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South Cambridgeshire
District Council

13 January 2020

To: Chairman – Councillor Grenville Chamberlain
Vice-Chairman – Councillor Brian Milnes
Members of the Scrutiny and Overview Committee – Councillors
Dr. Shrobona Bhattacharya, Anna Bradnam, Dr. Martin Cahn, Nigel Cathcart, Sarah Cheung Johnson, Graham Cone, Dr. Claire Daunton, Dr. Douglas de Lacey, Geoff Harvey, Steve Hunt, Peter McDonald and Judith Rippeth

Quorum: 5

Substitutes:	Councillors Gavin Clayton, Mark Howell, Sue Ellington, Bunty Waters, Henry Batchelor, Peter Fane, Philip Allen, Jose Hales, Clare Delderfield and Deborah Roberts

There is a pre-meeting session at 3.30pm for members of the Committee only, to plan their lines of enquiry.

Dear Councillor

You are invited to attend the next meeting of **SCRUTINY AND OVERVIEW COMMITTEE**, which will be held in the **SWANSLEY ROOM, GROUND FLOOR** on **TUESDAY, 21 JANUARY 2020** at **4.00 p.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution ***in advance of*** the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Liz Watts
Chief Executive

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AGENDA

PAGES

1. Apologies
To receive apologies for absence from committee members.

2.	**Declarations of Interest**	
3.	**Minutes of Previous Meeting** To authorise the Chairman to sign the Minutes of the meeting held on 17 December 2019 as a correct record.	**1 - 8**
4.	**Public Questions** A public question has been received from Mr Daniel Fulton.	**9 - 10**
5.	**2020-25 Business Plan**	**11 - 26**
6.	**Review of Reserves and Provisions**	**27 - 44**
7.	**Capital Strategy**	**45 - 64**
8.	**Capital Investment Programme**	**65 - 76**
9.	**Treasury Management Strategy**	**77 - 114**
10.	**Summary General Fund Budget 2020/21**	**115 - 144**

Exclusion of Press and Public
The press and public are likely to be excluded from the meeting during consideration of the following agenda item which contains exempt information.

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 etc. 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 agenda item in accordance with Section 100(A) (4) 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.”

Paragraph 3 of the Act relates 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, the Press and public will not be able to view it. There will be an explanation on the website as to why the information is exempt.

11.	**Property Investment Decision**	**145 - 156**
12.	**Work Programme** For the committee to consider its work programme, which is attached with the Council’s Notice of Key and Non Key Decisions. When considering	**157 - 174**

items to include in the work programme, the committee is requested to use the attached Scrutiny Prioritisation Tool.

13. To Note the Dates of Future Meetings

To note that the next meeting will take place on Thursday 13th February 2020, at 5.20pm.

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

Notes to help those people visiting the South Cambridgeshire District Council offices

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Security

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- **Do not** use the lifts to leave the building. If you are unable to use stairs by yourself, the emergency staircase landings have fire refuge areas, which give protection for a minimum of 1.5 hours. Press the alarm button and wait for help from Council fire wardens or the fire brigade.
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Disturbance by Public

If a member of the public interrupts proceedings at a meeting, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room. If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared. The meeting will be suspended until order has been restored.

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Agenda Item 3

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Scrutiny and Overview Committee held on
Tuesday, 17 December 2019 at 5.20 p.m.

PRESENT: Councillor Grenville Chamberlain – Chairman
Councillor Brian Milnes – Vice-Chairman

Councillors:	Anna Bradnam	Dr. Martin Cahn
		Graham Cone
	Dr. Claire Daunton	Geoff Harvey
	Steve Hunt	Judith Rippeth

Councillors Dr. Tumi Hawkins, Hazel Smith and John Williams were in attendance, by invitation.

Officers:	Liz Watts	Chief Executive
	Victoria Wallace	Scrutiny and Governance Adviser
	Stephen Kelly	Joint Director of Planning and Economic Development
	Peter Maddock	Head of Finance
	Sharon Brown	Assistant Director (Delivery)
	Paul Frainer	Assistant Director (Strategy & Economy)
	Mike Hill	Director of Housing and Environmental Services

1. APOLOGIES

Apologies for absence were received from Councillors Shrobona Bhattacharya, Douglas de Lacey, Nigel Cathcart, Sarah Cheung Johnson and Peter McDonald.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 14 November 2019 were agreed as a correct record, subject to the following amendment (amendment shown in italics):

Item 6: 2019-20 Quarter Two Performance Report:

- ‘This was important so that staff did *not* provide the wrong advice when they were unsure of the answer’.

4. PUBLIC QUESTIONS

There were no public questions.

5. UPDATE ON PERFORMANCE MEASURES

The committee considered an update, which it had requested at its November committee meeting, on the impact of Universal Credit (UC) on rent collection and

the steps being taken to mitigate this. This was presented by the Director of Housing, Health and Environmental Services, who informed the committee of the following:

- Universal Credit was paid in arrears and required active management by recipients.
- Landlords were not entitled to know if a tenant was a recipient of Universal Credit.
- Of the Council's 2000 tenants, only 370 received Universal Credit. Despite this, an impact of Universal Credit on rent arrears had been seen.
- Tenants having difficulty managing their Universal Credit, could have their rent paid directly to their landlord to prevent them from falling into further rent arrears.
- Four new members of staff were in post to help with the impact of Universal Credit. These posts were funded by South Cambridgeshire District Council. A Vulnerable Work Coach was also in post, which was jointly funded by the Department for Work and Pensions and South Cambridgeshire District Council. This role was to help support vulnerable tenants.
- The Council was handling the challenge of Universal Credit as best as it could.
- Officers recognised that by giving more early help to tenants on Universal Credit, less support would be required later.
- Extra work was being done by the Council to monitor Universal Credit claimants and identify any having difficulty with managing their money.
- Although the number of rent arrears had not increased significantly, this was a significant percentage increase of 7.5% which needed to be monitored.

Members of the committee asked several questions, which the Director of Housing, Health and Environmental Services was unable to answer at the meeting. He would update the committee with the answers following the meeting. Questions were:

- How many tenants on UC had the council subsequently evicted for arrears / non-payment of rents?
- For how many residents did the Council receive direct rent payments?
- Once a resident on direct rent payments recovered their rent arrears, did they stay on direct payments or did they go back on self-managing their Universal Credit payments?
- When would the remaining Council tenants transfer to Universal Credit?
- How did the Council's collection performance compare to other Councils?
- How many non-HRA tenants did the Council support with Universal Credit?

Scrutiny and Overview Committee members noted the challenges posed by Universal Credit, highlighting that Disability Cambridgeshire was seeing problems caused by UC for people with disabilities. Members asked whether the Council could do anything further to help support these people.

Committee members expressed concern regarding the five week delay in

claimants receiving their Universal Credit payments, as claimants were likely to have limited or no cash reserves. Committee members queried whether the Council could lobby Central Government to not roll Universal Credit further. The Chief Executive pointed out that Universal Credit was a Government policy and they were aware of the problems being caused by it.

Committee members noted the update and thanked officers for their thorough approach to mitigating the risks of Universal Credit.

6. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME UPDATE

The committee considered an update on the HRA Capital programme, which was presented by the Lead Cabinet Member for Finance and Head of Finance. The committee noted that this had been re-profiled in line with the expected timing and levels of spend.

The Head of Finance informed the committee that there had been some delays to the Council's new build programme, however this was being pressed ahead with. The Head of Finance informed the committee of the contractor issues that were referred to in the report and informed the committee that some of these had been resolved.

The Head of Housing, Health and Environmental Services informed the committee that the shortage of construction skills and supply of materials, remained a risk to the Council's delivery of housing. The Lead Cabinet Member for Finance informed the committee that modern methods of construction were being looked at, in order to mitigate against this. The Council was working on this with developers and landowners.

Regarding the completed capital projects listed at appendix A of the report, it was pointed out that Pembroke Way in Teversham had not yet been started. The Head of Finance would check the accuracy of this and review the information provided in the appendix accordingly.

In response to a query regarding the budget for window replacement increasing from 2021, the committee was informed by the Lead Cabinet Member that these figures had been included in the budget as it was likely there would be a need to replace windows in order to bring the Council's housing stock up to the required environmental standards.

The committee:

a. Noted the outturn position of a £2.742 million underspend for the HRA Capital Programme and that of this, £1.124 million was proposed for reprofiling into future years.
b. Noted that borrowing of around £10 million was likely to be required during 2021/22 in order to finance the updated Capital Programme.
c. Noted that following the abolition of the HRA debt cap, a local debt cap of £250 million rising to £300 million, has been calculated.
d. Recommended to Full Council the revised HRA capital programme for

the period 2019/2020 to 2024/2025, to reflect amendments to and the reprofiling of expenditure.

7. UPDATE ON SHARED PLANNING SERVICE

The committee considered an update on the progress of the shared planning service project. This was presented by the Joint Director of Planning and Economic Development, Assistant Directors and Lead Cabinet Member for Planning.

The committee was informed that an ICT project for a new planning software system was ongoing. This was on track for implementation in February 2020. The new software was one of the most used systems in the country and would enable more efficient working. The Assistant Director explained some of the functions of the new software in relation to the information it provided to applicants. Applicants would be able to subscribe for updates so the software would provide them with updates on their planning application, thereby keeping them informed of the progress of their application. Customer Contact Centre staff would also have access to the new ICT system and would receive training on the use of this, so that they could also support applicants when they contacted the Council.

Committee members pointed out the delays around recruitment in the conservation team. The Director informed the committee that specialists in this area were hard to recruit, however there was now capacity in the Council's conservation team. The Assistant Director was looking at how to more effectively use the skills of the team.

Committee members highlighted the importance of officers answering customers' emails and telephone calls and noted that procedures were being put in place to ensure this. The committee was informed by the Joint Director that mobile telephones were being rolled out to mobile planning officers, so that they were contactable by telephone. The committee was also informed that customer service champions were being introduced in the shared planning service.

The Assistant Director informed the committee that Terraquest would be commencing its contract on 9 January 2020 and would also help to clear the backlog of planning applications. The committee was also informed that a project was ongoing to improve the pre-application service, making this more streamlined and tailored to customers' needs. Much work had been done to ensure the Council was better at pricing, charging and invoicing.

The Assistant Director overseeing the Local Plan process informed the committee that utilities were critical to build out rates and delivery of both the current and emerging plans. While these would continue to be complex issues going forward, he informed the committee that utilities would be unlikely to affect the build out rates for the early part of the current Local Plan. Detailed evidence would however need to be part of the emerging plan in order to ensure the

issues were considered and mitigated fully in the medium and longer term.

Regarding performance in relation to householder applications, the Joint Director explained that positive progress had been made in this area and performance had been steady and above the Government's performance target between 2016-19. Performance in relation to appeals had also been steady and the reporting of appeals to the Planning Committee would be increased.

The committee requested standard deviations be provided with future performance data.

Regarding Member and staff development, the committee was informed by the Assistant Director that:

- An officer had been tasked with Member development, which included development in relation to more strategic issues relevant to the Local Plan.
- A workforce development officer whose focus was staff development, had been appointed.
- A management development programme was in place and would be rolled out in January 2020. A wider management programme was being worked on with HR.
- The service was supporting several staff with post graduate qualifications.
- Some of the service's underspend was being invested in much higher quality training and development.

The committee was informed that a reduction in the number applications for major developments had been seen. The Joint Director of Planning and Economic Development informed the committee that a positive environment for development needed to be created. He informed the committee that consumer demand changed faster than the planning process. There was a need for flexibility in order to respond to market and demand. The Planning service was considering how it could be more responsive.

The committee thanked officers for the comprehensive report, which it felt indicated significant progress in the restructuring of the planning team and likely improvement of the service.

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

The Joint Director of Planning and Economic Development and Assistant Director (Strategy & Economy) presented the draft Greater Cambridge Economic Action Plan, which had been drafted by Cambridge City Council, South Cambridgeshire District Council and the Greater Cambridge Partnership. It reflected the local priorities for Greater Cambridge.

The Assistant Director informed the committee that:

- The draft Action Plan focussed on the role of the public sector in delivery.
- The author of precise studies looking into the constraints to development,

was on the working group that was developing the evidence base for the development of infrastructure and low carbon. He informed the committee that there was a critical problem with energy infrastructure in the Greater Cambridge area. A shared picture across the region was being developed in partnership with other organisations. Data was being collated in a readable format so it could be used by other organisations.
- The universities were represented on the Greater Cambridge Partnership's Joint Assembly and Executive Board; their role was at a more strategic level. The GCP had a workstream around the economy in which the university was also involved.

The Joint Director informed the committee that Cambridge City Council was less focussed on economic development than South Cambridgeshire District Council, and this was not one of their corporate priorities. South Cambridgeshire District Council was very clear on its aspirations to support local business and the new Business Support Service would be retained by this Council.

The following comments on the draft Action Plan were made by the committee and Lead Cabinet Member for Housing:
- Some of the data needed to be updated before consultation; reference to South Cambridgeshire District Council's declaration of a climate emergency in November 2019 needed to be included
- Council housing numbers needed to be updated.
- It was suggested that a glossary be included to help the general public and businesses understand the action plan.
- It was suggested that the wording should be more neutral regarding the level of self-employment in South Cambridgeshire.
- Lower case lettering should be used for the word 'Agri-Tech'.

The committee agreed that, subject to the incorporation of the suggested amendments, the draft Action Plan be submitted to Cabinet for approval.

The committee considered and commented on the proposal to create a new Business Support Team to deliver business support and engagement. The main query from the committee regarding this was how success would be measured. The Joint Director explained that key performance indicators would be developed for the service.

9. PROPOSED SCRUTINY REVIEW

The committee considered and endorsed the proposal to invite the Centre for Public Scrutiny to undertake a review of the effectiveness of the Council's scrutiny function.

10. WORK PROGRAMME

The committee noted its work programme.

11. APPOINTMENT OF FINANCE SCRUTINY MONITOR

Councillor Grenville Chamberlain was appointed as the Finance Scrutiny Monitor.

12. CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING: AGENDA ITEM 9 PROPERTY ACQUISITION

The confidential minutes of the meeting held on 14 November 2019, were agreed as a correct record.

13. TO NOTE THE DATES OF FUTURE MEETINGS

The next meeting would take place on Tuesday 21 January 2020 at 5.20pm.

The Meeting ended at 7.40 p.m.

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Public Questions

Question received from Mr Daniel Fulton:

Policies CC/3 and CC/4 of the Local Plan 2018 have the potential to provide for meaningful improvements in the CO2 emissions and water consumption of new development in South Cambridgeshire. However, whether the district actually achieves the reductions set forth in the Local Plan will depend entirely upon the policies being effectively implemented at the planning delivery stage.

Effective and enforceable implementation of these policies will generally require 1) one or more planning conditions specifying that the development must be constructed according to approved details and 2) approved details that are sufficiently clear as to be enforceable.

The recently adopted Greater Cambridge Sustainable Design and Construction SPD specifies the level of detail required to ensure compliance with the relevant development policies, for example, for policy CC/3, identifying the specific technologies to be used, the relevant specifications as to size and system output for each technology, and visual information to show how the technologies have been successfully integrated into the development.

In contrast with the clarity of the new SPD as to the level of detail required, there has been considerable variation in the wording, clarity, and enforceability of planning conditions used in relation to policies CC/3 and CC/4 since the Local Plan was adopted in September 2018.

Will the planning service commit to considering the creation of a set of model conditions pertaining to policies CC/3 and CC/4 that could then be applied to planning applications whenever possible to help maintain uniform standards of clarity and enforceability in relation to conditions controlling for these important development policies?

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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 environmental 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:

Gareth Bell – Communications Manager
Telephone: (01954) 713289

Kevin Ledger – Senior Policy and Performance Officer
Telephone: (01954) 713018

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) • 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) • 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) • 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 where possible.	• 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) • 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 • Continue to carry out liaison meetings in Cottenham • Continue to carryout community forums in Northstowe, Waterbeach, North-West Cambridge, and Cambridge East. • 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) • 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) • Complete local engagement to understand what the community wants in the new community centre (quarter 4) • 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) • 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) • Reduce mains gas and electricity demands from our Cambourne office by over 50% per year (from March 2021 onwards compared to baseline in 2019). • 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) • 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) • 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) • Air quality monitor in place to gather data at one new location (quarter 1) • 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) • 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) • Successfully fill at least 70% of jobs advertised through first round of recruitment • 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) • 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) • 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 in the next few years

- 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
- 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 6

South Cambridgeshire District Council

REPORT TO:	Scrutiny & Overview Committee Cabinet	21 January 2020 5 February 2020
LEAD CABINET MEMBER:	Councillor John Williams, 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 £41.706 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 £41.706 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*
	£
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. 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 £'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
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. 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, Shire Homes Lettings and Housing Benefit nil subsidy. 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	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
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. It is proposed that a ceiling level of £20,000 be set for this so that the funding made available for this purpose is only replenished to this level.	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	Set aside to fund future surveys on the condition of private housing in the district. This is part of a Housing Standards initiative; it was a statutory obligation imposed on local authorities to undertake a survey of this nature every 5 years. The sum of £15,000 is set aside from the revenue budget each year to meet these 5-year costs.	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**	**-370**	**23,470**	
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: • Roll over from year 2016/2017 relating to the Local Plan (£223,877); • 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. 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**	**177**	**28,393**	
General Fund Reserve		**13,013**	**-**	**300**	**13,313**	**-**	**13,313**	
TOTAL		**41,229**	**-10,660**	**10,960**	**41,529**	**177**	**41,706**	

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:	Scrutiny & Overview Committee Cabinet	21 January 2020 5 February 2020
LEAD CABINET MEMBER:	Councillor John Williams, 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 integral element of the "golden thread" linking to individual Service Plans and 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 or mainly 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 accepts 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: [INSERT LINK]
- Revenue and Capital Estimates: [INSERT LINK]
- Corporate Asset Plan: [INSERT LINK]
- HRA Asset Management Plan: [INSERT LINK]
- Medium Term Financial Strategy: [INSERT LINK]
- Investment Strategy: [INSERT LINK]
- Treasury Management Strategy: [INSERT LINK]
- Standing Orders: [INSERT LINK]
- Financial Regulations: [INSERT LINK]

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	TBC	TBC
% of Net Revenue Stream	0.3	2.7	14.5	TBC	TBC

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South Cambridgeshire District Council

REPORT TO:	Scrutiny & Overview Committee Cabinet	21 January 2020 5 February 2020
LEAD CABINET MEMBER:	Councillor John Williams, 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 wider Northstowe development. A separate report will be submitted to Cabinet 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 Centre.

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 Centre, 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 £575,000 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 £0.926 million and for 2020/2021 by £3.418 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	75,087	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	**95,661**	**78,093**	**79,170**	**85,297**	**2,259**
Financed By:					
• Grants/Contributions	1,319	4,031	5,191	10,855	1,054
• Revenue	4,088	860	766	1,044	418
• Capital Receipts	967	702	713	713	787
• Borrowing	89,287	72,500	72,500	72,685	0
Total Financing	**95,661**	**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 £million**	**2020/2021 £million**	**2021/2022 £million**	**2022/2023 £million**	**2023/2024 £million**
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)			1,875				
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**	**91,690**	**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**	**95,661**	**78,093**	**79,170**	**85,297**	**2,259**
Fixed Assets	22,584	52,186	78,078	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**	**95,661**	**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)	(3,977)	(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)**	**(95,661)**	**(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.

Agenda Item 9

South Cambridgeshire District Council

REPORT TO:	Scrutiny & Overview Committee Cabinet	21 January 2020 5 February 2020
LEAD CABINET MEMBER:	Councillor John Williams, 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 **Appendix A** 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.**

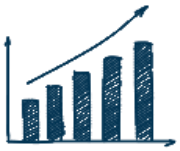
10. INVESTMENT STRATEGY

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	30%	0%
20 years and within 30 years	30%	0%
30 years and above	40%	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: Aberdeen Standard Life 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 Aberdeen Standard Life Deutsche GLS Barclays Call Account 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** Assets between £10,000m and £5,000m **Limit - £5m** 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:	Scrutiny & Overview Committee Cabinet	21 January 2020 5 February 2020
LEAD CABINET MEMBER:	Councillor John Williams, 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**, and summarised at **Appendix A**, with an estimated General Fund Gross Operating Expenditure for 2020/2021 of £66.158 million, estimated Gross Operating Income of £41.710 million and estimated General Fund Net Operating Expenditure of £24.448 million;

   (b) Acknowledge the key factors which have led to the proposed General Fund Revenue Budget, with the range of service pressures summarised at **Appendix C** and offsetting efficiency savings/policy options summarised at **Appendix D;**

   (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 having regard to the consultation responses received and 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 **(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 £24.316 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) <u>Prospects for Local Government</u>

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) <u>Budget Formulation</u>

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) <u>Provisional Settlement – Funding Sources</u>

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	4,966,000	-
Rural Services Grant	-	-
New Homes Bonus	295,000	-
Net increase in Resources	**5,726,000**	
	Reduced Spending/ Funding changes	**Increased Spending**
Spending	**£m**	**£m**
Environmental Services		986,000
Housing Services	100,000	
Planning Services	1,238,000	
Corporate Services		713,000
Interest Payable		2,110,000
Investment Income	2,533,000	
Other Levies & Contributions		327,000
Capital Financing & MRP		5,857,000
Contribution to General Fund		564,000
Contribution to General Fund	960,000	
Spending Adjustments	**4,831,000**	**10,557,000**

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) <u>Proposed Savings</u>

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 £'000	2020/2021 Provisional £'000	Change %	2021/2022 £'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 £92,478 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 £38,350 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** 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 £150,000.

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

<u>Budget Overview</u>

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 this be used to reduce the proposed level of Council Tax;
- 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 £150,000.
- 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 [Example Provided]

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 [To Follow]

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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
6,004	5,050	Corporate Services		26,608	(19,994)	6,614
7,247	6,861	Environmental & Health Services		15,785	(7,552)	8,233
1,561	1,441	Housing General Fund		4,207	(2,745)	1,461
5,247	4,011	Planning Services		9,817	(5,807)	4,009
205	0	Other Items		319	0	319
20,264	**17,363**	**Net Cost of Services**		**56,735**	**(36,098)**	**20,637**
(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	989	Interest Payable (Inc. HRA)	(c)	2,119		2,119
(1,063)	(911)	Depreciation Reversals & Other Adj.			(1,074)	(1,074)
176	581	Minimum Revenue Provision		2,055		2,055
0	401	Revenue Contributions to Capital		3,978		3,978
18,326	**16,080**	**Net Operating Expenditure**		**66,158**	**(41,710)**	**24,448**
604	6,926	Contribution to/(from) General Fund		1,168		1,168
(340)	234	Contribution to/(from) Other Reserves			(1,300)	(1,300)
18,590	**23,241**	**To be met from Government Grants and Local Taxpayers**				**24,316**
		Taxation and Grants				
(6,811)	(11,411)	Business Rates inc Section 31			(11,777)	(11,777)
(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**				**(24,316)**

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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	2019/20 Original Estimate £ 000's	2020/21 Original Estimate £ 000's
HOUSING GENERAL FUND		
DIRECT SERVICE ANALYSIS		
HOUSING ASSOCIATION SUPPORT	105	103
HOMELESSNESS	586	458
LETTING & ADVISORY SERVICE	111	108
PRIVATE SECTOR LEASING SCHEME	241	262
SELF-BUILD VANGUARD	20	9
STRATEGIC HOUSING	172	168
EQUALITY & DIVERSITY	6	5
TRAVELLERS SITES	32	79
IMPROVEMENT GRANTS	57	71
VISITING SUPPORT SERVICE	0	9
GF SHELTERED PROPERTIES	115	106
COMMUNITY LIFELINE SERVICES	0	(39)
RECHARGES FROM/(TO) HRA	49	122
NET EXPENDITURE CHARGED TO GENERAL FUND	**1,494**	**1,461**

SUBJECTIVE ANALYSIS	2019/20 Original Estimate £ 000's	2020/21 Original Estimate £ 000's
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	628
Gross Expenditure	3,072	4,243
Gross Income	(1,578)	(2,782)
Net Expenditure	**1,494**	**1,461**

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. The increase in Employee Related and Supplies and Services expenditure shown in the subjective analysis is because of this as is the additional income which are service charges. Overall the service shows net income of £39,000 in 2020/21 in the Direct Service Analysis.
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 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 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 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 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 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 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 This relates to the ongoing support costs of the replacement equipment.	19,000
IT Investment: Other Projects 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 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 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 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 To install air quality monitors, collate baseline data and commence remedial action at sensitive sites in the District.	30,000
• Fly Tipping 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. 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. (* 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**	**-**

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)		**92,147,715**				
Less						
	Transitional Payment Protection	31,833				
	Cost of collection	-241,886				
	Yield from renewable energy	-782,086				
	Enterprises	-957,703				
Yield for distribution		**90,197,873**	**45,098,937**	**36,079,149**	**8,117,809**	**901,979**
Add						
	Cost of collection			241,886		
	Yield from renewable energy			782,086		
	Enterprises			957,703		
	Designated area relief		-170,033	170,033		
Total Income from rates yield		**92,179,548**	**44,928,904**	**38,230,857**	**8,117,809**	**901,979**
Estimated Surplus / (deficit) from 2019/20		**298,415**	**149,208**	**119,366**	**26,857**	**2,984**
		92,477,963	**45,078,111**	**38,350,223**	**8,144,666**	**904,963**

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Scrutiny and Overview Committee Work Programme 2019/20

Meeting date	Potential Agenda item (subject to prioritisation by Chairman and Vice Chairman)
Every meeting	Selected Key Decision items prior to Cabinet Selected Non-Key Decision items prior to Cabinet Work programme Feedback from task and finish groups
February 2020	Items scheduled for March Cabinet Decision: • Investment Partnerships Members Agreements (Key) • Revenue Budget Monitoring (Key) • Proposed extension to the Shared Services Business Plans • Q3 Performance Report (Non-Key) • Potential Property Investment decision • Report on outcomes following barriers to procurement from SMEs Scrutiny T&F Group • Policy for allocation of Faith/Community Land at Northstowe (Key) • Health and Wellbeing Strategy (Key) Other items: • Update from Community Safety Partnership
March 2020	Items scheduled for April Cabinet Decision: • Consultation on draft Biodiversity Supplementary Planning Document (SPD) (Non-Key) • Potential Property Investment decision
April 2020	Items scheduled for May Cabinet Decision: • Potential Property Investment Decision

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NOTICE OF KEY AND NON KEY DECISIONS

To be taken under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 from 1 January 2020

South Cambridgeshire District Council

Notice is hereby given of:

- Key and Non-Key decisions that will be taken by Cabinet, individual Portfolio Holders or Officers
- Confidential or exempt executive decisions that will be taken in a meeting from which the public will be excluded (for whole or part)

A Key Decision is a decision, which is likely:

(1) (a) to result in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or

(b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards

(2) In determining the meaning of `significant' for the purposes of the above, the Council must have regard to any guidance for the time being issued by the Secretary of State in accordance with section 9Q of the 2000 Act (guidance).

A notice / agenda, together with reports and supporting documents for each meeting will be published at least five working days before the date of the meeting. In order to enquire about the availability of documents and subject to any restriction on their disclosure, copies may be requested from Democratic Services, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB23 6EA. Agenda and documents may be accessed electronically at www.scambs.gov.uk

Formal notice is hereby given under the above Regulations that, where indicated (in column 4), part of the meetings listed in this notice may be held in private because the agenda and reports for the meeting will contain confidential or exempt information under Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. See overleaf for the relevant paragraphs.

If you have any queries relating to this Notice, please contact
Victoria Wallace on 01954 713026 or by e-mailing Victoria.Wallace@scambs.gov.uk

Paragraphs of Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended)
(Reason for a report to be considered in private)

1. Information relating to any individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings
6. Information which reveals that the authority proposes:
   (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
   (b) to make an Order or Direction under any enactment
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime

The Decision Makers referred to in this document are as follows:

Cabinet

Councillor Bridget Smith	Leader of the Council
Councillor Aidan Van der Weyer	Deputy Leader
Councillor Neil Gough	Deputy Leader (non-statutory)
Councillor Tumi Hawkins	Planning
Councillor Hazel Smith	Housing
Councillor Bill Handley	Environmental Services and Licensing
Councillor John Williams	Finance

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Potential Property Investment Decision Key	Potential decision on potential Investment Strategy acquisition.	Cabinet Cabinet Cabinet	08 January 2020 05 February 2020 04 March 2020	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Leader of Council Anywhere Trevor Roff, Interim Director of Finance	Report (publication expected 23 December 2019) Report (publication expected 28 January 2020) Report (publication expected 25 February 2020)
Potential property acquisition decision Key	Provisional decision item relating to acquisition of property.	Cabinet Cabinet Cabinet	08 January 2020 05 February 2020 04 March 2020	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Lead Cabinet member for Housing Kirstin Donaldson, Head of New Build	Report (publication expected 23 December 2019) Report (publication expected 28 January 2020) Report (publication expected 25 February 2020)
Housing Revenue Account Capital Programme Update Non-Key	To provide an update on the HRA Capital Programme	Cabinet	08 January 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 23 December 2019)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
New Business Support Service Key	To approve the Greater Cambridge Economic Action Plan which is being prepared jointly by South Cambs District Council, Cambridge City Council and the Greater Cambridge Partnership. It will capture the economic development plans for all 3 organisations, drawn together under the Government's 5 foundations of productivity: Place, People, Ideas, Business Environment & Infrastructure.	Cabinet	08 January 2020		Leader of Council Stephen Kelly, Joint Director of Planning and Economic Development, Johanna Davies, Economic Development Officer	Report (publication expected 23 December 2019)
Adoption of the Greater Cambridge Sustainable Design and Construction	The SPD provides guidance on the implementation of policies related to	Cabinet	08 January 2020		Lead Cabinet member for Planning	Report (publication expected 23 December 2019)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Supplementary Planning Document Key	climate change and sustainable design and construction within the 2018 South Cambridgeshire and Cambridge City Local Plans. Cabinet will be asked to agree responses to representations received during public consultation and any subsequent amendments to the SPD, and to approve its adoption.				Emma Davies, Principal Sustainability Consultant	
Collection Fund - Estimated Council Tax Surplus Key	To determine the estimated Collection Fund surplus as at 31 March 2020.	Cabinet	08 January 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 23 December 2019)
Communal Room Review - Future use of The Limes/Limes Close Sheltered	Part of a review of communal rooms. Consultation has taken place with	Cabinet	05 February 2020		Lead Cabinet member for Housing	Report (publication expected 28 January 2020)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Communal Room Non-Key	sheltered residents of The Limes/Limes Close, Bassingbourn, who no longer wish to use the building as their communal room. The Parish Council is keen to take on the long lease on the building and to invest in the interior to make it a useable village hall.				Kate Swan, Leasehold Services Co-ordinator	
Business Plan 2020-25 Key	To recommend a revised Business Plan action grid. The Council reassesses its 5 year Business Plan annually. A set of themes was agreed as part of the Business Plan for 2019-24. The action plan beneath this has been updated and prioritised for 2020-25.	Cabinet Council	05 February 2020 20 February 2020		Deputy Leader (non statutory) Gareth Bell, Communications Manager, Kevin Ledger, Senior Policy and Performance Officer	Report (publication expected 28 January 2020) Report (publication expected 12 February 2020)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Greening of South Cambridgeshire Hall Key	The project seeks to undertake work to ensure that the South Cambs Hall site becomes an example of best practice in energy efficiency and green energy generation/storage/sharing. It aims to minimise emissions through low carbon energy generation and energy efficiency measures, increase energy self-sufficiency and generate income and savings for the Council.	Cabinet	05 February 2020	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Deputy Leader (non statutory) Philip Bird, Corporate Programme Manager	Report (publication expected 28 January 2020)
Capital Strategy Key	To undertake the annual review of the Council's Capital Strategy.	Cabinet	05 February 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 28 January 2020)
Council Tax Arrangements 2020/2021: Localised Council Tax Reduction Scheme Non-Key	To consider revisions to the Council Tax Reduction Scheme.	Cabinet Council	05 February 2020 20 February 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 28 January 2020) Report (publication expected 12 February 2020)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Capital Investment Programme Key	To determine, for recommendation to Council, the Council's Capital Programme to 2024/20205 together with the Council's proposed Prudential Indicators.	Cabinet	05 February 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 28 January 2020)
General Fund Budget 2020/2021 Key	To consider the General Fund Budget for 2020/2021 and to recommend the Budget to Council.	Cabinet	05 February 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 28 January 2020)
Housing Revenue Account (HRA) Budget 2020/2021 Key	To consider the Housing Revenue Account Budget for 2020/2021 and to recommend the Budget to Council.	Cabinet	05 February 2020	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 28 January 2020)
Treasury	To undertake the	Cabinet	05 February 2020		Lead Cabinet	Report (publication

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Management Strategy Key	annual review of the Treasury Management Strategy.				member for Finance Trevor Roff, Interim Director of Finance	expected 28 January 2020)
Reserves and Provisions Key	To review the level of Reserves and Provisions.	Cabinet	05 February 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 28 January 2020)
Proposed fees and charges: April 2020 Non-Key	To undertake the annual review of non-regulatory fees and charges.	Cabinet	05 February 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 28 January 2020)
Council Tax Resolution 2020/21 Non-Key	To formal approve the Council Tax, including the requirements of precepting organisations.	Council	20 February 2020		Lead Cabinet member for Finance Trevor Roff, Interim Director of Finance	Report (publication expected 12 February 2020)
Annual Pay Policy Statement Non-Key		Council	20 February 2020		Liz Watts, Chief Executive	Report (publication expected 12 February 2020)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Health and Wellbeing Strategy **Non-Key**	**To approve a district wide Health and Wellbeing Strategy for public consultation.**	**Cabinet**	**04 March 2020**		**Lead Cabinet member for Housing** **Lesley McFarlane, Development Officer - Health Specialist**	**Report (publication expected 24 February 2020)**
Policy for the allocation of Faith/Community Land at Northstowe **Key**	**To create a policy for the allocation of Faith/Community Land at Northstowe and apply this policy to all growth sites.**	**Cabinet**	**04 March 2020**		**Lead Cabinet member for Planning** **Clare Gibbons, Northstowe Healthy New Town Programme Lead**	**Report (publication expected 24 February 2020)**
Investment Partnerships - Members agreements Key	To consider membership agreements with framework suppliers.	Cabinet	04 March 2020	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Leader of Council David Ousby, Head of Commercial Development & Investment	Report (publication expected 24 February 2020)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Proposed extension to the Shared Services Business Plans Non-Key	To consider an extension of the original Shared Services Agreement for Legal, Building Control and ICT services beyond the expiry date of 30 September 2020.	Cabinet	04 March 2020	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Lead Cabinet member for Customer Service and Business Improvement Liz Watts, Chief Executive	Report (publication expected 25 February 2020)
Revenue Budget Monitoring Key	To consider the latest trends in respect of the 2019/2020 revenue budget (Q3) and emerging budget issues.	Cabinet	04 March 2020		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 25 February 2020)
Quarterly Performance Report (Quarter 3) Non-Key		Cabinet	04 March 2020		Lead Cabinet member for Customer Service and Business Improvement, Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 25 February 2020)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Review of barriers to procurement from SMEs Non-Key	To review the outcomes of the work undertaken as a result of Cabinet's approval of recommendations from the Scrutiny task and finish group which reviewed the barriers to procurement from SMEs.	Cabinet	04 March 2020		Sean Missin, Procurement Officer Johanna Davies, Economic Development Officer	Report (publication expected 25 February 2020)
Resident Involvement Strategy **Key**	**To approve the final Resident Involvement Strategy.**	**Lead Cabinet member for Housing**	**6 May 2020**		**Lead Cabinet member for Housing** **Jennifer Perry, Residents Involvement Team Leader**	**Report (publication expected 27 April 2020)**
Consultation on draft Biodiversity Supplementary Planning Document Non-Key		Cabinet	July 2020		Deputy Leader of the Council Caroline Hunt, Strategy and Economy Manager	Report (publication date tbc)

Key and non-key decisions expected to be made from 1 January 2020

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
North East Cambridge Area Action Plan Key	To approve the draft Plan report for public consultation. This is a joint AAP with Cambridge City Council for North East Cambridge. The issues and options consultation took place in Spring 2019. The draft plan report will outline the Councils' proposed planning policy framework for the development of the area.	Cabinet	July 2020		Deputy Leader of the Council Julian Sykes, Urban Extensions Project Manager	Report (publication date tbc)
Refreshed New Build Strategy Key	To approve a refreshed New Build Strategy.	Cabinet	August 2020		Kirstin Donaldson, Head of New Build	Report (publication date tbc)

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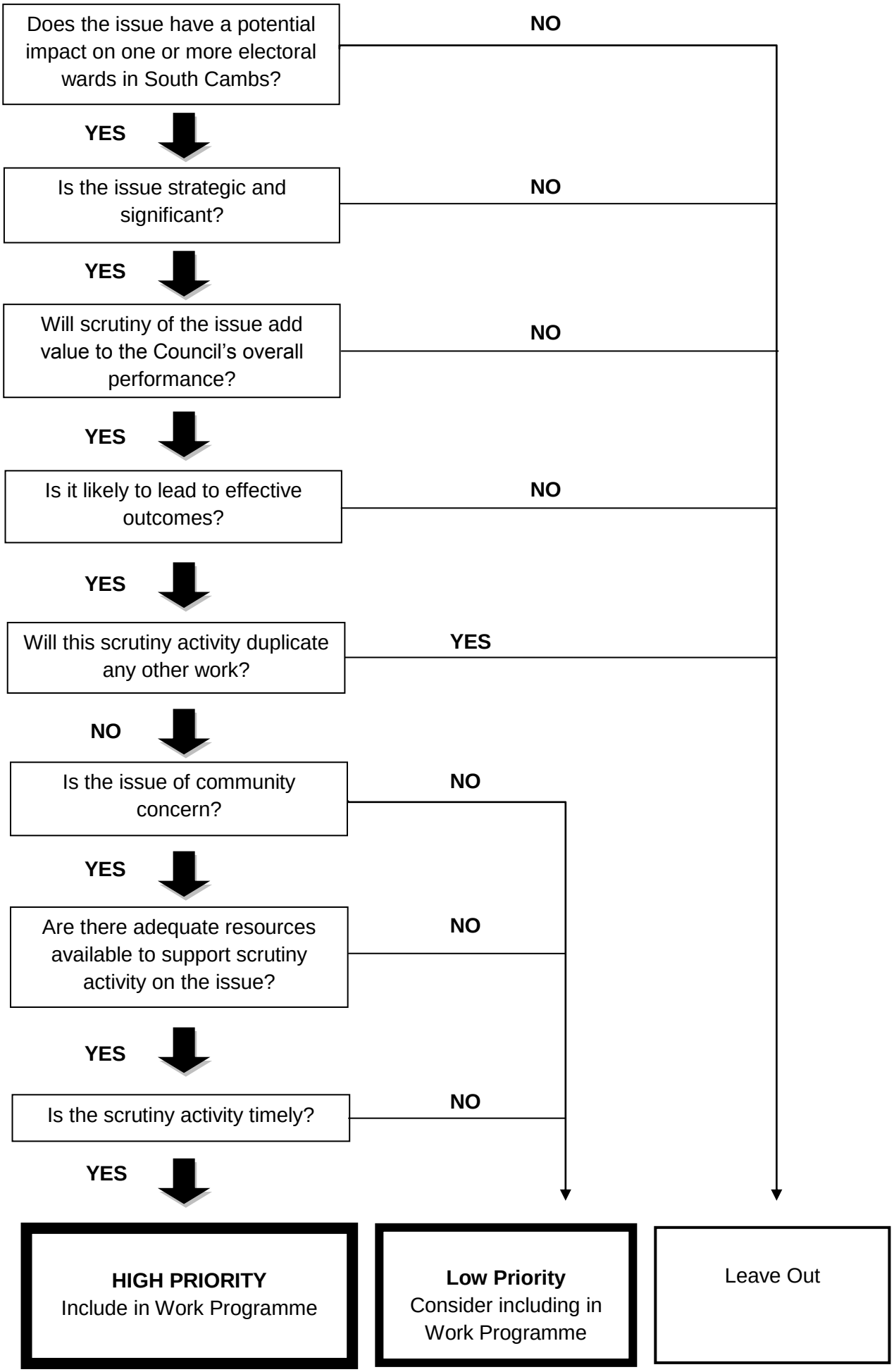
Scrutiny Work Programme Prioritisation Tool



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