** | **£100,000** |
| **2** | The creation of business resource capacity in order to release professional staff from corporate processes thus enabling and optimising professional staff time deployment on key professional duties in Environmental Health. | | **£36,000** | **-** | **-** | **-** |
| **3** | Rationalise processes and budgets to focus on efficient service delivery and effective resource deployment, including a review of: | | | | | |
| | (a) | the corporate communications budget to further the benefits already achieved from the transition from in house to commissioned design work and to the digital tasks needed for the Council. | **£3,500** | **-** | **-** | **-** |
| | (b) | the statutory electoral registration service and, in particular, the scope to optimise canvassing by electronic means. | **£5,000** | **-** | **-** | **-** |
| | (c) | the HR function following the implementation of a new Human Resource Information System, including an extension of self-service arrangements. | **-** | **£20,000** | **£20,000** | **-** |
| | (d) | the review and refocussing of services relating to the health and well-being of residents to enable the rationalisation of processes and effective targeted support in a cost effective manner. | **£75,000** | **-** | **-** | **-** |
| | (e) | the planning application registration and administration processes. | **-** | **£20,000** | **£20,000** | - |
| | (f) | the shared waste collection service in order to achieve further efficiencies in the delivery of the service, including streamlined policies that has enabled the improved communication of information to residents. | **£25,000** | **-** | **-** | **-** |

| Theme 2: Alternative Ways of Working | | Timeline/Savings | | | |
|---|---|---|---|---|---|
| | | 2020/2021 £ | 2021/2022 £ | 2022/2023 £ | 2023/2024 £ |
| **4** | Increase customer self-service and remote access through the implementation of the "One-Vu" customer portal project. | **-** | **£80,000** | **-** | **-** |
| **5** | To establish a framework for electronic service delivery, encouraging "paperless" business processes and reduced printing. | **£20,000** | **£20,000** | **-** | **-** |
| **6** | Revised Scheme of Members' Allowances taking into account the recommendations of the Independent Remuneration Panel (October 2019). | **£60,000** | **-** | **-** | **-** |
| **7** | Following the introduction of 'Council Anywhere', reduce unnecessary travel to meetings. Target 10% of total General Fund mileage costs per annum. | **£6,000** | **£6,000** | **-** | **-** |

| Theme 3: Business and Growth | | | Timeline/Savings | | | |
|---|---|---|---|---|---|---|
| | | | 2020/2021 £ | 2021/2022 £ | 2022/2023 £ | 2023/2024 £ |
| **8** | Implementation of the Investment Strategy (subject to Council approval on 28 November 2019) by pursuing, subject to business case justification, commercial investment opportunities. | | **£940,000** | **£590,000** | **£990,000** | **£990,000** |
| **9** | To review Planning Performance Agreements and processes to reduce the current subsidy provided to those who undertake major developments. | | **£10,000** | **£30,000** | **-** | **-** |
| **10** | To consider prevailing fee scales and income generation opportunities for regulatory services, including: | | | | | |
| | (a) | A review of the current pre-planning advice charging policy. | **£10,000** | **£10,000** | **-** | **-** |
| | (b) | A review of the charging policy that applies in respect of the licensing function, targeting additional income from safeguarding training and DBS checks for Taxi Drivers. | **£60,000** | **-** | **-** | **-** |
| | (c) | The development of a commercial model for the building control service to generate additional income from consultancy services. | **£2,500** | **£5,000** | **-** | **-** |
| **11** | To undertake a review of the Ermine Street Housing recharge model for both housing and support staff. | | **£6,000** | **-** | **-** | **-** |

| Theme 4: Managing Demand Better | | | Timeline/Savings | | | |
|---|---|---|---|---|---|---|
| | | | 2020/2021 £ | 2021/2022 £ | 2022/2023 £ | 2023/2024 £ |
| **12** | Expand and grow the commercial waste collection service. | | **£25,000** | **£25,000** | **£25,000** | **£25,000** |
| **13** | Encourage budget holders, through increased autonomy, to manage budgets within cash limits thus eliminating budget uplift for inflation (exceptions will include contractual commitments, nationally agreed increases and utility/fuel costs essential for service delivery). | | **£50,000** | **-** | **-** | **-** |
| **14** | To review annually the revenue budget outturn position and to identify areas of budgetary underspend where, in the context of managing demand and resource better, budgets could be reduced without significant and noticeable impact on service delivery. | | **£80,000** | **-** | **-** | **-** |
| **15** | To review high volume printing and mail processing services across all service areas and to seek to rationalise processing costs: | | | | | |
| | (a) | To review the benefits to be derived from the establishment of a Council wide hybrid mail/single printing contract with print jobs completed off site and posted directly by the service provider. | **-** | **£7,000** | **-** | **-** |
| | (b) | To review the potential for additional discounts on postage budgets held by service areas by using Royal Mail's CleanMail service and/or transferral of universal postal service provider for '2nd class' mail to a competitor of Royal Mail. | **£11,000** | **-** | **-** | **-** |
| **16** | Review of all council tax exemptions/discounts using data matching techniques (countywide project). | | **-** | **£35,000** | **-** | **-** |
| **17** | To review the way in which housing services are delivered, particularly developing self-service opportunities and partnership approaches to the delivery of some services, with realisation of cost and efficiency savings. | | **£55,000** | **-** | **-** | **-** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **18** | To pursue, in line with the Business Plan Theme "Green to Our Core", the following specific investment opportunities: | | | | | |
| | (a) | Energy efficiency and green energy measures at South Cambridgeshire Hall, including Ground Source Heat Pump, solar canopies in the car park, internal LED lighting upgrades, electric vehicle charging points and chiller modifications and enhancements. | **£79,700** | **-** | **-** | **-** |
| | (b) | The installation of roof-mounted solar panels at the Waterbeach Depot (fully operational). | **£5,000** | **-** | **-** | **-** |
| | (c) | The installation of LED footway lighting throughout the District and consequent impact on maintenance and energy costs. | **-** | **£50,000** | **-** | **-** |

| | | | | |
|---|---|---|---|---|
| **Total Estimated Savings** | **£1,794,700** | **£1,068,000** | **£1,155,000** | **£1,115,000** |
| **Value Attributable to General Fund** | **£1,739,700** | **£1,045,000** | **£1,152,000** | **£1,115,000** |
| **Value Attributable to Housing Revenue Account** | **£55,000** | **£23,000** | **£3,000** | **-** |

Note: The proposals for savings/additional income were approved by Cabinet at its meeting on 4 December 2019 and there has been some minor refinement as part of the determination of the proposed 2020/2021 revenue budget; this includes an increase in the payback from the proposed energy efficiency and green energy measures at South Cambridgeshire Hall (proposal 18(a) above). There has been an increase in the level of capital investment required (identified in the report to Cabinet on the Capital Programme) and the estimated annual payback from the investment has increased from £79,700 to £116,500.

## Business Rates Yield

**Appendix E**

| | | Total | Central govt. | SCDC | CCC | Fire |
|---|---|---|---|---|---|---|
| | | 100% | 50% | 40% | 9% | 1% |
| | | £ | £ | £ | £ | £ |
| **NNDR YIELD ESTIMATE 2020/21** | | | | | | |
| **Share of Collection fund** | | | | | | |
| **Net yield (after reliefs and provisions)** | | **91,318,167** | | | | |
| **Less** | | | | | | |
| | Transitional Payment Protection | 30,785 | | | | |
| | Cost of collection | -241,886 | | | | |
| | Yield from renewable energy | -782,087 | | | | |
| | Enterprises | -955,944 | | | | |
| **Yield for distribution** | | **89,369,034** | **44,684,517** | **35,747,614** | **8,043,213** | **893,690** |
| **Add** | | | | | | |
| | Cost of collection | | | 241,886 | | |
| | Yield from renewable energy | | | 782,087 | | |
| | Enterprises | | | 955,944 | | |
| | Designated area relief | | -172,760 | 172,760 | | |
| **Total Income from rates yield** | | **91,348,951** | **44,511,757** | **37,900,291** | **8,043,213** | **893,690** |
| **Estimated Surplus / (deficit) from 2019/20** | | **766,583** | **383,291** | **306,633** | **68,992** | **7,666** |
| | | **92,115,534** | **44,895,048** | **38,206,925** | **8,112,205** | **901,356** |

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**APPENDIX F**

# REVENUE BUDGET RISKS AND ROBUSTNESS

In pursuance of Section 25 of the Local Government Act 2003 the Council's Head of Finance (Chief Finance Officer) is required to make a statement on the robustness of estimates and the adequacy of Reserves in relation to the Council's budget calculations.

The relevant issues in relation to this are as follows:

## Estimates

1. The formulation of the budget has allowed for best estimates of the commitments necessary to maintain service levels and these have been reviewed and refined throughout the process. Service Areas have engaged in a robust challenge of, and determination of, the 2020/2021 budgets being tabled for their respective service areas. This has enabled a greater understanding of budget issues faced, thus improving the prospects of budget compliance.

2. The determination of the 2020/2021 revenue budget has been informed by established and effective budget monitoring arrangements that have created a sound foundation for the management of the Council's financial resources. This provides the basis for the monitoring of compliance with the efficiency assumptions built into the revenue budget and has also enabled budget pressures to be identified, managed and appraised as part of the 2020/2021 budget setting process.

3. The budget has been prepared in accordance with the Council's Medium Term Financial Strategy and the following financial objectives, as part of the Revenue Budget Strategy, have helped guide the budget proposals:

   (a) A sustainable medium term financial plan that allows the achievement of the Council's key objectives;

   (b) Realistic levels of year on year spending which are supportable via annual income streams and do not require the use of general reserves to support recurring expenditure;

   (c) General reserves should be maintained at all times at or above the agreed minimum level;

   (d) Constraining annual Council Tax increases to an acceptable level;

   (e) The pursuance of "invest to save" opportunities with a financial return on the investment in transforming activities over an acceptable payback period;

   (f) A commitment to explore income generation opportunities and to maximise income from fees and charges;

   (g) A commitment to maximising efficiency savings.

4. As part of the overall budget strategy, the Council has sought to protect front line service budgets. This has included a review of service delivery options and emphasis on reducing corporate budgets and the establishment of an ongoing modernisation programme agenda as part of a 4 year plan to transform service quality, improve organisational productivity and improve customer services. This Transformation Programme is aimed at delivering Council services more efficiently and in a more convenient way for the public.

5. The formulation of the budget has allowed for best estimates of inflation, and applied at a level to reflect efficiency requirements. In this regard, general inflation has been provided at 2% on certain budgets (such as contract costs) and, in relation to staff costs, an allowance has been made for incremental shift. An inflationary allowance of 2% has been made for transport costs, 2% for non-domestic rates and up to 1.7% for energy costs.

6. It is important to acknowledge that there are risks inherent in the budget estimates and these include specific areas set out below, with an attempt to quantify them where possible:

   (a) Pay inflation for local government employees in 2020/2021 has been constrained in line with Government expectations, and an allowance of 2% has been made. Should the final employers settlement be in excess of this, and the Council reviews its local scheme, an additional cost would be incurred (every 0.5% on pay would equate to around £130,000 on staffing costs);

   (b) Inflation on specific contracts has been allowed at a rate of 2% and, in some cases, this will require robust contract negotiations. The timely review of business requirements in relation to contracted services should, however, reduce the risk of an increase in some contact values in excess of the budgetary allocation made;

   (c) Interest is allowed for as both an income item (on daily balances for example) and as an expense (on borrowing for capital for example). A change in the base rate will, therefore, have a potential impact on income from investments and on any borrowing not at fixed rates or not yet undertaken;

   (d) Given the current economic outlook there is a risk that the forecast level of income budgeted in 2020/2021 in some areas (e.g. planning income, land charge fees) may not be achieved. The determined budget has, however, been prepared having regard to income trends which should reduce the risk involved. There has also been additional work within the Planning Service to ensure that the level of fees and Charges levied represent full cost recovery. With any downturn in the economy there is a possibility that benefit caseload will increase and though an increase in numbers receiving Universal Credit would see cases transfer to the Department of Work and Pensions Council income could still be impacted and debts become more difficult to collect.

(e) In terms of benefits, the increased stringency of the subsidy claim audit increases the risk of subsidy being withheld and this may require additional resources to be deployed on quality assurance.

(f) There are a number of budget reductions proposed within the budget as part of the Transformation programme over the next four years, every attempt is being made to prioritise services, and to streamline processes to avoid an adverse impact on service delivery, there is a risk that there will be as yet unpredicted impacts on services;

(g) It is possible that some of the proposed reductions may not be achievable, or may not be achievable in the time frame anticipated, potentially leading to the need for other reductions, budget overspends, or the use of contingency funding. These areas will be kept under review as part of the established budget monitoring arrangements;

(h) It is proposed to maintain a Contingency of £250,000 as part of its risk mitigation strategy reflecting (i) the challenges faced by local government at this time and (ii) general appreciation of budget risks.

7. In determining the 2020/2021 revenue estimates, regard has been given to its ongoing sustainability and the observance of a number of overarching principles. This has involved:

(a) A overall commitment to endeavour to increase annual income sources and reduce annual expenditure without materially reducing front line services provided by the Council;

(b) A preparedness to consult service users and providers to ensure that services can be remodelled and tailored within acceptable tolerances;

(c) A comprehensive review of the base budget to provide greater assurance for the future. The review has been based upon regular established monitoring processes, and has incorporated a review of the alignment between the original budget and service activity;

(d) The identification, as a result of (c) above, of service pressures and endeavours to make adequate provision in the 2020/2021 base budget.

(e) The provision of funding to support Business Plan priorities;

(f) Continued review and tight control of the capital programme given the impact of borrowing costs on the revenue budget.

8. In terms of the capital programme, regular assessments need to be made to ensure that schemes and costs meet the test as to what can be classified as Capital Expenditure. In addition, the long term affordability of the capital programme has been reviewed and this has resulted in proposals for a revised and reprofiled programme, including priority for invest to save proposals and prudent allocation of grant and other income to reduce borrowing costs.

9. In submitting the 2020/2021 revenue budget for approval, regard has also been given to issues of affordability (having regard to Council Tax implications), prudence (having regard to Council policies/strategies) and overall sustainability (having regard to forecast annual expenditure and income).

**Reserves**

1. The Council's Revenue Reserves and Provisions are held to fund specific initiatives or held to cover unforeseen events within the Council's prudent financial management arrangements;

2. The Council, as at 1 April 2019, held a Bad Debt Provision to a value of £2.9 million and Revenue Reserves of £41.2 million of which £28.2 million was earmarked. The balance of £13.0 million represents the General Reserve and working balance. A review of Reserves has been carried out as part of the budget process and a number have been re-aligned or combined. The overall level is significant and accords with the optimum level required calculated on a risk basis. A process exists to regularly refresh the risk assessed level of General Fund Reserve having regard to the needs and risks of the Council on an ongoing basis.

3. The Council's MTFS requires that the Revenue Reserves and Provisions are reviewed on an annual basis. A detailed review of each Reserve and Provision has, therefore, been undertaken to determine whether they are still needed for the purposes outlined and they are at the correct level to meet this requirement;

4. Consideration has also been given to future service needs and risks as part of the 2020/2021 revenue budget determination process and this has identified a number of Reserves that need to be released, replenished or combined. This includes a number of existing Reserves where the balances remaining at 31 March 2020 can be released and transferred to the General Reserve.

5. In reviewing Reserves, due regard has been given to professional guidance. Since 1992 the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Accounting Panel (LAAP) has issued LAAP Bulletins to local authority practitioners. These Bulletins provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirements.

6. Based on an assessment of the risks facing the Council, including transformation, demographic and transition factors and past experience of budget pressures, the schedule of Reserves that are proposed to be retained is considered appropriate, but should be subject to review to ensure that excessive balances are not maintained. Some of these reserves can only be used for specific purposes, but others could be called upon if necessary and so provide additional flexibility.

7. In view of the unsettled economic background, and significant changes that will have an impact upon medium term finances (such as the localisation of business rates), it is recognised that there is an ongoing need to review and establish a level of reserves which allows the Council to withstand the financial impacts of future developments, unanticipated or otherwise, at a local or national level.

**Conclusions**

1. The process for the formulation of budgets provides a reasonable assurance of their robustness.

2. The level of the Council's total Reserves is sufficient to provide a working balance to cushion the impact of unexpected events or uneven cash flows (general reserves) and funds to meet known or anticipated liabilities (earmarked reserves).

3. It is recognised that the financial pressures facing the Council are not going to ease over the medium term. Initial indications are that the downward funding trajectory of the Deficit Reduction Plan will continue beyond the current spending review period requiring the Council to put in place sustainable budget proposals in order to set a balanced budget.

4. In addition, there are going to be a number of changes in how local government is funded over the medium term, in particular the Business Rates Retention Scheme and the Fair Funding Review. This reshaped funding landscape has the effect of increasing financial uncertainty and risk and the Council's financial resilience will depend upon appropriate mitigating actions ranging from effective financial control, a clear financial strategy and strong financial governance. The ongoing assessment of the Council's financial resilience, including the sufficiency of Reserves, will form a major element of the Council's response to this new financial landscape.

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South Cambridgeshire District Council

| | | |
|---|---|---|
| **REPORT TO:** | Cabinet | 5 February 2020 |
| **LEAD CABINET MEMBER:** | Councillor John Williams,<br>Lead Cabinet Member for Finance | |
| **LEAD OFFICER:** | Trevor Roff, Interim Director of Finance | |

# Housing Revenue Account Revenue & Capital Budget: 2020/2021

## Executive Summary

1. To consider the summary Housing Revenue Account (HRA) Revenue and Capital Budget for 2020/2021 and to recommend the HRA Budget to Council.

2. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budgets for the service or function to which the decision relates.

## Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, to:**

**Housing Revenue Account (HRA): Revenue**

**(a) Recommend Council to approve the HRA revenue budget for 2020/2021 as shown in the HRA Budget Summary as presented at Appendix A;**

**HRA: Review of Rents and Charges**

**(b) Approve that council dwelling rents for all social rented properties be increased by the Consumer Prices Index plus 1% (2.7%), in line with legislative requirements introduced as part of the Welfare Reform and Work Act, with effect from 1st April 2020;**

**(c) Approve that affordable rents are reviewed in line with rent legislation, to ensure that rents charged are no more than 80% of market rent for 2020/2021. Local policy is to cap affordable rents at the lower level of Local Housing Allowance, which will result in rent variations in line with any changes notified to the authority in this level, effective from 1st April 2020;**

**(d) Approve inflationary increases of 2% in garage rents for 2020/2021, in line with the base rate of inflation for the year assumed in the proposed HRA Budget.**

**(e) Approve the proposed service charges for HRA services and facilities provided to both tenants and leaseholders, as shown in Appendix D.**

**HRA: Capital**

**(f) Approve the required level of funding for new build investment between 2020/2021 and 2024/2025 to ensure that commitments can be met in respect of the investment of all right to buy receipts currently retained or anticipated to be received by the authority for this period. This expenditure will take the form of HRA new build, with the 70% top up met by other HRA resources;**

**(g) Recommend Council approve the HRA Medium Term Financial Strategy forecasts as shown in Appendix B;**

**(h) Recommend Council approve the Housing Capital Programme as shown in Appendix C.**

## Reason for Recommendations

4. To enable the Cabinet to recommend to Full Council the 2020/2021 HRA Revenue Budget and Capital Programme.

## Details

**(A) Background**

5. The HRA is a ring-fenced area of the Council's activity and represents the landlord activity which the authority carries out as a stock retaining authority.

6. HRA budgets continue to be set in the context of a 30-year business plan, which is reviewed in November and February of each year. The HRA budget setting report covers both HRA revenue and capital spending. As the authority's landlord account, the HRA accounts for all services to tenants and leaseholders and is the account into which the proceeds of the rent and landlord service charges are credited.

7. Resource available to invest in housing is dependent upon the income streams for the HRA, the most significant of these being the rental income for the housing stock. For the four years ended 31st March 2020, the Council were required to reduce rents by 1% per annum to comply with a national approach to rent setting. From 1st April 2020 rents can be increased by the Consumer Prices Index (CPI) plus 1% which equates to a 2.7% increase. The Government has indicated that CPI plus 1% will also apply for the following four years.

8. There is a key requirement to ensure that the HRA can support a significant level of housing debt whilst also ensuring ongoing delivery of housing services. As at April 2019, the authority was supporting a housing debt of £205 million. The current policy does not assume set-aside of resource to allow for repayment of housing debt, but instead assumes the resource is used to deliver a new build programme in the medium term, in an attempt to ensure sustainability of the HRA.

**(B) Budget Formulation**

9. Consideration needs to be given to the fluid nature of some of the assumptions that are required to be incorporated into the financial forecasting for the HRA, particularly in relation to the impact of changes in national housing policy. The previous assumption around rent loss from the sale of high value voids has now been removed as this policy is not being pursued by Central Government at this time.

10. Assumptions will need to be continually reviewed and amended as information is made available and any changes in the economic environment become apparent.

11. The budget for 2020/2021 has been constructed in the wider context of the national position for social housing. The Council still seeks to achieve a balance in investment against key housing priorities as follows, although this still proves challenging:

- Investment in the existing housing stock;
- Investment in the delivery of new affordable homes;
- Investment in new initiatives;
- Spend on landlord services (i.e. housing management, responsive and void repairs);
- Support for, and potential repayment of, housing debt.

12. The time and top up constraints currently associated with the retention and re-investment of right to buy receipts and the rollout of Universal Credit locally, continue to pose significant financial challenges for the HRA but at least the ending of the 1% rent reductions provides additional resources going forward.

13. The draft revenue and capital estimates for the HRA are outlined in detail in **Appendices A to D** of the report.

**(C) National and Local Policy Context**

14. The Council welcomed the government's announcement of the lifting of the borrowing cap on HRA borrowing and aspires to build capacity, thus enabling an increase in the rate of building new council homes to take advantage of that opportunity when appropriate. A locally calculated debt cap has recently been estimated using the latest estimated income and expenditure projections and that suggests a cap of £250 million should be set on affordability grounds this is an additional £45 million. Any further borrowing though will be subject to Council approval, as was the case when the Council took on the original £205 million debt.

15. Welfare Reform has already presented some challenges, and the Council have resources in this budget to support tenants some of whom are now receiving Universal Credit, in the expectation that their numbers would further increase.

16. The Council's HRA owns and/or manages the following properties, broken down by category of housing provided:

| Housing Category | Actual Stock Numbers as at 1/4/2019 | Estimated Stock Numbers as at 1/4/2020 |
|---|---|---|
| General Housing (Incl. use as Temporary Housing) | 4,182 | 4,194 |
| Sheltered Housing | 1,056 | 1,056 |
| Sheltered Housing – Equity Share | 78 | 78 |
| Miscellaneous Leased Dwellings | 11 | 3 |
| Shared Ownership / FTB Dwellings | 63 | 73 |
| **Total Dwellings** | **5,390** | **5,406** |

17. A breakdown of the housing stock by property type is outlined in the table below:

| Stock Category (Property Type) | Actual Stock Numbers as at 1/4/2019 | Estimated Stock Numbers as at 1/4/2020 |
|---|---|---|
| Bedsits | 20 | 20 |
| 1 Bed | 1,059 | 1,066 |
| 2 Bed | 2,379 | 2,394 |
| 3 Bed | 1,856 | 1,851 |
| 4 Bed | 71 | 69 |
| 5 Bed | 1 | 1 |
| 6 Bed | 4 | 3 |
| **Total Dwellings** | **5,390** | **5,404** |

18. The HRA continues to maintain the freehold in respect of flats, sold under the right to buy process on long leases. Services continue to be provided to these properties in respect of repairs and improvements to communal areas and services for common facilities.

19. As at 31 March 2019, the Council held £7,079,896 of right to buy receipts under the retention agreement with the Ministry of Housing, Communities & Local Government (MHCLG), to be spent within 3 years of their original receipts date, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. Currently, the balance must be funded from the Council's own resources, or through borrowing, and the receipts cannot be used on replacement dwellings or dwellings receiving any other form of public subsidy.

**(D) <u>HRA Resources</u>**

20. HRA resources comprise rent, service charges, income from garages/other property, investment income, external funding and earmarked funds. These are each considered below:

(i) <u>Rent: Rent Arrears, Bad Debt Provision and Void Levels</u>

21. Performance in the collection of current tenant debt worsened during 2019/2020, and is worse by December 2019, when compared to the previous year. At the end of December 2019, current tenant arrears stood at £506,564 and former tenant arrears at £191,023, compared with £428,411 and £148,435 retrospectively at 31 March 2019. Although there are always some seasonal fluctuations in arrears levels throughout the year, the upward trend anticipated due to welfare reform changes continues to impact. The position is being carefully monitored, with staff working proactively with tenants in arrears. The long-term position is still anticipated to become more challenging now that the full rollout of direct payment is underway.

22. The level of annual contribution to the bad debt provision was reviewed again as part of the HRA budget, with the reduced contribution of 0.4% for 2019/2020 and 0.5% from 2020/2021 retained. This assumption has not been amended as part of this HRA budget setting report.

23. At 31 March 2019, the provision for bad debt stood at £454,000, representing 79% of the total debt outstanding at the time.

24. The estimated value of rent not collected as a direct result of void dwellings in 2019/2020 was £315,000, representing a void loss of 1.1%, with higher than desired levels partly due to voids held pending disposal or re-development of a site.

25. At the end of December 2019, 82 properties were unoccupied, representative of 1.5% of the housing stock. This figure includes 11 new build shared ownership properties that were acquired within the previous month or so.

26. The current assumption of 1.1% voids in general housing is still considered appropriate for the longer-term.

(ii) Rent: Restructuring and Rent Levels

27. The authority still lets property on two differing rent levels, social rent and affordable rent, with the latter capped locally at the level of the Local Housing Allowance.

28. Property specific rent restructured target social rents apply for the socially rented stock held in the HRA. From 1st April 2020 both the target rent and actual rent will increase by CPI plus 1% so the convergence of the actual and target rents, which was abandoned when the 1% rent reduction targets were brought in, will still not happen unless a property becomes void and the rent is moved to target on re-let.

29. The average social rent at the time of writing this report in 2019/2020 across the socially rented housing stock was £100.43, and after applying the expected increase of 2.7% will become £103.14. At the time of writing this report, 38% of the social rented housing stock was being charged at target rent levels, compared with 35% in the previous year.

30. There are currently 120 new build or acquired properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at the end of November 2019, with 25 of these being shared ownership homes.

(iii) Rent Setting

31. Rent levels continue to be set by Council in February of each year, following consideration at Cabinet.

32. From April 2020, the authority is able to apply an increase of CPI plus 1% which equates to 2.7%. The last year of a four year rent cut in social housing rents of 1% per annum is 2019/2020.

33. In respect of longer-term financial forecasts, the Government has agreed a return to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, for the next 4 years.

34. For affordable rented homes, the requirement for local authorities is to determine what 80% of the market rent is for each dwelling and ensure that the combined rent and service charges levied for a property does not exceed this level. As local policy limits affordable rents to the Local Housing Allowance level (approximately 60% of market rent) from the point of introduction. As a result, affordable rents for 2020/2021 will be reviewed in line with the Local Housing Allowance.

(iv) Service Charges

35. Service charges continue to be levied for services that are not true landlord functions, and are provided to some tenants and not others, depending upon the type, nature and location of the property. Some service charges are eligible for housing benefit, depending upon the nature of the service.

36. The approach to setting service charge levels for 2019/2020 is detailed in the report at **Appendix D.**

(v) Other Sources of Income

37. The HRA had 945 residential garages at 1st April 2019, which are outside the curtilage of the dwelling. Approximately 254 garages were vacant at the time of compiling this report. A number of the vacant garages have been identified as needing repairs or major works prior to being ready to let, or are being considered for demolition, disposal, self-build sites or redevelopment.

38. A two tier charging structure is applied for garages, with one rate for garages rented to tenants, and another for rental of garages by others, with the latter being subject to VAT at the prevailing rate. If a tenant holds more than two garages, VAT is also payable.

39. In addition to dwellings held for rent, the HRA has a number of communal rooms and hub offices in sheltered schemes. Currently the costs of these buildings are recovered through service charges levied to residents. A review of these assets is in progress to ensure that they are either well utilised for the purpose intended, or that consideration is given to alternative options for the use of each site, generating an income for the HRA where possible. Extensive consultation is being carried out as part of this review to ensure that all local views are taken account of.

40. The HRA receives interest on general and ear-marked revenue balances, any funds set-aside in the major repairs reserve or the revenue debt repayment reserve, any unapplied capital balances and in respect of any internal lending to the General Fund. The interest rates available to the Council generally remain low, and market recovery is slow, although lending to Ermine Street Housing still provides a better return than lending to external third parties currently.

(vi) Other External Funding

41. In addition to income direct from service users, the HRA anticipates receiving external funding from Section 106 Funding. The Council has a policy in respect of Section 106 Commuted Sums, which allows the first call on these to be to fund the delivery of new build affordable housing in the HRA. The assumption that this funding is utilised to deliver new affordable homes is identified into the Housing Capital Investment Plan.

(vii) Earmarked & Specific Funds: Revenue

42. In addition to General Reserves, the HRA Account still maintains a number of earmarked or specific funds. Details the current level of funding in these reserves is shown at **Appendix A**.

43. A Self-Insurance Fund is maintained to mitigate the risks associated with the authority self-insuring its housing stock. Costs in lieu of insurance claims are charged to the HRA in year, with the reserve available to meet any higher than anticipated remedial costs, allowing the HRA time to react to the additional expenditure incurred.

44. A statutory Major Repairs Reserve is credited with depreciation in respect of the housing stock each year, with funding then in the Housing Capital Investment Plan, to meet the capital cost of works to HRA assets, or alternatively to repay housing debt.

45. Change in national housing policy, and the continued desire to invest resource in new build to replace lost stock and appropriately spend retained right to buy receipts, impacts the ability to set-aside resource to repay debt. This means the Council will have no alternative but to refinance a significant proportion of the loan portfolio as each loan matures. The approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision, allows the HRA to retain flexibility over the use of the limited resource that is available for set aside in the future.

(viii) Earmarked Funds: Capital Receipts

46. The HRA retains an element from all right to buy receipts over and above those assumed in the self-financing settlement, in recognition of the debt held in respect of the asset. These sums are held in a separate ear-marked capital reserve, allowing them to be utilised to repay debt should the authority so choose, or alternatively reinvest as deemed appropriate.

47. With the Right to Buy Receipt Retention Agreement in force, this reserve ensures that resource is identified for re-investment and, if necessary, repayment purposes.

**(E) HRA Revenue Account Budget: Revised Budget 2019/2020**

48. Service budgets for the current financial year were reviewed as part of the budget setting process for the coming year in order to ascertain what the likely balance would be on the Housing Revenue Account at the end of the financial year. The changes are summarised in the table below:

| 2019/2020 Revised Budget | Original Budget Feb-19 £ 000's | | Proposed Changes £ 000's | Revised January 2020 £ 000's |
|---|---|---|---|---|
| Rental Income | (27,953) | | (318) | (28,271) |
| Other Income | (33) | | (10) | (43) |
| Supervision and Management | 5,558 | | (496) | 5,063 |
| Repairs | 4,151 | | (400) | 3,751 |
| Depreciation | 6,663 | | | 6,663 |
| Other Expenditure | 149 | | (14) | 135 |
| Revenue Funding of Capital Expenditure | 12,622 | | (1,710) | 10,912 |
| Interest on Self Finance Debt | 7,179 | | | 7,179 |
| Interest receivable | (546) | | (395) | (941) |
| **Revised Net HRA Use of Reserves** | **7,791** | | | **4,448** |

49. The above figures include any rollover approvals from 2018/2019 in the second column along with other amendments listed on a category by category basis. The resulting change in the use of reserves is also identified for the current year. The final column shows the difference between the original and revised budgets. The net reduction in costs for 2019/2020 will result in a lower call on the use of HRA reserves than previously anticipated.

**(F) HRA Revenue Account Budget: Budget 2020/2021**

50. The HRA balance at the start of the financial year was a little over £11 million but it is anticipated that a substantial amount of this will be used to fund the Housebuilding Programme either in 2019/2020 or 2020/2021. At the end of 2020/2021 the balance is anticipated to fall to a little over £2.9 million. Whilst this level of balance is adequate for HRA purposes it would not be prudent to let this fall much below £2.5 million.

51. The Council will be undergoing a transformation programme over the next four years which will deliver savings across the authority and some of these savings will fall on the HRA. It will also be necessary to ensure that efficiency savings are sought within the HRA to ensure that the account remains viable so the savings initiatives that were undertaken during this budget process for the General Fund should be extended to encompass the HRA for the next budget cycle.

52. Expenditure excluding capital charges has increased by £826,000 over the 2019/2020 original position though much of this (£612,000) relates to a real-terms increase in the cyclical repairs programme. Capital expenditure charged to revenue has increased on the previous year by £2.5 million but the increase plus a further £3.5 million is funded from earmarked reserves.

53. Income has increased by £932,000 this is primarily down to the aforementioned rent increase of 2.7% now allowed by central government following the ending of the four year 1% rent reduction policy.

54. The proposed budget is based on an HRA deficit of £4.448 million in 2019/2020 and £3.727 million in 2020/2021. This is possible due to the level of HRA balance at 1st April 2019 (£11.1 million). Much of the balance is being used to fund the Housebuilding Programme in those years but, beyond that, some borrowing is likely to be required. Efficiency savings could reduce the required level of borrowing but it would be unrealistic to expect the HRA to find all of the additional resource requirements from efficiencies.

55. The overall revenue budget position for the HRA for 2020/2021 is presented in **Appendix A**. A balanced budget can be set for 2020/2021, but the balance on the account would be reducing close to the desired minimum by March 2021.

**(G) Housing Capital Budget**

(i) Stock Investment and Decent Homes

56. Stock condition data is continually updated in respect of the housing stock, improving the information held to inform future decision making. The authority procured, as part of a joint exercise with Cambridge City Council, updated software to record and report asset management data, as part of a wider project to implement a fully integrated housing management information system. The successful supplier of the new Housing Management Information System was “Orchard”, with ProMaster asset management solution and a mobile working solution provided by a third party, Kirona.

57. As at 31 March 2019, 95.31% of the housing stock was reported as decent, compared with 95.25% at 31 March 2018; with 246 properties that were considered to be non-decent (in addition to refusals by tenants to access the property and undertake the necessary works), and another 87 anticipated to become non-decent during 2019/2020.

58. Other investments include more controllable high heat retaining electric storage systems and investment in renewable energies where appropriate such as air source heat pumps. Health and safety work is being undertaken to upgrade the Councils fire doors in flats that have been identified through testing following the tragic event of Grenfell to be non-compliant this is being followed up with a rolling programme of door replacement and annual safety assessment.

59. Emergency lighting has been installed in flat blocks and smoke alarms have been installed that are linked to the emergency alarms in sheltered housing.

60. The Capital programme was updated and re-phased by Cabinet in January 2020 and the programme as presented has not changed since then but is reproduced at **Appendix C**.

(ii) New Build and Re-Development

61. At the time of writing this report 85 new homes had been completed since April 2012, all of which were built as affordable rented homes, with a further 23 shared ownership homes also completed.

| Scheme | Status | Estimated Affordable Units | Scheme Composition | Scheme |
|---|---|---|---|---|
| Fen Drayton Road, Swavesey | Completed May 2016 | 20 | 4 x 1 Bed House<br>10 x 2 Bed House<br>5 x 3 Bed House<br>1 x 4 Bed House | Fen Drayton Road, Swavesey |
| Horseheath Road, Linton | Completed July 2016 | 4 | 1 x 2 Bed Bungalow<br>2 x 2 Bed Flat<br>1 x 2 Bed House | Horseheath Road, Linton |
| Hill Farm, Foxton | Completed January 2017 | 15 | 4 x 1 Bed House<br>6 x 2 Bed House<br>5 x 3 Bed House | Hill Farm, Foxton |

| | | | | |
|---|---|---|---|---|
| Robinson Court, Gamlingay | Completed August 2018 | 6 plus 4 shared ownership and 4 market sale | 4 x 1 Bed Flat<br>2 x 2 Bed Flat<br>2 x 1 Bed House (Shared Ownership)<br>2 x 2 Bed House<br>(Shared Ownership)<br>2 x 2 Bed House<br>(Market Sale)<br>2 x 3 Bed House<br>(Market Sale) | Robinson Court, Gamlingay |
| Pampisford Road, Great Abington | Completed April 2018 | 6 plus 2 shared ownership | 2 x 1 Bed Flat<br>2 x 2 Bed House<br>1 x 2 Bed Bungalow<br>2 x 2 Bed Bungalow (Shared Ownership)<br>1 x 3 Bed House | Pampisford Road, Great Abington |
| Bannold Road, Waterbeach | Completed April 2018 | 16 plus 7 shared ownership | 6 x 1 Bed Flat<br>6 x 2 Bed Flat<br>4 x 2 Bed House<br>2 x 2 Bed House<br>(S/Ownership)<br>5 x 3 Bed House<br>(S/Ownership) | Bannold Road, Waterbeach |
| Woodside, Longstanton | Completed April 2019 | 3 | 3 x 2 Bed House | Woodside, Longstanton |
| Gibson Close, Waterbeach | Completed November 2019 | 6 plus 3 shared ownership | 4 x 1 Bed Flat<br>2 x 2 Bed House<br>3 x 2 Bed House<br>(Shared Ownership) | Gibson Close, Waterbeach |
| High Street, Balsham | Completed December 2019 | 9 plus 4 shared ownership | 7 x 1 Bed Flat<br>2 x 2 Bed Flat<br>4 x 2 Bed House<br>(S/Ownership) | High Street, Balsham |
| Highfields, Caldecote | Completed December 2019 | 3 shared ownership | 1 x 1 Bed House<br>2 x 2 Bed House | Highfields, Caldecote |
| **Total** | | **85 rented<br>23 shared ownership<br>4 market sale** | | **Total** |

62. The table below updates the position in respect of schemes either in progress or with Lead Cabinet Member approval, based upon previous versions of the business plan, confirming their status and the current budget allocation which is required for each of the schemes, with the budgeted expenditure included at **Appendix C**.

| Scheme | Status | Estimated Affordable Units | Indicative Scheme Composition (Subject to Change) | Scheme Budget (Gross of subsidy / capital receipts) |
|---|---|---|---|---|
| Pembroke Way, Teversham | On site | 5 | 2 x 1 Bed Flat<br>1 x 1 Bed Bungalow<br>2 x 2 Bed House | 893,000 |
| Linton Road, Great Abington | On site | 13 plus 5 shared ownership | 6 x 1 Bed Flats<br>2 x 2 Bed House<br>5 x 3 Bed House<br>2 x 2 Bed House (SO)<br>3 x 3 Bed House (SO) | 3,907,000 |
| Grace Crescent, Hardwick (Rented) | On site | 27 | 16 x 1 Bed Flats<br>9 x 2 Bed Houses<br>1 x 3 Bed House<br>1 x 4 Bed House | 4,711,480 |
| Grace Crescent, Hardwick (Shared Ownership) | On site | 12 shared ownership | 6 x 2 Bed Flat (SO)<br>4 x 2 Bed House (SO)<br>2 x 3 Bed House (SO) | 3,125,540 |
| Burton End, West Wickham | On site | 3 plus 1 shared ownership | 1 x 1 Bed Bungalow<br>1 x 2 Bed Bungalow<br>1 x 2 Bed House<br>1 x 3 Bed House (SO) | 730,020 |
| Bennell Farm, Toft | On site | 25 plus 11 shared ownership | 8 x 1 Bed Flat<br>9 x 2 Bed Flat<br>5 x 2 Bed House<br>3 x 3 Bed House<br>8 x 2 Bed House (SO)<br>2 x 3 Bed House (SO) | 6,753,970 |

| | | | | |
|---|---|---|---|---|
| | | | 1 x 4 Bed House (SO) | |
| Station Road, Foxton | On site | 6 plus 3 shared ownership | 4 x 1 Bed Flat<br>1 x 2 Bed House<br>1 x 3 Bed House<br>2 x 2 Bed House (SO)<br>1 x 3 Bed House (SO) | 1,758,000 |
| Babraham Road, Sawston | On site | 44 plus 19 shared ownership | 20 x 1 Bed Flat<br>21 x 2 Bed Flat<br>2 x 3 Bed House<br>1 x 4 Bed House<br>4 x 1 Bed Flat (SO)<br>11 x 2 Bed Flat (SO)<br>3 x 3 Bed House (SO)<br>1 x 4 Bed House (SO) | 11,800,030 |
| Impington Lane, Impington | On site | 7 plus 3 shared ownership | 6 x 1 Bed Flat<br>1 x 3 Bed House<br>2 x 2 Bed House (SO)<br>1 x 3 Bed House (SO) | 1,749,000 |
| Northstowe, Phase 2A | In contract Spring 2020 | 81 | 59 x 1 Bed Flat<br>22 x 2 Bed Flat | 11,109,430 |
| **Total** | | **211 rented**<br>**54 shared ownership** | | **46,537,470** |

63. There are a number of schemes where feasibility work is being carried out with a view to building out the sites for the HRA directly, or alternatively negotiations are in progress with developers, for the HRA to acquire the affordable housing on existing new build development schemes. These schemes do not yet have formal approval, and as such have not yet been built in to the Housing Capital Investment Plan on a scheme specific basis. Instead an unallocated new build budget is included, which when a scheme receives Head of Housing and Lead Cabinet Member approval, allows resource to be transferred from this unallocated new build/acquisition budget to the scheme specifically to allow monitoring of progress.

64. Some schemes deliver only new provision of affordable rented housing and, as such, will be eligible for 30% of the scheme to be funded using retained right to buy receipts. Many of these schemes, in order to be planning policy complaint, include a mix of affordable rented and intermediate housing (usually shared ownership). Shared ownership dwellings are not currently eligible for use of retained right to buy

resource, but instead can be part funded using Section 106 commuted sums if they are available.

65. The assumption has been retained, that the authority utilise resource previously set-aside for the potential redemption of housing debt, combined with revenue resource that can be released as a result of capital receipts that have been received from the sale of HRA land and dwellings on the open market in recent years, or that are anticipated to be received from the sale of self-build plots, to fund building new homes. This is anticipated to provide sufficient resource to allow the appropriate re-investment of existing and anticipated retained right to buy receipts in the medium term, without the immediate need to pass any funding to a registered provider.

(iii) Self-Build Plots

66. Following identification, as part of the review of the HRA Medium Term Financial Strategy, that the sale of self-build plots is not realising the capital receipts originally anticipated, a full review of the Self-Build business case was undertaken. The review highlighted an impact for the General Fund in respect of the costs of maintain a self-build register once government grant is exhausted, but also reviewed the role of HRA land in the provision of plots.

67. As part of the self-build pilot, a gross capital receipt of £250,000 was originally assumed, with costs of £50,000 to prepare the plot for sale, resulting in a net capital receipt to the HRA of £200,000 per plot. This assumption was reduced to a gross capital receipt of £160,000 as part of the HRA Medium Term Financial Strategy, based upon the market offers received for the first few plots.

68. As a result, the revised costs and anticipated land receipts have been incorporated into this iteration of the HRA Capital Programme for forecast purposes, but recognising that the HRA is required to ensure that best value is achieved on a plot by plot basis, achieved and demonstrated by marketing the dwelling on the open market.

69. 16 sites are currently being progressed with offers accepted on 2 single plot sites. Others are still undergoing investigation and feasibility work.

70. The table below details those sites disposed to date:

| Location | Date | Receipt | No. of plots |
|---|---|---|---|
| Benet Cl, Milton | Oct-18 | 195,000 | 1 |
| Cambridge Rd, Balsham | Dec-18 | 171,750 | 1 |
| St Audreys Close, Histon | Aug-19 | 151,000 | 1 |
| Macaulay Avenue, Great Shelford | Sep-19 | 405,000 | 3 |
| Blacksmiths Close, Babraham | Oct-19 | 205,000 | 1 |
| | | | |
| **Total** | | **1,127,750** | **7** |

71. Offers have been accepted on the following sites:

| Location | Status | No. of plots |
|---|---|---|

| | | |
|---|---|---|
| Westfield Road, Fowlmere | Offer accepted | 1 |
| Coploe Road, Ickleton | Offer accepted | 1 |

(iv) Section 106 Funding

72. Commuted sum payments received through the planning process, in lieu of the delivery of affordable housing, are made available in the first instance to the HRA to invest in affordable homes.

73. The Council currently holds £3.86m in commuted sums for affordable housing. The following table provides an update of when current sums held have to be spent (year-end prior to deadline date), against the resource committed to date:

| Year | Section 106 sum to be spent | Cumulative Section 106 sum to be spent | Resource committed / spent General Fund | Resource committed / spent HRA | Cumulative resource still to be committed |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| 2020/21 | 139,704 | 139,704 | 0 | 139,704 | 0 |
| 2021/22 | 94,500 | 94,500 | 0 | 94,500 | 0 |
| 2022/23 | 293,180 | 293,180 | 0 | 293,180 | 0 |
| 2023/24 | 68,824 | 68,824 | 0 | 68,824 | 0 |
| 2024/25 | 381,213 | 381,213 | 0 | 381,213 | 0 |
| 2025/26 | 2,236,454 | 2,236,454 | 0 | 1,307,579 | 928,875 |
| 2027/28 | 494,614 | 1,423,489 | 0 | 0 | 1,423,489 |
| 2028/29 | 150,000 | 1,573,489 | 0 | 0 | 1,573,489 |
| | | | | 2,285,000 | |

Commitments to date include:

| Scheme | Fund | 2019/20 £ | 2020/21 £ | 2021/22 £ |
|---|---|---|---|---|
| Grace Crescent, Hardwick – contribution towards 12 shared ownership homes | HRA | 190,000 | 195,000 | 0 |
| Burton End, West Wickham – contribution to 1 shared ownership home | HRA | 0 | 50,000 | 0 |
| Bennell Farm, Toft – contribution to 11 shared ownership home | HRA | 275,000 | 275,000 | 0 |
| Babraham Road, Sawston – contribution to 19 shared ownership home | HRA | 325,000 | 325,000 | 300,000 |
| Station Road, Foxton – contribution to 3 shared ownership home | HRA | 0 | 150,000 | 0 |
| Impington Lane, Impington – contribution to 4 shared ownership home | HRA | 100,000 | 100,000 | 0 |
| | | | | |
| | **HRA** | **890,000** | **1,095,000** | **300,000** |

74. With £1,573,489 of resource still to be re-invested, there is a commitment to invest the sum in new HRA homes wherever possible.

75. As the resource cannot currently be combined with retained right to buy receipts for the delivery of a specific social rented housing dwelling, it is likely, although not guaranteed, that the funds will be utilised predominantly to deliver other forms of affordable and intermediate housing, such as shared ownership or shared equity.

(v) Asset Acquisitions and Disposals

76. The Right to Buy Retention Agreement allows the acquisition of existing dwellings, as an alternative to building new homes, although new supply remains the priority. Acquisition is a valid option when new build is not possible within a quarterly deadline for the use of retained receipts. If a decision is taken at the end of a quarter that there is a risk that new build schemes will deliver in the required timeframes, resources can be vired from the unallocated new build / acquisition budget into the budget for direct market acquisition.

77. Receipts from individual asset disposals are only recognised in the HRA's reserves when received, and after all relevant costs have been provided for, whilst there are assumptions incorporated about the level of receipts from the sale of self-build plots, allowing planned utilisation of the funds to release resource elsewhere in the HRA to facilitate the appropriate reinvestment of retained right to buy receipts. Any delay in the receipt of these capital sums will significantly impact the authority's ability to spend right to buy receipts appropriately.

78. As part of the quarterly decision as to whether the authority should retain right to buy receipts, pass them to a registered provider, or as a last resort pay them over to central government, officers need to consider the progress in respect of the sale of self-build plots and any other capital receipts which may have been received by that point in any year. There is a risk judgement that needs to be made as part of this quarterly decision making process.

(vi) Capital spend and Phasing

79. The Updated Capital programme was agreed by cabinet at the meeting on 8th January and this included re-profiling and updating the capitalised repairs budgets, new house building budgets and transferring resources from the unallocated sum to schemes that have now been identified.

**(H) HRA Treasury Management**

(i) Background

80. Statutorily, the HRA is required to set a balanced budget, including recognition of the revenue implications that arise from capital financing decisions.

(ii) HRA Borrowing

81. As at 1 April 2019, the HRA was supporting external borrowing of £205 million in the form of 41 maturity loans with the Public Works Loans Board (PWLB), with rates ranging between 3.44% and 3.53%. The loans have varying maturity dates, with the first £5 million due to be repaid on 28 March 2037 and the last on 28 March 2057.

82. The HRA Capital Financing Requirement (HRA CFR) stood at £204 million due to a small amount (£694,000) of internal borrowing from the HRA by the General Fund. The General Fund is required to pay the HRA annual interest on the internal

borrowing as part of the Item 8 Determination for the HRA. The interest rate payable to the HRA can be determined by the authority, but must be deemed reasonable and stand up to external scrutiny from auditors.

83. Recent changes in legislation mean that the HRA is no longer subject to a borrowing debt cap. The authority can borrow within its HRA as long as it can demonstrate that the HRA can support the borrowing and that the resource is being utilised in the provision of social or affordable housing. A local debt cap has been calculated at £250 million as at 1st April 2019 rising to £300 million at 31st March 2022. This will be kept under review but is dependent on expected HRA income and expenditure levels.

84. The Council may now choose to borrow to deliver additional affordable housing to ensure that it can maintain a programme of new build affordable housing over the longer-term. The Capital Programme assumes that £7 million will be required during 2021/2022 but the expectation currently is that this will only need to be for 2 years.

85. The 2020/2021 HRA Budget Setting Report does not review the potential sources of lending (i.e. Internal, Inter-Authority, Public Works Loans Board, Market) types of borrowing, lengths of loans or rates available for taking out any additional borrowing at this stage. This will need to be undertaken at the point at which any borrowing is considered as part of the coming year's budgets.

(iii) Debt Repayment/Re-Investment

86. The current debt repayment strategy for the HRA, not to set-aside resource to repay housing debt, but to instead invest resource in new build housing, assumes the need to re-finance the borrowing when loans mature.

87. The potential debt repayment or re-investment reserve stood at £8.5 million at 1 April 2019, with the current assumption being that this will be re-invested in order to extend the life of the business plan, once other resources are exhausted. Whilst this will not be required during 2019/2020 it is proposed that £6 million will be used in 2020/2021 with the remainder expected to be used during 2021/2022.

88. Regular consideration will need to be given, in the context of the current financial climate, whether the authority wants to retain the current re-investment strategy or re-consider some element of set-aside if resources allow.

## Options

89. There are a number of other options regarding budget setting, but the budget as presented represents the best use of resources within the constraints that exist**.**

## Implications

90. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

***Policy***

91. Housing is one of the Council's top priorities, with a commitment to deliver good quality housing which is affordable for people to live in, near to where they work. There are more than 2,400 households on the Council's waiting list, so council house-building needs to be a high priority.

***Legal***

92. The pressure to reduce budgets and the continuation of a poor financial settlement could adversely affect the provision of statutory services. Officers will be required to seek legal advice in relation to a few the national changes in housing policy as the regulations are released by Central Government.

***Financial***

93. These are outlined in the report and its supporting appendices.

***Risk***

General

94. An annual update to the assessment of the key risks which the HRA faces in financial terms was included as part of the HRA Medium Term Financial Strategy.

95. The authority maintains a risk register, incorporating specific risks affecting the Housing Revenue Account, considering the likelihood and impact associated with each risk, and the mitigation in place to counteract these. The risk register is regularly reviewed and updated.

96. General reserves are held to help manage risks inherent in financial forecasting. Risks include changes in legislative and statutory requirements, inflation and interest rates, unanticipated service needs, rent and other income shortfalls and emergencies. The reserve allows the authority time to respond to unanticipated events, without an immediate and unplanned impact on service delivery.

97. For the HRA, the minimum level of reserves of £2.5 million is proposed to be retained, recognising the need to safeguard the Council against the risk and uncertainty in the current financial and operational environment for housing.

***Environmental***

98. There are no environmental implications arising from this report. The Council's housing stock is largely energy-efficient and in a good state of repair and but there is a need to improve it where we can, and keep it in good condition.

***Equality Analysis***

99. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. Preliminary analyses have been undertaken of the equality impact of each of the proposals summarised at Appendix D where efficiencies are profiled for 2020/2021.

100. Further equalities work is being completed. Where that assessment concludes that a proposal has no relevance to the Council's equalities duties then no further action will be taken. Where it is determined that the proposal does have relevance to these duties, a full equality analysis will be undertaken by the relevant service area to

establish the impact of the proposal on a protected group or groups and to identify the necessary mitigating actions.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 6 February 2019/Council: 21 February 2019
- Value for Money Strategy – Report to Cabinet: 4 September 2019
- Capital Programme Update and New Bids 8th January 2020
- 2019/2020 Revenue and Capital Budget Monitoring Q2 Cabinet - 6th November 2019

## Appendices

A HRA Revenue Budget 2020/2021: Summary

B HRA Medium Term Financial Strategy: Financial Forecast 2020/2021 to 2024/2025.

C HRA Capital Programme 2020/2021 and 2024/2025

D Proposed HRA Service Charges 2020/2021

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## HOUSING REVENUE ACCOUNT BUDGET SUMMARY

Appendix A

| NET EXPENDITURE | Estimate 2019-20 | Forecast 2019-20 | Estimate 2020-21 Total | Difference |
|---|---|---|---|---|
| **Housing Revenue Account** | | | | |
| | | | | |
| **EXPENDITURE** | | | | |
| **Support Services** | | | | |
| Repairs Administration | 1,470,031 | 1,515,000 | 1,887,814 | 388,382 |
| General Administration | 2,308,768 | 1,965,980 | 2,558,730 | 203,786 |
| Sheltered Housing | 170,857 | 84,978 | 95,421 | (78,853) |
| Visiting Support | 0 | | 0 | 0 |
| Alarms | 0 | | 0 | 0 |
| Flats - Communal Areas | 24,721 | 7,400 | 49,312 | 24,097 |
| Outdoor Maintenance | 156,807 | 156,611 | 158,543 | (1,400) |
| Sewage | 9,484 | 1,642 | 5,996 | (3,678) |
| Tenant Participation | 198,604 | 147,922 | 194,043 | (8,533) |
| Reprovision and New Homes Programme | 100,987 | 58,000 | 172,313 | 69,306 |
| | | | | |
| **Other Expenditure** | | | | |
| Rents Rates etc | 3,000 | 4,200 | 4,200 | 1,140 |
| Registration of HRA Land | 6,500 | 5,890 | 4,500 | (2,130) |
| Housing Repairs & Maintenance | 4,151,390 | 3,751,390 | 4,763,000 | 528,582 |
| Provision for Bad or Doubtful Debts | 139,920 | 125,000 | 140,000 | (2,718) |
| | | | | |
| **Recharges** | | | | |
| Corporate Management | 988,220 | 988,220 | 261,605 | (746,379) |
| Democratic Representation Charge | 83,500 | 83,500 | 319,423 | 234,253 |
| Treasury Management Charge | 1,400 | 8,500 | 24,500 | 23,072 |
| Communications | 45,000 | 45,000 | 45,900 | 0 |
| | | | | |
| **Capital Charges** | | | | |
| Interest on Self Finance Debt | 7,178,920 | 7,178,920 | 7,178,920 | 0 |
| Revenue Funding of Capital Expenditure | 12,621,740 | 10,912,000 | 15,149,000 | 2,274,825 |
| Net Depreciation | 6,662,610 | 6,662,610 | 6,868,450 | 72,588 |
| | | | | |
| **TOTAL EXPENDITURE** | **36,322,459** | **33,702,763** | **39,881,669** | **2,976,339** |
| | | | | |
| **INCOME** | | | | |
| Rent Income from Dwellings | (27,559,960) | (27,867,630) | (29,022,950) | (911,791) |
| Rent Income from Garages | (392,720) | (403,000) | (411,060) | (10,486) |
| Other Income | (30,000) | (40,000) | (40,000) | (9,400) |
| De=Minimus Receipts | (3,000) | (3,000) | (3,000) | 60 |
| | | | | |
| **TOTAL INCOME** | **(27,985,680)** | **(28,313,630)** | **(29,477,010)** | **(931,616)** |
| | | | | |
| **Net Cost of Services** | **8,336,779** | **5,389,133** | **10,404,659** | **2,044,723** |
| | | | | |
| External Interest Receivable | (546,220) | (941,200) | (677,346) | (120,201) |
| Internal Interest Receivable | 0 | | 0 | 0 |
| Transfer from Earmarked Reserves | | | (6,000,000) | |
| | | | | |
| **Deficit/(Surplus) for the year** | **7,790,559** | **4,447,933** | **3,727,314** | **1,924,522** |
| | | | | |

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# Appendix B

| Description | Original 2019/20 £'000 | Revised 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/2025 £'000 |
|---|---|---|---|---|---|---|---|
| Income | | | | | | | |
| Rental Income (Dwellings) | (27,560) | (27,868) | (29,023) | (30,134) | (31,161) | (32,349) | (33,087) |
| Rental Income (Other) | (653) | (443) | (451) | (460) | (469) | (479) | (488) |
| Service Charges | (1,065) | (1,246) | (1,337) | (1,364) | (1,391) | (1,419) | (1,447) |
| Contribution towards Expenditure | (407) | (389) | (149) | (152) | (155) | (158) | (161) |
| Other Income | (3) | (3) | (3) | (3) | (3) | (3) | (3) |
| **Total Income** | **(29,687)** | **(29,949)** | **(30,963)** | **(32,113)** | **(33,179)** | **(34,408)** | **(35,186)** |
| Expenditure | | | | | | | |
| Supervision & Management - General | 5,123 | 4,707 | 5,319 | 5,426 | 5,534 | 5,645 | 5,758 |
| Supervision & Management - Special | 1,815 | 1,542 | 1,390 | 1,418 | 1,446 | 1,475 | 1,505 |
| Repairs & Maintenance | 4,151 | 3,984 | 5,077 | 5,177 | 5,280 | 5,385 | 5,492 |
| Depreciation – t/f to Major Repairs Res. | 6,663 | 6,663 | 6,868 | 7,032 | 7,249 | 7,473 | 7,704 |
| Debt Management Expenditure | 1 | 9 | 25 | 25 | 25 | 26 | 27 |
| Other Expenditure | 470 | 343 | 360 | 367 | 374 | 382 | 389 |
| **Total Expenditure** | **18,223** | **17,247** | **19,039** | **19,445** | **19,910** | **20,386** | **20,875** |
| **Net Cost of HRA Services** | **(11,464)** | **(12,702)** | **(11,923)** | **(12,668)** | **(13,269)** | **(14,021)** | **(14,312)** |
| HRA Share of operating income and expenditure included in Whole Authority I&E Account | | | | | | | |
| Interest Receivable | (546) | (941) | (677) | (394) | (257) | (219) | (220) |
| **HRA (Surplus) / Deficit for the Year** | **(12,010)** | **(13,643)** | **(12,601)** | **(13,062)** | **(13,527)** | **(14,241)** | **(14,532)** |
| Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance | | | | | | | |
| Loan Interest | 7,179 | 7,179 | 7,179 | 7,205 | 7,284 | 7,194 | 7,179 |
| Appropriation from Ear-Marked Reserve | | | (6,000) | (2,500) | 6,000 | 1,000 | |
| Direct Revenue Financing of Capital | 12,622 | 10,912 | 15,149 | 8,798 | 60 | 6,136 | 7,363 |
| **(Surplus) / Deficit for Year** | **7,791** | **4,448** | **3,727** | **441** | **(183)** | **89** | **10** |
| Balance b/f | (10,795) | (11,096) | (6,648) | (2,921) | (2,480) | (2,663) | (2,573) |
| **Total Balance c/f** | **(3,005)** | **(6,648)** | **(2,921)** | **(2,480)** | **(2,663)** | **(2,573)** | **(2,563)** |

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# Appendix C

| Housing Revenue Account | Actual 2019-20 | Revised 2019-20 | Budget 2020-21 | Budget 2021-22 | Budget 2022-23 | Budget 2023-24 | Budget 2024-25 |
|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Improvements - Existing Stock** | | | | | | | |
| Water / Drainage Upgrades | 81 | 81 | 83 | 85 | 86 | 88 | 90 |
| Drainage Upgrades | 310 | 310 | 310 | 0 | 0 | 0 | 0 |
| Disabled Adaptations | 866 | 866 | 890 | 908 | 926 | 944 | 963 |
| Change of Tenancy - Capital | 500 | 500 | 700 | 714 | 728 | 743 | 758 |
| Rewiring | 325 | 325 | 380 | 388 | 395 | 403 | 411 |
| Heating Installation | 2,030 | 1,520 | 1,400 | 1,428 | 1,457 | 1,486 | 1,515 |
| Electrical Heating Replacement | | 500 | 500 | 510 | 520 | 531 | 541 |
| Energy Conservation | 200 | 386 | 100 | 102 | 104 | 106 | 108 |
| Estate Roads, Paths & Lighting | 60 | 93 | 70 | 71 | 73 | 74 | 76 |
| Garage Refurbishment | 53 | 53 | 50 | 51 | 52 | 53 | 54 |
| Parking/Garages | 149 | 211 | 160 | 163 | 166 | 170 | 173 |
| Window Replacement | 276 | 276 | 500 | 510 | 520 | 531 | 541 |
| Re-Roofing | 455 | 455 | 550 | 561 | 572 | 584 | 595 |
| Full Refurbishments | 200 | 200 | 250 | 255 | 260 | 265 | 271 |
| Structural Works | 250 | 250 | 100 | 102 | 104 | 106 | 108 |
| Asbestos Removal | 60 | 60 | 60 | 61 | 63 | 64 | 66 |
| Kitchen Refurbishment | 723 | 723 | 500 | 510 | 520 | 531 | 541 |
| Bathroom Refurbishment | 282 | 282 | 300 | 306 | 312 | 318 | 325 |
| Fire Door Replacement Programme | 180 | 180 | 185 | 189 | 193 | 196 | 200 |
| Fencing | 0 | 0 | 70 | 71 | 73 | 74 | 76 |
| **Total Improvements - Existing Stock** | **7,000** | **7,271** | **7,158** | **6,985** | **7,124** | **7,267** | **7,412** |
| | | | | | | | |
| **Other Improvements** | | | | | | | |
| Sheltered Housing and Other Stock | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Flats | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| **Total Other Improvements** | **70** | **70** | **70** | **70** | **70** | **70** | **70** |
| | | | | | | | |

| Housing Revenue Account | Actual 2019-20 | Revised 2019-20 | Budget 2020-21 | Budget 2021-22 | Budget 2022-23 | Budget 2023-24 | Budget 2024-25 |
|---|---|---|---|---|---|---|---|
| **HRA New Build** | | | | | | | |
| Pembroke Way, Teversham | 353 | 411 | 411 | 0 | 0 | 0 | 0 |
| High Street, Balsham | 0 | 770 | 0 | 0 | 0 | 0 | 0 |
| Gibson Close, Waterbeach | 0 | 535 | 0 | 0 | 0 | 0 | 0 |
| Highfields, Caldecote | 0 | 181 | 0 | 0 | 0 | 0 | 0 |
| Linton Road, Great Abington | 2,605 | 1,617 | 449 | 0 | 0 | 0 | 0 |
| Grace Crescent, Hardwick (Rented) | 3,141 | 1,849 | 1,671 | 0 | 0 | 0 | 0 |
| Grace Crescent, Hardwick (Shared Ownership) | 2,084 | 1,227 | 1,109 | 0 | 0 | 0 | 0 |
| Burton End, West Wickham | 730 | 376 | 354 | 0 | 0 | 0 | 0 |
| Station Road, Foxton | | 1,374 | 403 | 0 | 0 | 0 | 0 |
| Bennel Farm, Toft | | 3,157 | 2,263 | 1,334 | 0 | 0 | 0 |
| Impington Lane, Impington | | 762 | 987 | 0 | 0 | 0 | 0 |
| Babraham Road, Sawston | | 2,544 | 5,087 | 3,815 | 354 | 0 | 0 |
| Northstowe, Phase 2a | | 0 | 5,388 | 5,388 | 333 | 0 | 0 |
| Unallocated New Build / Acquisition Budget | 9,573 | 0 | 3,749 | 13,369 | 4,224 | 11,200 | 11,200 |
| Unallocated New Build / Acquisition - Section 106 funded | 216 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | |
| **Total HRA New Build** | **18,702** | **14,803** | **21,871** | **23,906** | **4,911** | **11,200** | **11,200** |
| | | | | | | | |
| **Other HRA Capital Spend** | | | | | | | |
| **Shared Ownership Repurchase** | 300 | 415 | 150 | 150 | 150 | 150 | 150 |
| Self-Build Vanguard - Up front HRA Land Assembly Costs | 540 | 190 | 152 | 152 | 152 | 152 | 152 |
| HRA Share of Corporate ICT Development | 419 | 484 | 127 | 39 | 39 | 39 | 39 |
| **Total Other HRA Capital Spend** | **1,259** | **1,089** | **429** | **341** | **341** | **341** | **341** |
| | | | | | | | |
| **Total HRA Capital Spend** | **27,031** | **23,233** | **29,528** | **31,302** | **12,446** | **18,878** | **19,023** |
| Inflation Allowance | | 0 | 0 | 0 | 0 | 125 | 125 |
| **Total Inflated Housing Capital Spend** | | **23,233** | **29,528** | **31,302** | **12,446** | **19,003** | **19,148** |
| | | | | | | | |
| **Housing Capital Resources** | | | | | | | |
| Other Capital Receipts (Land, Dwellings, Shared Ownership) | 0 | (1,105) | (967) | (2,102) | (4,589) | (2,010) | (1,350) |
| Other Capital Receipts (Self-Build Plot Sales) | (1,266) | (750) | (600) | (600) | (600) | (600) | (600) |
| Major Repairs Reserve | (6,689) | (6,663) | (6,868) | (7,032) | (5,714) | (8,567) | (8,145) |
| Direct Revenue Financing of Capital | (12,622) | (10,912) | (15,149) | (8,798) | (60) | (6,136) | (7,363) |
| Other Capital Resources (Grants / S106 funding) | (2,558) | (940) | (1,145) | (350) | (550) | (550) | (550) |
| Retained Right to Buy Receipts | (3,896) | (2,863) | (4,799) | (5,420) | (933) | (1,140) | (1,140) |
| HRA CFR / Prudential Borrowing | 0 | | 0 | (7,000) | 0 | 0 | 0 |
| **Total Housing Capital Resources** | **(27,031)** | **(23,233)** | **(29,528)** | **(31,302)** | **(12,446)** | **(19,003)** | **(19,148)** |
| | | | | | | | |
| **Net (Surplus) / Deficit of Resources** | **0** | **(0)** | **(0)** | **0** | **0** | **0** | **0** |

**Appendix D**

| Charge Description | Charge Basis | Current Charges 2019/20 (£) | Proposed Charges 2020/21 (£) | Increase (%) | Increase (£) |
|---|---|---|---|---|---|
| **General Housing** | | | | | |
| Use and Occupation Fee | Weekly | As per Target Rent | As per Target Rent | 2.7% | Variable |
| Sewage | Weekly | 4.65 to 5.56 | As per Anglian Water Standard Rates | TBC | TBC |
| White Goods Charge (per item) | Weekly | 1.5 | 1.5 | 0% | 0 |
| Management Charge (Third Party) | Weekly | As per third party charge | As per third party charge | TBC | TBC |
| **General Stock - Flats** | | | | | |
| Blocks with Door Entry | Weekly | 3.44 | 3.51 | 2.00% | 0.07 |
| Blocks without Door Entry | Weekly | 2.29 | 2.34 | 2.00% | 0.05 |
| **General Sheltered Schemes** | | | | | |
| Sheltered Charge (Staffing) | Weekly | 4.93 to 6.63 | 5.74 to 7.77 | Variable | Variable |
| Communal Premises Charge | Weekly | 0.00 to 16.63 | 0.00 to 18.58 | Variable | Variable |
| Grounds Maintenance Charge | Weekly | 0.26 to 2.32 | 0.31 to 2.19 | Variable | Variable |
| Communal Heating / Lighting (Elm Court) | Weekly | 7.48 | 8.96 | 20% | 1.48 |
| Water (Elm Court) | Weekly | 2.24 | 1.95 | -13.00% | -0.29 |
| White Goods Charge (per item) | Weekly | 1.5 | 1.5 | 0% | 0 |
| Alarm Charge | Weekly | 3 | 3 | 0% | 0 |
| Mobile Alarm Solution | Weekly | 3.5 | 3.5 | 0% | 0 |
| **Elderly Equity Share (As per Sheltered Housing recovered quarterly, plus charges below)** | | | | | |
| External Property Repairs | Quarterly | 5.85 to 30.16 | 1.04 to 18.20 | Variable | Variable |
| Management Fee (10%) | Quarterly | 7.80 to 34.45 | 7.93 to 37.70 | Variable | Variable |
| **Temporary Accommodation** | | | | | |
| Temporary Let Charge | Weekly | 32 | 32 | 0% | 0 |
| **Garage and Storage Unit Rents** | | | | | |
| Garages or Storage Unit Rented to Tenant | Weekly | 8.94 | 9.12 | 2.00% | 0.18 |
| More than 2 Garages Rented to Tenant | Weekly | 8.94 plus VAT | 9.12 plus VAT | 2.00% | 0.18 plus VAT |
| All Other Garage and Storage Unit Rentals | Weekly | 12.10 plus VAT | 12.34 plus VAT | 2.00% | 0.24 plus VAT |
| **Leasehold Charges for Services** | | | | | |
| Solicitors' pre-sale enquiries | One-Off | 110 | 110 | 0% | 0 |
| Copy of lease | One-Off | 30 | 30 | 0% | 0 |
| Re-mortgage Enquiry/Copy of Insurance schedule | One-Off | 30 | 30 | 0% | 0 |

| | | | | | |
|---|---|---|---|---|---|
| Notice of Assignment/Notice of Charge/Notice of Transfer | One-Off | 90 | 90 | 0% | 0 |
| Deed of Variation – Administration plus<br>CCC Solicitor fees and own solicitor | One-Off | 50<br>550.00+ | 50<br>550.00+ | 0% | 0 |
| Home Improvements –<br>Administration Only<br>Inclusive of Surveyor Visit | One-Off | 30<br>125 | 30<br>125 | 0% | 0 |
| Retrospective consent for improvements | One-Off | Above + 25.00 | Above + 25.00 | 0% | 0 |
| Registering sub-let details | One-Off | 50 | 50 | 0% | 0 |
| Advice interview for prospective purchasers | One-Off | 50 | 50 | 0% | 0 |

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