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South Cambridgeshire District Council

26 January 2021

To: The Leader – Councillor Bridget Smith
Deputy Leader (Statutory) – Councillor Dr. Aidan Van de Weyer
Members of the Cabinet – Bridget Smith, Dr. Aidan Van de Weyer, Neil Gough, Bill Handley, Dr. Tumi Hawkins, Peter McDonald, Brian Milnes, Hazel Smith and John Williams

Quorum: Majority of the Cabinet including the Leader or Deputy Leader (Statutory)

Dear Councillor

You are invited to attend the next meeting of **Cabinet,** which will be held in the **Virtual meeting - Online** at South Cambridgeshire Hall on **Wednesday, 3 February 2021** at **10.00 a.m.**

Yours faithfully
Liz Watts
Chief Executive

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

Agenda

		Pages
1.	**Apologies for Absence** To receive Apologies for Absence from Cabinet members.	
2.	**Declarations of Interest**	
3.	**Announcements**	
4.	**Minutes of Previous Meeting** To authorise the Leader to sign the Minutes of the meeting held on Monday, 18 January 2021 as a correct record.	**1 - 6**
5.	**Public Questions** The deadline for receipt of public questions is noon on Wednesday, 27 January. The Council's scheme for public speaking at remote meetings may be inspected here: Public Questions at Remote Meetings	

Guidance Notes for Membership of the Public for Remote Meetings

Members of the public are welcome to view the live stream of this meeting, except during the consideration of exempt or confidential items, by following the link to be published on the Council's website.

Any person who participates in the meeting in accordance with the Council's procedure rules, is deemed to have consented to being recorded and to the use of those images (where participating via video conference) and/or sound recordings for webcast purposes. When speaking, members of the public should not disclose any personal information of any individual as this might infringe on the rights of that individual and breach the Data Protection Act.

For more information about this meeting please contact democratic.services@scambs.gov.uk

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Agenda Item 4

South Cambridgeshire District Council

Minutes of a meeting of the Cabinet held on
Monday, 18 January 2021 at 10.00 a.m.

Present: Councillor Bridget Smith (Leader of Council)
Councillor Dr. Aidan Van de Weyer (Deputy Leader of Council (Statutory) - Strategic Planning and Transport)

Councillors:	Neil Gough	Deputy Leader (non statutory) - Transformation and Projects
	Bill Handley	Lead Cabinet Member for Community Resilience
	Dr. Tumi Hawkins	Lead Cabinet member for Planning Policy and Delivery
	Peter McDonald	Lead Cabinet Member for Business Recovery
	Brian Milnes	Lead Cabinet Member for Environmental Services and Licensing
	Hazel Smith	Lead Cabinet member for Housing
	John Williams	Lead Cabinet member for Finance

Officers in attendance for all or part of the meeting:

Anne Ainsworth	Chief Operating Officer
Peter Campbell	Head of Housing
Mark Deas	Senior Policy Planner
Rebecca Dobson	Democratic Services Manager
Susan Gardner Craig	Head of HR and Corporate Services
Stephen Kelly	Joint Director of Planning and Economic Development
Peter Maddock	Head of Finance
Jonathan Malton	Cabinet Support Officer
Liam Martin	AV Support Officer
Lesley McFarlane	Development Officer - Health Specialist
Rory McKenna	Deputy Head of Legal Practice/Monitoring Officer
Jenny Nuttycombe	Senior Planning Policy Officer
Liz Watts	Chief Executive

Councillors Anna Bradnam, Grenville Chamberlain, Dr. Claire Daunton, Dr. Douglas de Lacey, Sue Ellington, Geoff Harvey, Heather Williams and Dr. Richard Williams were in attendance, by invitation.

1. Leader's Announcements

There were no announcements

2. Apologies for Absence

Councillor Judith Rippeth, Vice Chair of the Scrutiny and Overview Committee send her apologies for absence.

3. Declarations of Interest

There were no declarations of interest.

4. Minutes of Previous Meeting

Cabinet **authorised** the Leader to sign, as a correct record, the public version of the Minutes of the meeting held on Monday, 7 December 2020.

Councillor Neil Gough sent apologies for absence at the meeting held on 7 December 2020 and abstained from voting to affirm the minutes thereof.

5. Public Questions

There was one public question received ahead of the meeting.

(a) From Mr. Daniel Fulton
"The Fews Lane Consortium is in the process of conducting a full audit of the Council's PS2 planning performance returns submitted to the Ministry of Housing, Communities and Local Government.

To date, our volunteers have completed the audit for Q2 2020. Whilst the Council reported to the Ministry of Housing, Communities and Local Government that 85% of decisions on non-major applications were taken within the statutory determination period or within the period of a planning performance agreement or extension of time meeting the requirements set before Parliament by the Secretary of State, the truthful performance statistic was only 9%.

Councillors have been provided with a document containing our detailed audit results on a decision by decision basis.

Will the Portfolio Holder for Planning instruct the Council's internal audit team to audit the PS2 planning performance returns for non-major applications from Q3 2018 to Q3 2020, or will it be necessary for the Fews Lane Consortium to obtain a Direction from the Secretary of State to bring the Council into compliance with its legal obligation to report accurate planning performance data?"

Councillor Dr. Tumi Hawkins, Lead Cabinet Member for Planning and Policy, responded:

Thank you for your question.
Firstly, I wish to re-iterate that we take our legal obligations extremely seriously indeed and take care to report accurate data as we are required to do.
Secondly the submission from Fews Lane Consortium has no supporting explanation as to how the figures have been arrived at. The Council does not agree with the performance figures arrived at by Fews Lane Consortium and remains of the view that the Q2 2020 submission is correct.
Third; whilst on that basis, I do not consider it necessary to undertake an audit of the thousands of decisions made since 2018, given the continued time being spent by officers on responding to this matter, the work of Fews Lane

Consortium volunteers and my desire to provide reassurance on this issue, I am happy to ask that the internal audit team review and report on the Councils Q2 2020 submission. This will, I hope allay any wider concern on the matter.

Mr. Daniel Fulton thanked the Lead Cabinet Member for her response.

6. Issues arising from the Scrutiny and Overview Committee

Cabinet **received and noted** a report from Councillor Grenville Chamberlain, Chair of the Scrutiny and Overview Committee, and Councillor Judith Rippeth, Vice-Chair of the Scrutiny and Overview Committee, informing it about the discussions at, and recommendations from the Committee's meeting held on 17 December 2020.

7. Actions Taken under the Chief Executive's Delegated Powers

Cabinet **received and noted** a report relating to the actions taken under the Chief Executive's Delegated Powers:

- Christmas Support for Wet-led Pubs Policy, decision taken on Wednesday, 15th December 2020
- National Lockdown Business Support Policy Addendum (Local Restrictions Business Support), decision taken on Monday, 21st December 2020

8. Authority Monitoring Report for Greater Cambridge 2019-2020

Councillor Dr. Tumi Hawkins, Lead Cabinet Member for Planning and Policy, introduced a report on the Greater Cambridge Authority Monitoring Report (AMR) 2019-20. The report, which covered both Cambridge and South Cambridgeshire, was brought to this meeting following a request made at the Cambridge Planning and Transport Scrutiny Committee meeting in September 2020, to be considered at a meeting rather than being published as a decision outside a meeting. The AMR was set out as an appendix. Councillor Dr. Tumi Hawkins referred to the key findings as set out, and thanked Officers for completing the report during the Covid-19 pandemic.

Councillor Anna Bradnam, Vice Chair of the Council, requested clarification of the allocations for gypsy and traveller sites. Councillor Dr. Tumi Hawkins responded that there was sufficient provision, based on the need identified in the local plan. The Joint Director of Planning and Economic Development said a new needs assessment was being undertaken.

In response to a query from Councillor Dr. Claire Daunton, Councillor Dr. Tumi Hawkins said that the Council was working with Historic England to amend the advice to owners of historic buildings.

Councillor Dr. Claire Daunton then asked what impact permitted development legislation had on "whole life housing". The Joint Director of Planning and Economic Development said the recent changes related to room standards, but it

should be noted that the report before Members related to the current adopted local plan.

Councillor Heather Williams asked why the Authority had not met the target for the West Cambridge Master Plan, and whether there would be any impact on the Five-Year Land Supply. The Joint Director of Planning and Economic Development responded that this was being led by Cambridge City Council, and no residential development was planned within the West Cambridge Master Plan.

Councillor Geoff Harvey welcomed the comments regarding encouraging fuel efficiency in historic buildings, and on behalf of the Chair of the Climate and Environment Advisory Committee, he asked whether the application of policy would shift from permissive to encouraging efficiency, in view of the climate change situation.

Councillor Dr. Tumi Hawkins said the authority would make the guidelines as clear as possible within government guidelines and would welcome discussion on a progressive approach.

After a further short discussion, the Leader closed the debate, and Cabinet:

a) **Agreed** the Cambridge City Council and South Cambridgeshire District Council - Authority Monitoring Report (AMR) for Greater Cambridge 2019-2020 (included as Appendix 1) for publication on the Councils' websites.
b) **Delegated** any further minor editing changes to the Cambridge City Council and South Cambridgeshire District Council - AMR for Greater Cambridge 2019-2020 to the Joint Director for Greater Cambridge Shared Planning.

9. Update on Health and Wellbeing Strategy

Councillor Bill Handley, the Lead Cabinet Member for Community Resilience, Health and Wellbeing, introduced a report updating Members on delivery of activities and services promoting physical and mental health and wellbeing, since the report presented to Cabinet in June 2020. Councillor Bill Handley said the Covid-19 pandemic had impacted significantly on this work, but commended Officers on the progress which had been made.

Councillor Sue Ellington congratulated the officers for their hard work during the Covid-19 pandemic, with particular reference to the Covid-19 Community Patches and Mobile Wardens Scheme but requested that further online exercise classes be introduced. The Health Specialist Development Officer responded that such classes were introduced at the beginning of the March lockdown last year but would be considered again. Councillor Dr. Douglas de Lacey, the Chair of the Council, thanked the Officers for their work during the last six months, but asked how the Council had deviated from the strategy. The Development Officer responded that from October 2020, there had been a return to supporting the volunteer groups.

Councillor Hazel Smith asked about when the review would be provided to Cabinet. Councillor Bill Handley believed it was too early to confirm a timescale but would liaise with relevant Officers.

Following a further discussion, the Leader thanked Officers for providing the update, and Cabinet:

> **Noted** the contents of the report and considered the impacts of Covid on the delivery of activities and services which promote physical and mental health and wellbeing.

The Meeting ended at
11.04 a.m.

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Agenda Item 6

South Cambridgeshire District Council

REPORT TO:	Cabinet	3 February 2021
LEAD MEMBER:	Councillor Grenville Chamberlain, Chair, Scrutiny and Overview Committee Councillor Judith Rippeth, Vice Chair, Scrutiny and Overview Committee	

Update from Scrutiny and Overview Committee

Purpose

1. This report is to inform Cabinet of the discussions and any recommendations agreed by the Scrutiny and Overview Committee at its meeting of 19th January 2021, which Cabinet may wish to consider in its decision making.

Summary General Fund Revenue Budget 2021/2022

2. The committee considered and commented on the summary General Fund Revenue Budget for 2021/22.

3. The committee discussed a proposed amendment to the Budget from the Labour Group for a new Welfare-Visiting officer role to support residents to access financial support from the DWP, as well as ensuring support available from this council is accessed. Committee members indicated their support for this proposal which was accepted by the Lead Cabinet Member for Finance.

4. The committee also discussed a proposed amendment to the Budget from the Conservative Group. This proposed an additional Planning Enforcement Officer post to be funded by reducing the South Cambridgeshire magazine to two issues per year and where more than one Special Responsibility Allowance is paid to a particular member, in future they receive one allowance. Whilst some committee members were concerned about the pressure on the Planning Enforcement team and supported the principal of the proposal for additional Planning Enforcement support, members were reassured that the council had just gone out to recruit two Planning Enforcement Officers and suggested the council should see how this went before any further positions are created.

Housing Revenue Account Budget 2021/2022

5. The committee considered and commented on the Housing Revenue Account Budget for 2021/2022. There were some queries and comments from committee members in relation to funding for repairs and maintenance, the length of voids and the redevelopment of garage sites and whether these could be reserved for social housing.

Treasury Management Strategy and Capital Strategy

6. The committee considered and commented on the revised Treasury Management Strategy and Capital Strategy.

7. There were some comments and queries from committee members regarding council investments and the impact on the Council of the new Public Works Loan Board lending terms was discussed.

8. Committee members thanked officers for producing very clear reports, particularly given the challenging circumstances.

Report Author:

Victoria Wallace – Scrutiny and Governance Adviser

South Cambridgeshire District Council

REPORT TO:	Cabinet	3 February 2021
LEAD OFFICER:	Liz Watts, Chief Executive	

Actions taken under Chief Executive's delegated powers

Executive Summary

1. As required by the Council's Constitution, this report informs Cabinet of actions taken under the Chief Executive's delegated powers.

Key Decision

2. No

Recommendations

3. To note the actions taken under the Chief Executive delegation (delegation 4.4, Table 7, Part 3 of the Constitution). Details of these actions are set out in appendix A.

Reasons for Recommendations

4. Advise the Cabinet of the decisions taken under the Chief Executive's emergency delegated powers as required by Delegation No 4.4, Table 7, Part 3 of the Constitution.

Report Author:

Jonathan Malton – Cabinet Support Officer
Telephone: 07716 959184

Date of Decision	Subject	Background
Wednesday, 20th January 2021	To approve the National Lockdown Business Support Policy Addendum (Tier 4 and National Lockdown Business Support), detailing additional support to be administered by the Council, for businesses impacted by Tier 4 restrictions introduced from 26 December 2020, and National Lockdown restrictions introduced from 5 January 2021.	Local authorities are responsible for delivering funding support to eligible businesses in response to measures that have been put in place in response to the Covid-19 pandemic, as detailed within the National Lockdown Business Support Policy. New guidance has been released by government setting out how local authorities will administer support to businesses covering the period of Tier 4 restrictions introduced in South Cambs from 26 December 2020, and National Lockdown, introduced 05 January 2021. In order to formalise arrangements for carrying out this function in line with government guidance, the Chief Executive, in exercise of the emergency delegation in paragraph 4.4 of the Scheme of Delegation in Part 3 of the Constitution, and the emergency delegation approved by the Leader of the Council on 30 March 2020, authorising the Chief Executive to exercise all executive functions, or to authorise specified officers to exercise any such functions, and after consultation with the Leader of the Council:- 1 Approves the National Lockdown Business Support Policy Addendum (Tier 4 and National Lockdown Business Support), including details of how grant schemes will be administered to support local businesses impacted by Tier 4 and National Lockdown restrictions 2. Authorises the Chief Finance Office to approve future individual discretionary grants for small businesses, as set out within the policy. Due to the Covid 19 emergency and the need for the Council to administer these grants in line with Government guidance and to support local businesses impacted by the pandemic and subsequent restrictions.

South Cambridgeshire District Council

REPORT TO:	Cabinet	03 February 2021
LEAD CABINET MEMBER:	Lead Cabinet member for Climate Change	
LEAD OFFICER:	Head of Shared Waste and Environment	

Doubling Nature Strategy

Executive Summary

1. The purpose of this report is to consider the Doubling Nature Strategy.

2. The Doubling Nature Strategy sets out in high-level terms the Council's approach to achieving the aim agreed at Full Council in July 2019 to double nature in South Cambridgeshire. It is a sister document to the Zero Carbon Strategy, outlining how the Council uses its widening spheres of influence, on its own estate, through policies and through wider influence in partnerships and communities to achieve more wildlife-rich habitats, increased tree canopy cover and better accessibility to green space.

Recommendations

3. That Cabinet adopt the draft Doubling Nature Strategy at Appendix A.

Reasons for Recommendations

4. The Doubling Nature Strategy sets out in high-level terms the Council's approach to achieving the aim agreed at Full Council in July 2019 to double nature in South Cambridgeshire.

5. The Climate and Environment Advisory Committee recommended adoption of the Doubling Nature Strategy at its meeting on 12 January.

Details

6. Full Council recognised the ecological emergency on 18 July 2019 and agreed an aim to 'double the area of rich wildlife habitats, tree cover and accessible green space in order for nature and people to thrive, and businesses to prosper'.

7. The need for a 'visionary strategy' setting out the Council's programme in response to this motion was agreed by the Head of Waste & Environment and the Chair of the Climate & Environment Advisory Committee following adoption of the Zero Carbon

Strategy in May 2020. The objectives, scope, structure and schedule for the strategy were discussed and approved by CEAC on 1 September.

8. The Doubling Nature Strategy is a sister document to the Zero Carbon Strategy, outlining how the Council uses its widening spheres of influence: as an exemplar on its own estate, through policies and through its wider influence in partnerships and communities.

9. The Strategy is complementary to work being carried out by Greater Cambridge Shared Planning to map opportunities for green infrastructure, and develop a new Greater Cambridge Local Plan, and a new Greater Cambridge Biodiversity Supplementary Planning Document. These three projects, all of which are very significant aspects of the Council's approach to delivering a doubling of nature, are referenced in the Strategy.

Development of the strategy

10. The strategy has been drafted by the Development Officer, Climate and Environment in collaboration with officers from the Greater Cambridge Shared Planning Natural Environment and Planning Policy teams, the Air Quality Scientific Officer and the Housing Neighbourhood Services Manager. Two sessions for Members have been held: a briefing session on 8 September on current work relating to 'doubling nature', and a workshop on 20 October to gather Members' views on the vision for nature on the Council's estate and in the wider district.

11. Views from the Member workshop have been considered in the drafting of the Strategy. The chair and vice chairs of the CEAC provided comments on an earlier draft of the strategy, which have been taken account of in changes incorporated into the attached draft.

Plans for delivery of the strategy

12. An action plan will be drawn up in consultation with the Climate and Environment Advisory Committee.

Options

13. Cabinet can adopt the Doubling Nature Strategy at Appendix A as it is, or subject to specified changes, or not.

Background reports

Report to CEAC meeting, 12 January 2021 on Doubling Nature Strategy and Biodiversity Supplementary Planning Document for Greater Cambridge
https://scambs.moderngov.co.uk/documents/s120256/Doubling%20Nature%20Strategy%20Biodiversity%20Report.pdf

Report to CEAC meeting, 1 September 2020 on Doubling Nature Strategy

https://scambs.moderngov.co.uk/documents/s117762/Doubling%20Nature%20Strategy.pdf

Implications

14. 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

15. Actions arising from the Doubling Nature Strategy will be resourced from existing budgets where this is possible. Otherwise, budget will be allocated through the Council's usual business and service planning procedures.

Climate Change

16. Nature can provide a range of solutions to climate change, both its impacts and causes, for example, increased tree cover may result in increased carbon sequestration and mitigation of flood risks exacerbated by climate change. The Doubling Nature Strategy supports various natural solutions to climate change.

Appendices

Appendix A: Doubling Nature Strategy

Report Author:

Siobhan Mellon, Climate and Environment Development Officer
Telephone: 01223 752458 (Teams)

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South Cambridgeshire District Council

Doubling Nature Strategy

2021

Contents

Forewords

Cllr Bridget Smith, Leader

The days when we can just take nature for granted are long gone.

The cumulative damage that began with the Industrial Revolution has now reached the point where all of nature is under serious threat and just minimising and mitigating for damage is no longer an option.

We now have no choice but to actively find every opportunity we can to protect and enhance what natural assets we have and to double, as an absolute minimum, the land that is devoted to nature.

If we do this right, we will create well managed natural habitats for both nature and humans to enjoy. We will improve air quality and biodiversity and reduce the damage from climate change.

In South Cambridgeshire we are determined, through everything we do, to do to create a district where nature come first and thrives as a consequence.

Cllr Pippa Heylings, Chair of our Climate and Environment Advisory Committee

The global pandemic has highlighted more than ever the value and importance of Nature for our physical and mental wellbeing.

It has also exposed the terrible inequality that exists because of the number of families who do not have close and easy access to wild, open green spaces.

South Cambridgeshire is one of the fastest growing areas in the country and yet is one of the poorest in terms of biodiversity and has one of the smallest areas of land managed for nature, relative to size. The challenge to balance economic growth with measures to protect and enhance nature has never been more urgent.

I am extremely proud of our Doubling Nature Strategy which is a sister document to our Zero Carbon Strategy because the climate and ecological emergencies are interlinked. The Strategy lays out how will work with our communities, partners and businesses to:

- give nature space and help to reverse declines in habitat and species
- provide more areas for people to enjoy nature and to benefit our health and wellbeing
- improve the quality of air that we breathe
- help manage water for nature
- create more resilience to climate change, and
- boost the economy of our area.

Introduction

The world is facing an ecological crisis with species declining globally, due to human actions, at the fastest rate ever recorded. This is clear from numerous studies.

The Global Assessment on Biodiversity carried out for the United Nations in 2019 reported that 1 million species are threatened with extinction and warned that we are undermining the natural infrastructure on which our modern world depends.

In the UK, the 2019 State of Nature report found populations of the UK's most important wildlife had fallen by 60 per cent in 50 years. On the eve of new global biodiversity targets being set by the international community, the Government's own assessment of progress towards existing UK targets shows that it is failing on 15 out of 20 measures, with particular challenges around the targets on pollution, vulnerable ecosystems outside protected areas, and on restoring degraded ecosystems

! The State of Nature 2019 report lists five main threats to biodiversity in the UK: pollution, climate change, changes in agricultural practices, urbanisation and the introduction of non-native species.

Sadly, Cambridgeshire is very much part of this picture. A recent report for the Cambridgeshire Biodiversity Partnership showed massive declines since the 1930s in key habitats such as semi-natural grassland in Cambridgeshire. Once common species such as hares, hedgehogs and turtle doves are at risk of disappearing.

The ecological and climate emergencies are interlinked. This document sets out what we are doing to tackle the ecological crisis and is a sister document to South Cambridgeshire's Zero Carbon Strategy, which we adopted in May 2020. We have already signed up, with our partners in Natural Cambridgeshire, to the vision of doubling nature in Cambridgeshire and Peterborough by 2050. Here we set out our approach to delivering that vision in South Cambridgeshire.

What do we mean by nature?

There are several terms closely connected to nature including biodiversity, natural capital and green infrastructure.

This strategy outlines what we are doing for biodiversity – our wild plants and animals. It also touches on what we are doing to enhance other natural assets in the district, including our soils, air and water. The sum of our natural assets is our natural capital and is essential for our prosperity and wellbeing. It is from our natural capital that vital ecosystem service benefits such as food, water, flooding mitigation and climate regulation derive. The related term 'green infrastructure' is more typically used in a planning context to refer to elements of the natural environment in relation to development plans.

The Council's role

The Council owns only a tiny proportion of the land in South Cambridgeshire. We directly control even less, since almost all the land we own is associated with our Council housing.

Clearly, we cannot double nature on our own and so, as with our Zero Carbon Strategy, this strategy is about how we make best use of the powers and influence we have to encourage, support and, in some cases, compel others to play their part.

Our most significant work in support of the vision to double nature is the work we are doing as the local planning authority through our shared planning service with Cambridge City Council, Greater Cambridge Shared Planning. As Section 7 explains, Greater Cambridge Shared Planning is currently in an intensive period of policy development as preparations are made for a new joint Greater Cambridge Local Plan for Cambridge City and South Cambridgeshire, which will set out planning policy for the next 20 years. This document provides a snapshot of our current work through planning relating to nature, and an overview of how we are developing new planning policies to enhance this work further. For a detailed picture and emerging up-to-date information, readers are directed to the Greater Cambridge Shared Planning website.

An action plan based on this strategy will be developed in consultation with stakeholders in the coming months. This will be incorporated into our business and service delivery plans for 2021-22 and beyond with progress monitored and reported through our usual processes.

The natural capital of South Cambridgeshire

Natural capital is the sum of our natural assets and ecosystems including soil, trees, air, water and other biodiversity.

Quality of life, wellbeing, resilience to extreme weather conditions and the quality of the homes and neighbourhoods we are building depend on these fully functioning ecosystems and assets.

Soil

Fertile soils are perhaps South Cambridgeshire's greatest natural resource. The soils in the district include boulder clay, chalk and peat, with most land designated as grade 2 or 3 (i.e. good) agricultural land. As such it is put to good use by mainly medium and large-scale farms, producing food, especially arable crops.

Over recent decades technological advances have enabled much improved yields. However, many intensive farming practices, including deep ploughing, rapid crop-rotation, enlarging fields and removing trees and hedges, are resulting in soil erosion and degradation which, if unstopped, will cause productivity to decline. Hedgerows are critically important to connect remaining fragments of biodiversity and they are also threatened by changes in land use and new development pressure.

Trees

South Cambridgeshire has fewer trees than most other areas of the UK, although it does contain some important ancient woodlands. Mainly in the west of the district with some in the southeast, these probably survived historically due to the difficulty of ploughing the heavy boulder clay. Major transport infrastructure routes are a potential threat to some of this long-standing woodland.

Air

Local air quality management is a statutory obligation for local authorities. We monitor key road traffic associated pollutants and publish annual status reports on our website. Where we find that pollutants exceed agreed thresholds, we are able to declare Air Quality Management Areas requiring action to improve air quality; the stretch of the A14 between Bar Hill and Milton is one such area.

National air quality objectives were met at all of our current monitoring locations in our most recent review, including in the A14 AQMA. We continue to develop our understanding of air quality in the district and are extending coverage of our monitoring to include more potential pollution hotspots around the A14 and at other locations in the district.

Water

Cambridgeshire is one of the driest parts of the UK and the rainfall we have is highly variable, which means that water needs to be carefully managed. South Cambridgeshire's three main rivers, the Granta, Cam and Rhee, all originate from chalk springs, which also supply the aquifer that provides much of our drinking water. Chalk streams in the UK are internationally important in the conservation of biodiversity. The UK has about three quarters of the world's chalk streams. However, the amount of water being taken for public water supply are endangering the chalk streams' ability to flow healthily, impacting on the wildlife that lives there.

Biodiversity

Important wildlife habitats in South Cambridgeshire include rivers and streams, especially chalk ones, woodland, scrub, old orchards, hedgerows, arable farmland, ponds, churchyards and cemeteries, lowland chalk grasslands, meadows, pastures and both man-made and natural wetlands.

South Cambridgeshire is one of the areas of highest growth in the country and this has led to higher levels of housing and office construction, including the continued emergence of strategic new towns and supporting transport infrastructure. This urbanisation has led to changes in land-use and has an impact on habitat and biodiversity. Changes in planning policy and standards are particularly important to ensure that key remaining biodiversity is protected where possible and that there is overall environmental net gain.

With much of the land intensively farmed, biodiversity in South Cambridgeshire has been under pressure for many decades. Semi-natural habitats such as permanent pasture have been converted to arable. Field margins have been narrowed, orchards and hedges grubbed up, and seed-rich winter stubbles lost due to spring sowing being replaced by autumn sowing. Wetlands have been 'improved' through drainage. This means that where farms can adopt wildlife-friendly management practices, this is particularly valuable. Examples of these include retaining patches of native vegetation, leaving wider margins in arable fields and creating beetle banks.

With biodiversity under such pressure, areas which are dedicated to nature are of great importance. There are 180 sites designated for conservation in South Cambridgeshire, covering just under 4 per cent of total land area. 59 of these are legally protected, as detailed in the table below. These include a variety of habitats including wetlands, wood park, pasture and ancient woodland. The sole site of international importance is the Eversden and Wimpole Woods Special Area of Conservation, an ancient woodland supporting the rare barbastelle bat.

Designation for nature conservation	Legally protected under UK legislation?	Number of sites in South Cambridgeshire	Area in hectares
Sites of Special Scientific Interest	✔	52	1,667
Special Area of Conservation	✔	1	66
Local Nature Reserve	✔	6	37
County Wildlife Sites	✘	121	1,714*

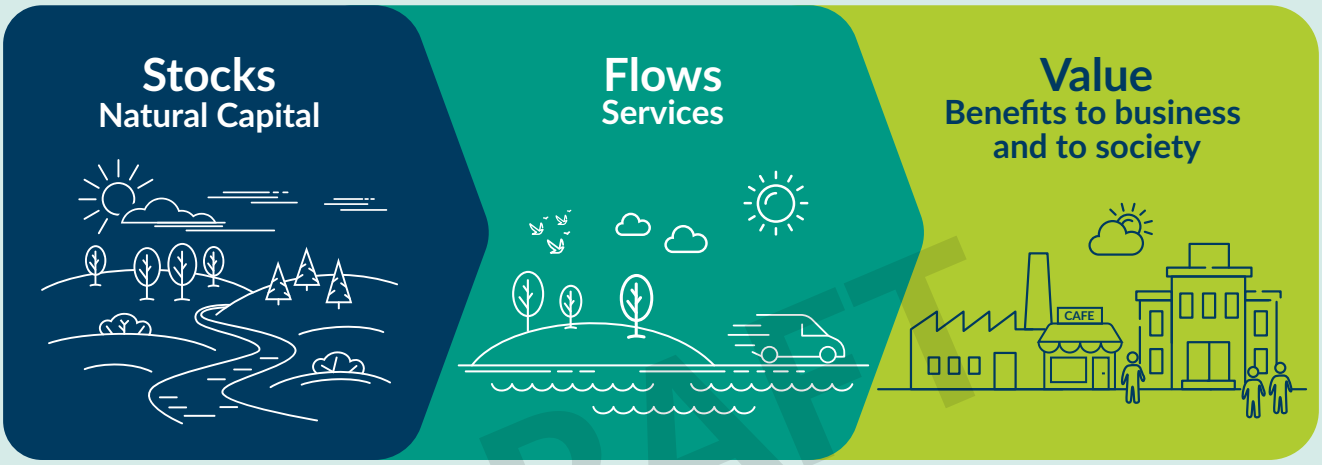
Detailed information about the natural capital of South Cambridgeshire is available in a major study of green infrastructure in Cambridge City and South Cambridgeshire published in November 2020. Commissioned by Greater Cambridge Shared Planning to inform policy development for the new Greater Cambridge Local Plan, this 206 page report, including 35 maps, outlines the extent and distribution of green infrastructure assets and networks in Greater Cambridge and the opportunities available to enhance and expand these. The report addresses the following seven themes, providing a detailed overview of green infrastructure assets and opportunities for each:

1. Landscape, cultural heritage, and sense of place
2. Biodiversity and geodiversity
3. The water environment
4. Access and connectivity
5. Recreation and play
6. Carbon sequestration
7. Agriculture and community food growing

The Greater Cambridge Green Infrastructure Opportunity Mapping Baseline Report can be viewed for further details.

The Natural Capital Framework

Natural Capital (NC) is the stock of the world's living and non-living natural resources including soils, water, the atmosphere, ecological communities and the natural processes that underpin their functioning. The extent, condition and location of the stock of NC determine the flow of goods and services (known as ecosystem services) that provide benefits to people today and into the future.



These goods and services can be categorised as:

- Provisioning services such as food, fresh water, fuel wood and fibre
- Regulating services such as climate regulation, floodwater attenuation, water purification and reduction of pests and diseases
- Cultural services such as benefits to health and wellbeing, recreation and ecotourism, aesthetic, inspirational and educational benefits and a sense of place and cultural heritage
- Supporting services necessary to produce other ecosystem services such as soil formation, nutrient recycling and pollination.

The content on this page is adapted from the Natural Capital Protocol

The vision

Our vision is to double nature in South Cambridgeshire by 2050 and, in so doing, enable wildlife and people to thrive and businesses to prosper.

This means:

- **More wildlife-rich habitats**
- **An increase in tree canopy cover**
- **Better accessibility to green space.**

Our approach

Although we directly control only a tiny area of land in the district, there are many ways we can influence what happens on land we do not control. Our approach is to use our widening circles of influence to protect and enhance nature in the district.

- We will be an exemplar to others on our own estate through tree planting and nature enhancing measures. This includes our main office at South Cambridgeshire Hall and the communal land associated with our Council housing.
- We will make the most of our direct influence on the natural environment as the local planning authority. We aspire to achieve 20% biodiversity net gain through development. We cannot require this unless and until adopted in planning policy or mandated at national level but will encourage all partners to work with us to achieve this aspiration ahead of policy and legal obligations.
- We will use our wider influence through formal and informal partnerships with businesses and community.

Our own estate

Nearly all the land we own is closely associated with our own housing stock. As such, it is referred to by the name of our ring-fenced landlord account, the Housing Revenue Account (HRA).

As well as tenants' homes, gardens, and carparks, HRA land includes:

- 36 hectares of communal land down to grass
- 1.9 hectares of additional land down to grass
- 10,000 metres of hedging
- Several hundred trees of various species, sizes and age
- Streams and watercourses running through HRA land

Our grounds maintenance contractors cut grass regularly throughout the growing season, cut hedges and shrub beds at least once per year, and carry out reactive tree surgery work as needed.

This work is monitored by means of regular formal estate inspections with tenant representatives, parish councils and other interested parties, informal estate inspections throughout the year and checks with tenants and customers to ensure they are satisfied with grounds maintenance and tree surgery work. We work closely with our Tenant Participation Group to identify areas for service improvement.

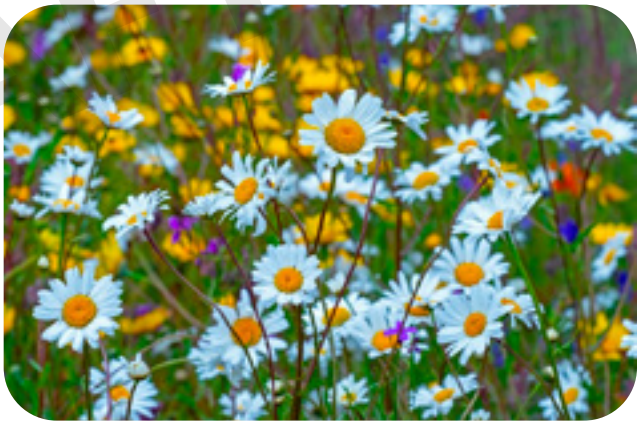
We are working on various projects to enhance our HRA land for nature.

Tree audit

With the support of our grounds maintenance contractor we are undertaking a tree audit. Over the coming year every tree on communal land will be mapped to show its location, size, species and condition. This will allow us to bring forward a proactive programme of tree surgery to prevent problems and improve tree health. This will also identify where we can implement our ambitious tree planting programme and ensure that we are planting the right trees in the right places.

Tree planting

With support and funding from our Repairs and Maintenance contractor under the social value element of our contract with them, we are planting additional trees. We are also supporting residents who wish to plant trees and shrubs on communal land close to their homes.



Wildflowers

We are developing our estate inspection process to identify further opportunities to improve our green spaces including identifying suitable areas to be reseeded with wildflowers.

We will also encourage tenants to make their gardens wildlife-friendly and encourage changes to cutting regimes to allow for wildflower habitat where appropriate to benefit nature.

Commercial sites

Other than HRA land, we own the site of our main office in Cambourne, South Cambridgeshire Hall, and we have a small portfolio of properties purchased as commercial investments.

We will explore options for enhancing nature as part of any future planned maintenance of development work to these sites.

Milton Country Park

We also own Milton Country Park, a 38 hectare former sand and gravel pit which we developed into a country park in the early 1990s. Management of Milton Country Park is carried out by Cambridge Sport Lakes Trust under a long term lease. The park includes woodland, water, and grassy meadow habitats which the Trust manages to support and enhance biodiversity and the natural environment. Visitors to the park can enjoy an abundance of wildlife throughout the year.

There are two categories where we have responsibility for the management of land we do not own, and where we aim to manage this land effectively for nature.

Drainage

We have responsibility (mainly under 19th century legislation) for the upkeep and maintenance of approximately 275km of streams and ditches known as 'awarded watercourses'.

These can support a great deal of wildlife including water beetles, dragonflies, and water voles. We manage these in ways which encourage nature conservation and maintain biodiversity, as well as preventing flooding.

For example, work is carried out in an upstream direction so that disturbed animals can more easily recolonise cleared areas and vegetation is temporarily deposited close to the bank, where possible, so that displaced invertebrates can return to the water.

Churchyards

We currently manage three closed churchyards, St Mary the Virgin Great Shelford, All Saints' Horseheath and St May and All Saints' Willingham.

Situated at the heart of the villages, these sites are a great refuge for many species, especially bats, birds and insects. We vary grass cutting regimes and leave space for areas of wildflowers, leave ivy where appropriate and undertake any maintenance work in a sympathetic way.

Nature in new communities

Our role bringing forwards local centres, community facilities and business parks at Northstowe and other major development sites provides opportunities for enhancing nature. As we did with great success in Cambourne, we will use our role to create accessible green space, increase tree canopy cover and establish wildlife habitats.

Influence through policies

As the local planning authority we have major influence in support of the vision to double nature in South Cambridgeshire.

Urbanisation and development are one of the key drivers to change in biodiversity and natural capital. We also have an important statutory role in managing local air quality.

As previously mentioned, our planning function is carried out in partnership with Cambridge City Council through Greater Cambridge Shared Planning. We set local policy and manage development in line with Government policies laid out in the National Planning Policy Framework.

The current South Cambridgeshire Local Plan was adopted in 2018. It includes a suite of policies to help ensure that new development in the area reduces its environmental impact by minimising carbon emissions, flood risk, pollution and pressure on resources such as water and helping to protect and enhance biodiversity. We also have a Biodiversity Supplementary Planning Document that expands on policies to ensure that biodiversity is adequately protected and enhanced throughout the development process. Our planners have been able to work with developers and communities using these policies to secure good outcomes for nature, as shown in the case studies on pages 18 and 19.

Changes at national level have created new opportunities

Since the 2018 Local Plan was adopted, revisions to the National Planning Policy Framework have created new opportunities to achieve net gains for nature.

The current Framework states that planning policy should identify and pursue opportunities for securing measurable gains for biodiversity.

Using the Government's pilot biodiversity accounting tool, we are doing this, and have succeeded in securing biodiversity net gain on several major development sites. The Government has indicated that biodiversity net gain will become mandatory in the new Environment Bill meaning that developers will be **required** to ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development in the new Environment Bill.

Greater Cambridge Local Plan

Through the Greater Cambridge Shared Planning Service we are preparing a new joint Local Plan which will set out planning policy in Greater Cambridge (Cambridge City and South Cambridgeshire) for the next 20 years.

Both Cambridge City and South Cambridgeshire District Councils recognise the pressure on the natural environment and are committed to exploring how the new Local Plan can do more to improve natural and semi-natural spaces, known in planning terms as 'green infrastructure', across the area of Greater Cambridge. This will include how we can make use of new powers to mandate biodiversity net gain.

We have made biodiversity and green spaces one of the four big themes that will influence how homes, jobs and infrastructure will be planned in the new Local Plan.

In a novel move which underlines the priority we are giving to our biodiversity and green spaces theme we included a Call for Green Sites in our Call for Sites process. A Call for Sites is a normal part of plan making, providing a way for landowners, developers, individuals and other interested parties to suggest sites for development.

The Call for Green Sites specifically allowed anyone to submit suggestions of land to grow and enhance the green space network, and provided an important signal to landowners of the importance of working with them to identify suitable land, such as for community forests.

Green Infrastructure Opportunity Mapping

To inform the development of policies to deliver our doubling nature aspirations we have commissioned a Green Infrastructure Opportunity Mapping study. The baseline report provides robust evidence on the quantity and quality of existing green infrastructure assets and networks within Greater Cambridge and identifies broad opportunity areas to enhance and expand the network. Later stages of the study will identify a range of deliverable projects to enhance the green infrastructure network. The baseline report can be viewed on the **Greater Cambridge Shared Planning website.**

Plan making takes a long time due to the need to do it rigorously and in dialogue with our communities. As the new Greater Cambridge Local Plan nears adoption it will carry ever greater weight in planning decisions. However, it is not expected to be finally adopted until 2023.

New Supplementary Planning Documents

Meanwhile, we have developed a new Greater Cambridge Sustainable Design and Construction Supplementary Planning Document to ensure that current policies in the adopted Local Plan are implemented as effectively as possible.

We are also developing a new Biodiversity Supplementary Planning Document to support current policies to protect and enhance biodiversity, and to provide a framework by which mandatory biodiversity net gain can be achieved across all development within the district. We aspire to achieve 20% net gain through development while recognising we cannot require this unless and until adopted in planning policy.

Making policies stick

An important aspect of our influence through policies is in how we ensure that they are implemented effectively. Through the Development Management process our planning team ensures that planning applications address matters relating to the protection and enhancement of nature, and provision of green space.

They impose planning conditions to make otherwise unacceptable developments acceptable, and negotiate planning obligations, also known as section 106 agreements, to secure particular measures that are needed. Examples of successful outcomes for nature are described in case studies on the following pages.

Tackling water quality and scarcity

We know water is an important issue to our local communities, and we have commissioned an Integrated Water Management Study to inform the new Greater Cambridge Local Plan. The interim study (published in November 2020) highlights that there is no environmental capacity for additional growth levels being tested for the new plan to be served by increasing abstraction from the chalk aquifer which supplies much of the water to the Cambridge area.

It also shows that water quality in the surface water bodies assessed under the Water Framework Directive is at best moderate with three bodies assessed as poor. This is mainly because of abstraction, wastewater treatment (point source discharges) and agricultural diffuse pollution. The study will help us to develop a sustainable development strategy for the Local Plan and robust policies on water quality and efficiency, and we are working collaboratively with a number of bodies on this, including Water Resources East who are planning regional solutions to address these issues.

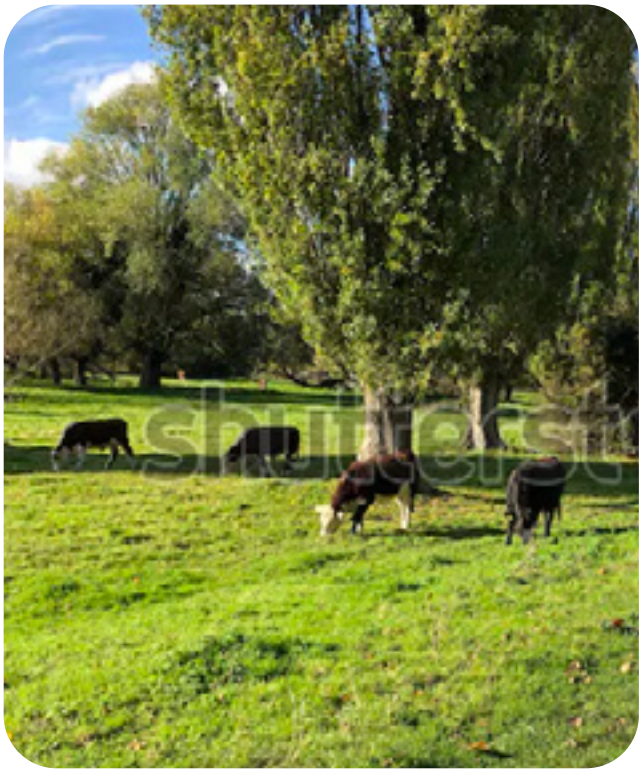
The Council's adopted Local Plan includes a water efficiency policy, with further information included within our Greater Cambridge Sustainable Design and Construction Supplementary Planning Document (SPD).

Action on air quality

We have a statutory responsibility for air quality management. Our new Air Quality Strategy outlines a new approach to monitoring and improving air quality across the district to ensure that air quality issues are considered in all communities.

Key actions on air quality include:

- reviewing and upgrading our air quality monitoring network in line with the new strategy and to reflect the growth in the district
- a new hotspot monitoring initiative to pilot alternative technologies for air quality monitoring
- new equipment installed at Orchard Park School where we are monitoring the levels of exposure to air pollutants in younger children.



Gains for nature through planning

Cambourne

Cambourne is a settlement of three linked villages situated nine miles to the west of Cambridge and has become an exemplar of a large-scale development built with nature and greenspace as a key deliverable. Its Masterplan design was approved in 1996 with work starting on the entirely rural site of former agricultural land in June 1998. The settlement, now of around 10,500 (2019 estimate), originally had total area of 417 hectares of which only 133 hectares (approximately 32% by area) were allocated for housing producing a final density of 32 dwellings per hectare, achieved through the provision of a high proportion of publicly accessible open space. Existing woodland and scrub, lakes, connecting greenways, green open-space, ecology, cycle paths and good access links throughout the development were major drivers of the proposed layout of Cambourne.

The outcome of thoughtful planning guidance by the South Cambridgeshire District Council has been a community that has a well-designed and well-used network of public open space, with associated benefits for biodiversity, resident's health and wellbeing. Cambourne has demonstrated how publicly accessible open space and other Green Infrastructure features can be delivered through a considered and visionary planning process that puts nature at its heart, and not as an after-thought. The design of Cambourne's Green Infrastructure won a Landscape Institute Award in 2010.

Northstowe

Northstowe is a new development that will eventually have up to 10,200 homes and a population of over 26,000, making it a town of a similar size to Huntingdon.

Expanding phases of the development were deemed to significantly impact biodiversity, especially farmland birds, in a way that could not be mitigated within the existing development boundary. So an offsite mitigation strategy providing significant habitat for biodiversity, some distance from the site, was agreed.

A biodiversity impact assessment was undertaken and working with a specialist environmental consultant, the Environment Bank, the extent of compensation and estimated offset requirements for farmland birds were agreed using biodiversity net gain calculations in line with best practice and emerging national policies.

As a result, the purchase of around 72 hectares of farmland, some 6km north east from the development, for conversion to bird-friendly habitats was brokered and agreed with Environment Bank along with a monitoring for perpetuity clause.

As part of the negotiation between the developer (Homes England) and the Local Planning Authority (South Cambridgeshire District Council), not only was a 30 year monitoring effort at the mitigation site agreed, but also an enforcement clause, meaning that the land management practices undertaken on the land by the farmer needed to produce the intended biodiversity net gain, or payments to the farmer would cease and enforcement action be taken. This model of offsite mitigation is likely something that will increase as biodiversity net gain becomes the norm for developments across England and developers and local planning authorities embrace a greener way of delivering their work and protecting the natural environment.

Waterbeach

The village of Waterbeach, five miles north of Cambridge, is the location for a residential development of around 6,500 homes on a 290 hectare former barracks and airfield site, heralded as an outstanding example of how large volume housing development can deliver new landscapes rich in nature. An important aspect of the Waterbeach development has been the vision for delivering a legacy of natural habitats exceeding those destroyed or altered through the development of a site, known as Biodiversity Net Gain (BNG).

Supported by the planning team at Greater Cambridge Shared Planning, the developer Urban and Civic has created four Biodiversity Priority Areas (BPAs). In these, the site's natural assets have been mapped, safeguarded and expanded, creating distinctive habitats linked through smaller scale features to provide an interconnected mosaic of habitat and space for wildlife and people. These BPAs cover nearly 45% of the site and deliver BNG of up to 10%. The nature-led vision for Waterbeach embraces the location's fen-edge landscape and helps shape the development of new wetland habitats and natural areas.

In November 2020 the team behind the Waterbeach development won the Landscape Institute's prestigious Excellence in Masterplanning and Urban Design award in recognition of its strong landscape-led approach, consistent across all scales from sub-regional context to detailed design.

Using our wider influence

Protecting and increasing natural capital is the responsibility and work of numerous organisations in all sectors: private, public and voluntary. We work closely with these organisations through formal and informal partnerships to make the most of our influence.

We are corporate members of the Wildlife Trust for Beds, Cambs and Northants, and contribute funding to the Cambridgeshire and Peterborough Environmental Records Centre, (CPERC).

The OxCam Arc

The Oxford Cambridge Arc, better known as the OxCam Arc, is a corridor of land connecting Oxford, Milton Keynes, Bedford and Cambridge which has been designated by the government as a key economic priority. As one of 31 local authorities contained within the Arc, we are leading the call for the Arc to deliver improvements to the natural environment alongside ambitions for growth. Successful lobbying to this effect led to the inclusion of a fourth OxCam Arc workstream - Environment - which is currently led by Cllr Bridget Smith.

At county level

Natural Cambridgeshire is our Government-recognised Local Nature Partnership. It brings together a broad range of local organisations, businesses and people who aim to help bring about improvements in their local natural environment.

We are represented on the Natural Cambridgeshire Board, and Partnership Forum, by Councillors and staff members, and are collaborating with them on several projects that support the Natural Cambridgeshire vision to double nature. These include:

Landscape Scale Projects

By working closely with communities, landowners and farmers there is potential to create large areas of new habitat. Natural Cambridgeshire has identified five separate landscape-scale projects, two of which sit within, or partly within South Cambridgeshire.

The Gog Magog Hills project aims to create green space for recreation and also link and enhance precious habitats in an area which was once extensive chalk grassland grazed by sheep but is now largely arable.

The Connected Fens project aims to safeguard the future of the wildlife and habitats in the Cambridgeshire Fens by ensuring the success of current, pioneering conservation projects and joining them together. These include:

The Fens Biosphere

This multi-sector partnership project is coordinated by Cambridgeshire ACRE and is working towards achieving UNESCO Biosphere status for the Fens. Biosphere reserves involve local communities and interested stakeholders in planning and management of an area in ways which integrate conservation of biodiversity and cultural diversity, and environmentally sustainable economic development.

Parts of South Cambridgeshire lie within the proposed Biosphere buffer zone where activities will be focused on linking people, science and conservation to support the core zone of sites of specific conservation value. Such activities could include trialling new agricultural crops and techniques, encouraging communities to develop new spaces for nature and looking at how water resources can be managed on a landscape scale.

The Future Parks Accelerator

This ambitious collaboration is hosted by Cambridgeshire County Council and aims to find new ways to deliver, manage and fund parks and open space to ensure they are available for everyone for generations to come. The project is one of eight in the UK selected for funding from the National Lottery Fund, the National Trust and the Government's Ministry for Housing, Communities and Local Government.

The Cambridgeshire and Peterborough Doubling Nature Investment Fund

This project is led by the Combined Authority and Natural Cambridgeshire and aims to establish a fund to provide resources for doubling nature.

Developing with Nature Toolkit

This toolkit has been developed by Natural Cambridgeshire to help developers and infrastructure providers demonstrate their commitment to achieving a net biodiversity gain. It comprises a list of 10 things to do for nature, a scoring matrix and guidance notes with links to background information including a summary map of strategic green infrastructure and ecological network priorities in Cambridgeshire. We are signposting developers to the toolkit.

Supporting and encouraging residents and communities to do more for nature

We work closely with the communities in the one hundred plus villages and settlements in South Cambridgeshire.

This puts us in a unique position to promote, support and encourage action for nature. Here are some of the ways in which we do this:

Zero Carbon Communities grant scheme

Our Zero Carbon Communities grant was set up in May 2019 to support communities to get involved in the transition to net zero carbon in South Cambridgeshire. Funded by Business Rates which we retain under the Government's Renewable Energy Project Business Rates Retention Scheme, the grant enables voluntary organisations and parish councils to run projects which engage communities in climate and environment-related issues. In its first year it funded 19 projects, five of which involved planting trees or hedges.

Climate and environment workshops

Alongside our Zero Carbon Communities grant, we run workshops and forums for parish councils and community groups to develop skills and knowledge, network, and share good practice and ideas relating to climate and the environment. A programme of online events is being planned for February 2021 which will include sessions on sustainable agriculture, neighbourhood planning for green spaces, and how to make a parish nature recovery plan.

Tree Wardens Network

We are the registered local coordinator for the Tree Warden Network, a national initiative set up by The Tree Council to promote and support tree wardens. These are volunteers appointed by parish councils or other community organisations who gather information about their local trees, get involved in local tree matters and encourage local practical projects related to the trees and woods.

South Cambridgeshire District Council
zero carbon communities

Three Free Trees

In 2020 we launched a Three Free Trees scheme to encourage more planting of native trees in our villages and towns. We invited parish councils in South Cambridgeshire to apply for a voucher which could be exchanged at a local garden centre for three small trees, or one larger one. Guidance was provided on how to choose appropriate wildlife-friendly species.

Support for community allotments and orchard in new communities

Our Sustainable Communities team supports community development in new settlements such as Northstowe. Part of the team's work has been to encourage and facilitate a community allotment and orchard in Northstowe.

Neighbourhood planning for nature

Neighbourhood planning allows communities to take a proactive approach to deciding the future of the places where they live and work, helping shape the future development and use of land in their neighbourhood.

This includes identifying areas of open space that are of value to the community and putting them forwards to be designated as local green space.

Our **Neighbourhood Planning Toolkit** explains in detail how communities can go about preparing a neighbourhood plan. We keep this updated and will add guidance on how nature can be protected and enhanced through a neighbourhood plan one the Biodiversity Supplementary Planning document has been adopted.

Community woods and parkland

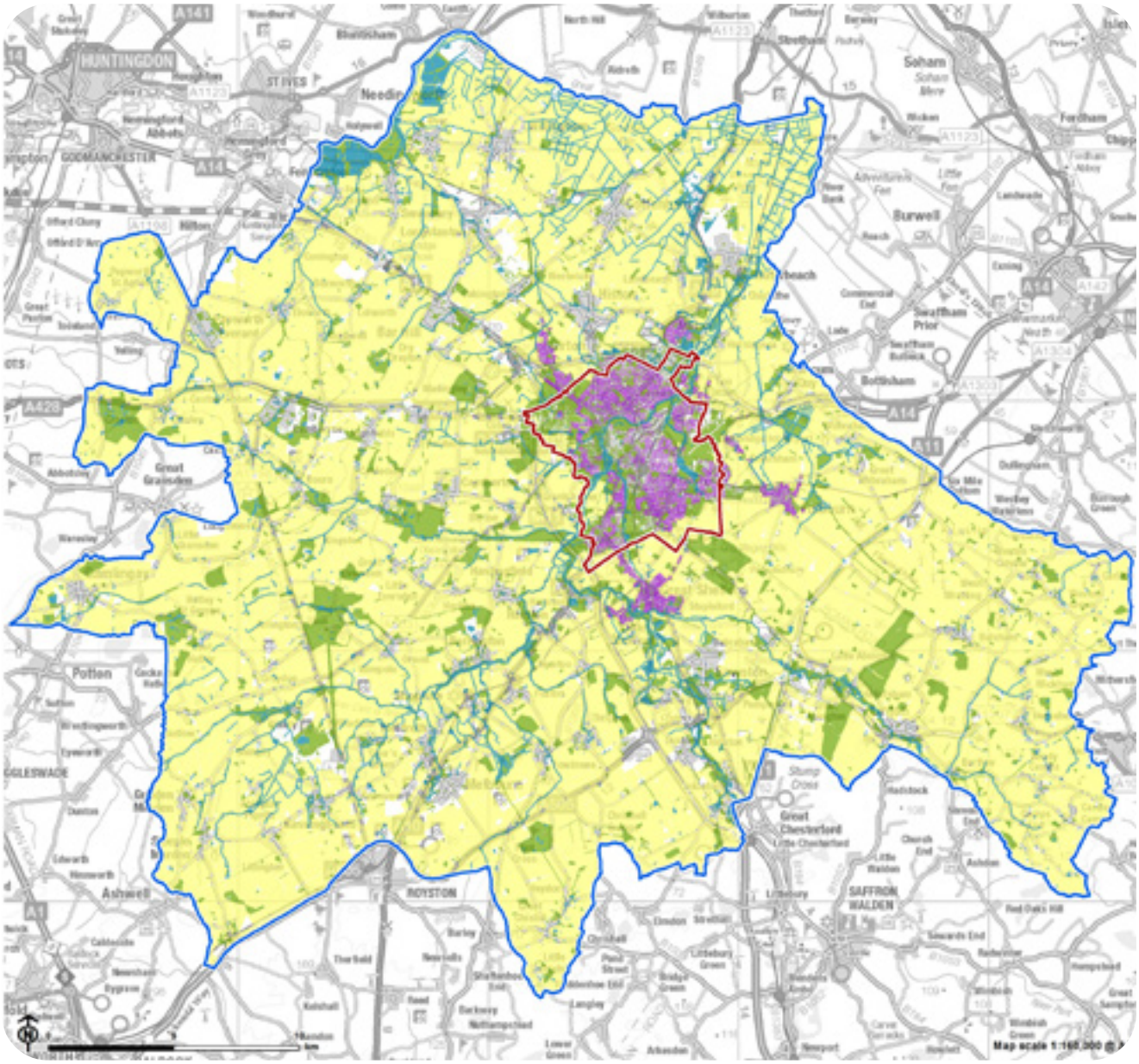
Community woods and parkland allow local organisations and individuals to come together to maintain land and enhance biodiversity. This can be through planting, woodland management such as coppicing, recording species and maintaining features such as paths and culverts. They also provide the wider community with access to spaces for informal recreation and enjoying nature.

We will continue to support communities to develop and deliver plans for community forests and woodlands.

Green Infrastructure in Greater Cambridge

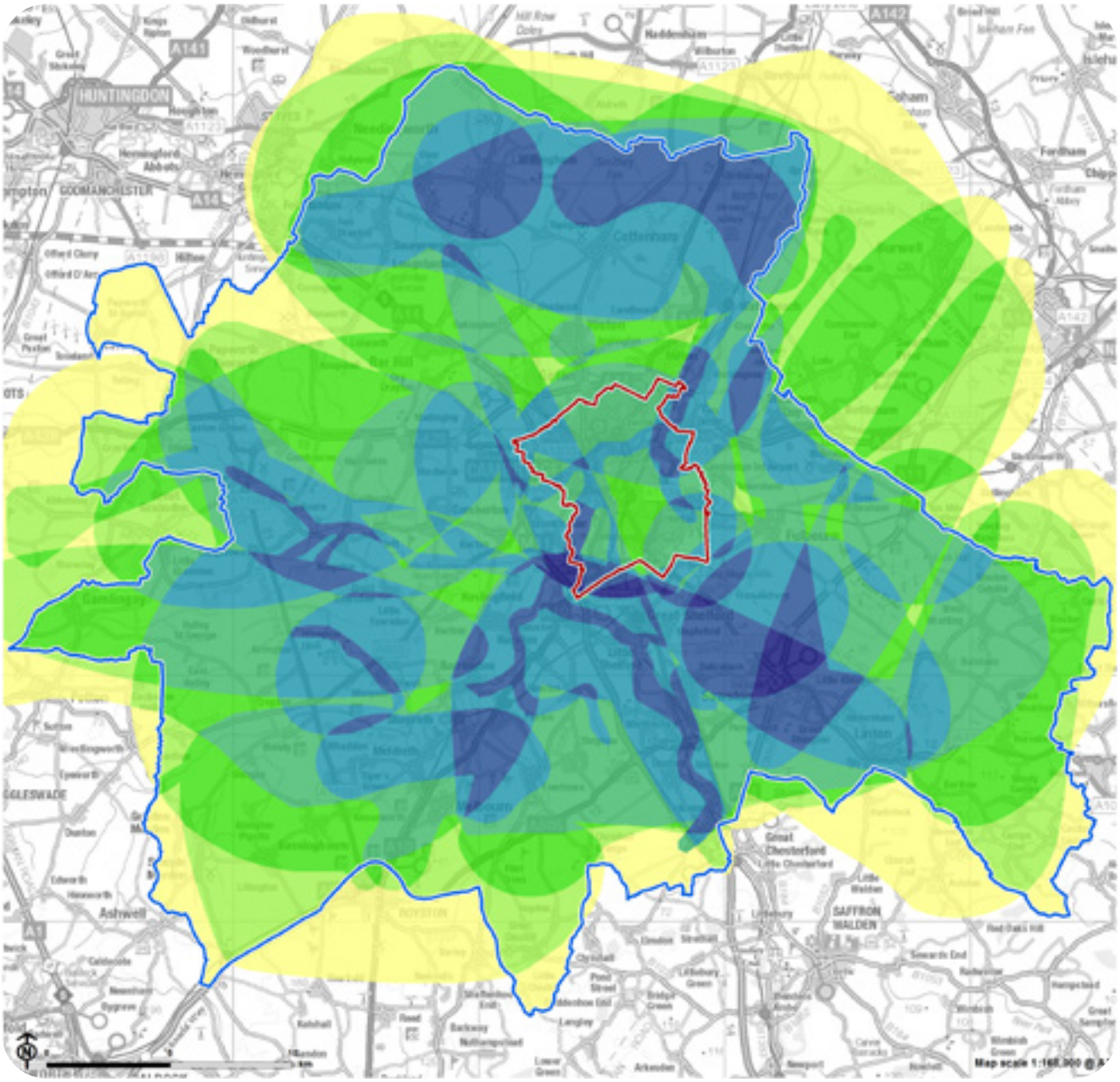
The maps on this page are taken from the Greater Cambridge Green Infrastructure Opportunity Mapping Baseline Report.

They provide an indication of the current extent of the green infrastructure network in Greater Cambridge and the extent and range of opportunities for extending and enhancing it. For further details, please see the report which can be found on the Greater Cambridge Shared Planning website.



The green infrastructure network in Greater Cambridge, (fig 5.1 in the report)

Cambridge
South Cambridgeshire
Green infrastructure
Water space
Agricultural land
Private garden



Broad opportunity zones for green infrastructure grouped under seven themes (fig 7.1 in the report)

Cambridge
South Cambridgeshire
Landscape, cultural heritage, and sense of place
Biodiversity and geodiversity
The water environment
Access and connectivity
Recreation and play
Carbon sequestration
Agriculture and community food growing

What you can do

There are lots of ways you can support nature in South Cambridgeshire. Here are a few suggestions.

- Make your garden more wildlife-friendly, see **Wildlife Gardening | Wildlife Trust for Beds, Cambs & Northants (wildlifebcn.org)** for ideas.
- Get together with others in your neighbourhood to create and deliver a nature recovery plan for your local area, using the **Natural Cambridgeshire Local Nature Recovery Toolkit.**
- Work with a local community organisation or your parish council to apply for funding through the Zero Carbon Communities grant scheme.
- Support a nature conservation organisation.
- Sign the **Natural Cambridgeshire Pledge for Nature.**

Further information

You can find further information via the below links.

- Greater Cambridge Local Plan
- Zero Carbon Communities grant scheme
- Trees and Hedgerows on the Council's website
- Natural England Natural Capital Atlas 4 provides detailed maps showing the distribution and condition of natural assets in Cambridgeshire
- Mapping Natural Capital and Opportunities for Habitat Creation in Cambridgeshire report for Cambridgeshire Biodiversity Partnership
- OxCam Local Natural Capital Plan
- Natural Cambridgeshire
- Wildlife Trust for Bedfordshire, Cambridgeshire and Northants
- Cam Valley Forum

Thanks to John Cornell for selected photographs within this document

Agenda Item 9

South Cambridgeshire District Council

REPORT TO:	Cabinet	3 February 2021
LEAD CABINET MEMBER:	Lead Member for Housing – Councillor Hazel Smith	
LEAD OFFICER:	Head of Housing – Peter Campbell	

Greater Cambridge Housing Strategy Annexes

Executive Summary

1. The Greater Cambridge Housing Strategy action plan proposed some annexes to housing strategy in areas where policies did not exist or needed updating. With no up to date Housing Supplementary Planning Document, a need was identified for policy frameworks to cover: the relatively new 'Build to Rent' tenure introduced through the National Planning Policy Framework (NPPF); and how affordable housing should be distributed across sites in the context of higher density developments. Both of these policies will help to inform the emerging Greater Cambridge Local Plan.

2. The setting of Affordable Rents was also added to the list following recent increases to Local Housing Allowance Rates.

3. In developing these policies, a Member workshop and an officer workshop have been held, alongside additional consultation with key members of staff across the Council.

Key Decision

4. Yes - as it is significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.

   The key decision was first published in the December 2020 Forward Plan.

Recommendations

5. It is recommended that Cabinet approves the draft policies relating to Build to Rent, Clustering and Distribution of Affordable Housing and Affordable Rents as an annexe to the Greater Cambridge Housing Strategy.

6. Following approval, this will then go out to wider public consultation and Cabinet are asked to give delegated authority to the Lead Member for Housing to approve the final policies subject to minor amendments, if any, arising from the consultation.

Reasons for Recommendations

7. The inclusion of the Build to Rent and Clustering policies as part of the Greater Cambridge Housing Strategy will ensure that the Council can provide policy direction in terms of applications coming forward for Build to Rent schemes and the clustering and distribution of affordable housing. Whilst these policies will not carry the same weight as policies within the Local Plan, they will be a material consideration in determining planning applications and will help to inform the joint Local Plan currently in development.

8. The policy regarding the setting of Affordable Rents will set out the expectations of the Councils in terms of its priorities for homes to be truly affordable. Whilst the Council cannot make this a requirement, the policy draws on the existing partnership approach with Registered Housing Providers to provide clear guidance which they should have regard to when determining their Affordable Rents.

Details – Summary of draft policies

Build to Rent

9. Build to Rent is a relatively new model of housing delivery which provides purpose built homes entirely for rent, which are professionally managed and offer tenancies of three years or more. An element of affordable housing is expected to be provided as ‘affordable private rent’.

10. The draft policy follows some research recently commissioned between the two Councils and takes into account requirements in the NPPF and government Build to Rent guidance.

11. It covers issues such as: housing mix; quality of homes and management; approach to provision of affordable housing; eligibility and rent setting in relation to the affordable homes; minimum covenant lengths for maintaining a scheme as Build to Rent; financial clawback requirements if homes are decommissioned in future; etc

12. The national guidance requires councils to take a 'positive approach' to Build to Rent, so the policy tries to steer a path between not being too prescriptive but also trying to minimise risk of some of the potential negative impacts– particularly in relation to place shaping.

Clustering and distribution of affordable housing

13. The current policy in the Councils' Affordable Housing Supplementary Planning Documents was set in the context of the previous Local Plans. It requires affordable housing to be well-distributed throughout sites, and lays down some maximum 'cluster' sizes aimed at providing mixed, balanced and sustainable communities.

14. Much of the existing policy approach to cluster sizes and to distributing affordable housing throughout schemes still seems to be accepted as good practice nationally, and the draft policy suggests a continuation of this approach. However, as we see larger, higher density developments coming forward, or for schemes providing 100% affordable housing, the policy did not support this. The draft policy adds some new maximum cluster sizes for larger schemes and also allows for some exceptions where these are clearly not achievable.

Setting of Affordable Rents

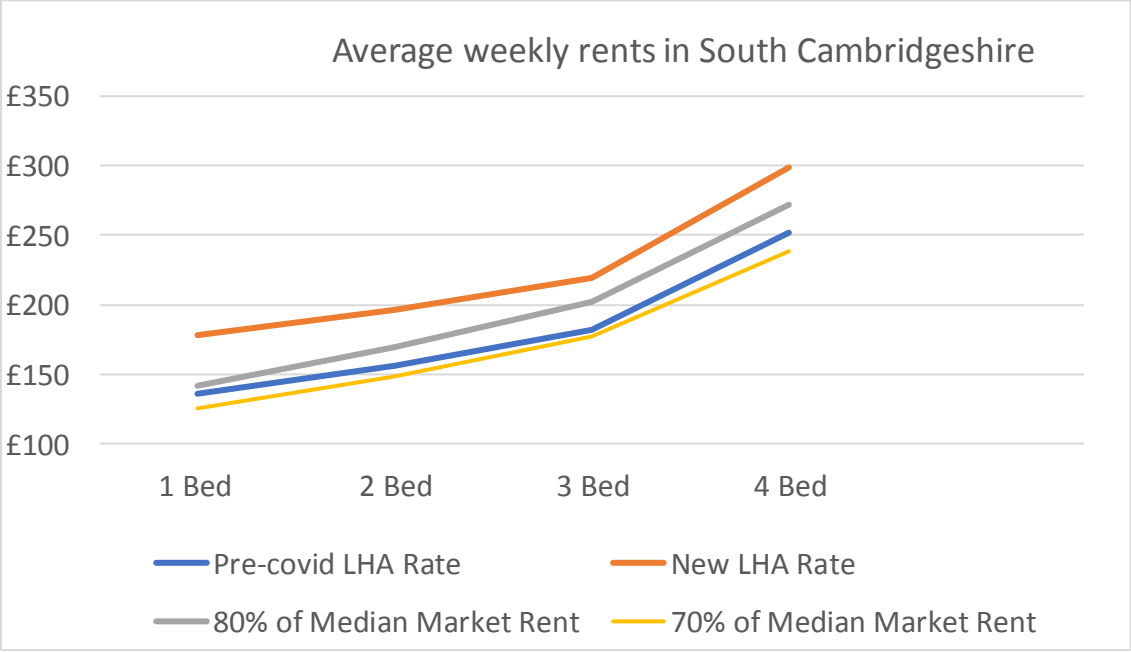
15. Government policy states that an Affordable Rent is at least 20% below local market rents (including service charges where applicable). The current approach in the Greater Cambridge Housing Strategy is to ask Registered Providers to cap Affordable Rents for social housing at Local Housing Allowance (LHA) rates, to keep them affordable to people on low incomes.

16. LHA rates were increased significantly in April 2020, meaning that setting Affordable Rents at those levels could now seriously impact on affordability for people in high levels of need on the housing register. Since the increase, we have seen Affordable Rents increase by £200 per month in some cases. Whilst the Local Housing Allowance would still cover these rents for those on full housing benefit, some larger households on Universal Credit will be hit by the benefit cap which will mean that the gap between benefit and rent will increase. Also higher rents charged will impact on those on lower incomes who may be forced into claiming benefits where previously they were just managing or for those currently reliant on full or partial housing benefit, making them less likely to be able to break the benefit cycle.

17. The proposal is to ask for Affordable Rents to be set at a percentage of current local market rent (60% for City and 70% for South Cambs, based on affordability analysis). This would bring it more in line with the previous pre-covid LHA Rate. There is also the option to continue to base Affordable Rents on the pre-covid LHA Rate (plus an annual inflationary increase) where Registered Housing Providers consider undertaking a Royal Institute of Chartered Surveyors (RICS) valuation prohibitive due to costs or too onerous. Either option will ensure that Affordable Rents remain at appropriate levels, whilst having regard to viability of schemes.

18. As an example, the graph below shows that the new post-covid LHA Rate is higher than 80% of an average market rent in South Cambridgeshire (based on February 2020 rental data). Therefore it would not be possible to set an Affordable Rent at the post-covid LHA Rate level under the Affordable Rent

definition where this would be higher than 80% of a market rent. It is also considered that because of the high rents in the area that an Affordable Rent set at the maximum of 80% of a market rent would be unaffordable for many households in housing need. The proposals for 70% of a market rent to be applied will be much more aligned to the pre-covid LHA rate but will vary depending on the location and valuation of the property at the time of setting a rent.



19. The language in the policy leans towards the Councils' 'preference' rather than 'requirement' in this area, as rent levels are not something we have any real powers to control; but we need to set guidance as to our preferred approach.

Progress to date and timescales

20. A project team, made up of both Housing and Planning officers, is managing the project.

Key Dates	Action
14/12/2020	SCDC – Informal Cabinet
15/12/2020	City – Labour Group meeting
3/2/2021	SCDC – Cabinet
8/2/2021	Public consultation – to be completed before City's pre-election period starts (29/03/2021)
June/July 2021	Approval to adopt

Options

21. To approve the draft policies relating to Build to Rent, Clustering and Distribution of Affordable Housing and Affordable Rents to go out to public consultation. To delegate authority to the Lead Cabinet Member for Housing to approve the final policies as annexes to the Greater Cambridge Housing Strategy, subject to minor changes arising from the consultation.

22. To reject the draft policies relating to Build to Rent, Clustering and Distribution of Affordable Housing and Affordable Rents will leave the Council with little policy direction on these topics.

Implications

23. 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

24. There are no additional financial consequences for adopting these policies. The setting of Affordable Rents has taken into consideration the Councils' own viability in terms of their new build programmes.

Legal

25. The National Planning Policy framework and guidance has been taken into consideration in the development of the Build to Rent Policy. The government Policy Statement for Rent for Social Housing has also been taken into account in terms of the Affordable Rents Policy.

Staffing

26. No additional staffing requirements identified to implement these policies.

Equality and Diversity

27. An equality impact assessment for each policy has been undertaken and are available as background papers upon request. There were no adverse impacts on any protected groups, identifying only positive outcomes for tenants who may also be identified within the protected groups. A review of the assessment will be undertaken following responses to the consultation.

Climate Change

28. Within the Affordable Rents Policy, there is an acknowledgement that where the design and quality of homes is above the national or local standards required to help achieve the Councils' objectives in relation to zero carbon homes, consideration will be given for Affordable Rents to be charged at up to 80% of a market rent. Registered Housing Providers will need to demonstrate that the overall affordability of the home, in terms of fuel costs, etc. will be sufficiently reduced so that it is cost neutral to tenants.

29. The Build to Rent policy also makes reference to the quality of schemes and that they should meet the Councils' Sustainable Design and Construction Supplementary Planning Document.

Consultation responses

30. The draft policies have been developed in consultation with key officers across the Councils and following a Member workshop. If the draft policies are approved, these will then go out to wider public consultation.

Alignment with Council Priority Areas

Growing local businesses and economies

31. Having a balanced but positive approach to the delivery of Build to Rent schemes will support the economic growth of the area in terms of an alternative provision for housing.

Housing that is truly affordable for everyone to live in

32. The Affordable Rents Policy seeks to ensure rents are kept at a reasonable level based on the local market context.

33. The Clustering and Distribution of Affordable Housing Policy will help to promote health & well-being and tackle inequality through the creation of mixed, balanced, and inclusive communities.

Being green to our core

34. The Affordable Rents Policy supports the Councils' ambitions in terms of being zero carbon and makes allowances in terms of build costs and rents charged.

35. The Build to Rent Policy states that schemes must meet the Councils' Sustainable Design & Construction SPD. It also looks to creating links between housing and local employment, helping to reduce reliance on private car journeys and promoting active travel, including through walking and cycling.

Background Papers

National Planning Policy Framework
National Build to Rent Guidance
Savills Report – Build to Rent
Arc4 Report – Build to Rent
Policy Statement for Rent for Social Housing (published February 2019)
Equality Impact Assessments

Appendices

Appendix 1: Greater Cambridge Housing Strategy Annexes – draft policies.

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Appendix 1

Greater Cambridge Housing Strategy Annexes – Draft Policies

Build to Rent policy - Annexe to the Housing Strategy

Consultation Draft

Purpose

1. This policy outlines the approach that the councils will take around the development of new, purpose-built homes for rent. It will be a material consideration in making planning decisions. It will form an annexe to the Greater Cambridge Housing Strategy 2019-2023, and will help to inform how Build to Rent is dealt with in the emerging Greater Cambridge Local Plan and in any future relevant Supplementary Planning Document.

Introduction

2. Build to rent is defined in the National Planning Policy Framework as:

> 'Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses, but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control……affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).'[1]

[1] National Planning Policy Framework

3. Build to Rent and Affordable Private Rent are different to Social and Affordable Rent homes provided by councils and other registered providers specifically for applicants on the councils' housing registers).

4. National guidance states that local planning authorities should use a local housing need assessment to take into account the need for a range of housing types and tenures in their area, including provision for those who wish to rent. If a need is identified, authorities should include a plan policy setting out their approach to promoting and accommodating build to rent, recognising the circumstances and locations where build to rent developments will be encouraged.[2]

5. The Greater Cambridge Housing Strategy supports the development of purpose built private rented housing to help provide additional housing choice and to help accelerate the delivery of new homes. This Build to Rent policy gives more detail on what the councils expect from new developments coming forward.

6. The affordable housing requirement on Build to Rent schemes detailed in this policy does not change the overall requirement for 40% affordable housing on larger sites as set out within the councils' Local Plans.

7. The policy has been informed by the National Planning Policy Framework and Guidance, together with recent research on Build to Rent commissioned jointly by the two councils.[3] [4] Implementation of the policy will also take into account any subsequent relevant research, including work to identify housing needs of specific groups which is currently under way to inform a new Greater Cambridge Local Plan.

[2] Government Guidance on Build to Rent, 2018
[3] Savills: The Build to Rent market in Greater Cambridge and West Suffolk, June 2020
[4] Arc4: Market demand appraisal reports, and Build to Rent Market Strategic Overview & Summary of Site-Specific Appraisals (draft) 2020

What this policy covers

8. There is no single model for Build to Rent schemes, and sizes of schemes can vary. They can be stand-alone schemes – for example in infill areas – or blocks/phases within larger development areas planned or being brought forward for development. In the context of the National Planning Policy Framework and the councils' wider objectives, this policy applies to scheme which:

    8.1. Provide good quality homes, designed and built specifically and entirely for rent (excluding conversions);
    8.2. Are held as Build to Rent under a covenant of at least 15 years;
    8.3. Offer tenancies of three years or more to all tenants who want them;
    8.4. Are professionally managed stock in single ownership and control; and;
    8.5. Are expected to include appropriate provision of affordable housing.

9. It does not cover stock built for sale where a developer/investor or registered provider decides to retain a number of the homes for use as private rented stock. It also does not cover for-sale homes that are purchased on completion of a private for sale scheme.

Policy

10. An appropriately balanced mix of property sizes will be required in any scheme, taking into account profile of demand, and to help support the councils' aspirations around place shaping and creating mixed and balanced communities.

11. The councils may require schemes on larger sites to be spread out across the development in small groups. They may also require a limit on the size of schemes and/or the proportion of Build to Rent homes provided in a particular location.

12. Quality of schemes is important; particularly environmental standards in line with the councils' Sustainable Design & Construction Supplementary Planning Document. National space standards will also apply, as will the relevant local authority's Local Plan accessibility standards. Some internal and/or external

communal space and/or in-house amenities are expected to be provided, including work-space provision which should be available for use by both market and Affordable Private Rent tenants. Design also needs to take into account likely frequent movement of furniture and belongings through communal areas.

13. A single management company or operator will be expected to manage the whole Build to Rent scheme, including providing an appropriate level of daily on-site management.

14. A robust market report will be needed to clearly demonstrate how any scheme would meet local need and demand. Information will also be required on how schemes and management will support the place-shaping agenda.

15. The affordable housing contribution, as a long-term benefit in perpetuity, will normally be expected to be provided on-site where necessary to build or contribute to a mixed and balanced community, as Affordable Private Rent or through other affordable tenures where part of a wider development. Although there may be circumstances where the councils consider a financial contribution to be more appropriate.

16. A minimum of 20% homes in Build to Rent developments of 10 or more homes will be required to be provided as Affordable Private Rent, subject to paragraphs 15 above and 31 below.

17. All the Affordable Private Rent homes must be constructed and managed to the same high-quality standards as the market rent homes. They must be tenure-blind and physically indistinguishable from the market homes in terms of design, quality, size and location on the site. In the case of apartments, different buildings for different tenures will not be acceptable.

18. Affordable Private Rent homes must be provided at a minimum discount of 20% relevant to local market rents, and be affordable and available to households on a range of incomes who would struggle to rent or buy locally on the open market. In

setting rent levels regard should be had to the councils' Greater Cambridge Housing Strategy and Setting of Affordable Rents policy.

19. There should be clear arrangements for setting and reviewing rents, providing some certainty to applicants from the outset about how rent levels are likely to change. Rental discounts for the Affordable Private Rent homes should be reviewed on the same basis as rents for market homes.

20. The councils may want particular groups to be given some priority for the Affordable Rent homes; local workers on developments close to areas of employment for example.

21. For Affordable Private Rent homes, criteria around issues such as: eligibility; rent setting & review; marketing; monitoring; and clawback & other arrangements should units be decommissioned at any time, will need to be agreed with the relevant council.

22. The section 106 agreement will need to include a monitoring and review mechanism covering the option for post-occupation trade-off between the number of Affordable Private Rent units and the rental discount offered on them should future circumstances justify a higher level of discount.

23. Changing of Affordable Private Rent to another tenure may be permitted in some circumstances. Eg. one-for one swaps between market and affordable; where a trade-off is agreed with the council between the number of Affordable Private Rent units and the rental discount offered on them; or where it is clearly impracticable to continue to retain the dwellings as Affordable Private Rent.

24. A clear exit plan will need to be agreed with the council through the section 106 in case some or all of the market and/or affordable homes are decommissioned in the future, with agreed clawback arrangements in place.

25. Tenancies of at least three years should be offered, and preferably longer.

26. All tenants (market and affordable) should be given the opportunity to renew their tenancy at the end of their tenancy period, with tenant-only tenancy break clauses in place allowing a month's notice any time after the first six months. This should apply during the overall covenant period as a minimum.

27. No-one should be excluded on the basis of being in receipt of state benefits; and mechanisms should be in place for support to be available if a tenant falls into financial difficulties.

28. Introduction packs are expected to be provided for all new tenants.

29. A covenant period of at least 15 years will apply to the market homes. Longer covenants of up to 25 years or more may be required in some circumstances. A valuation of both the market and affordable units will be required as part of the s106 agreement to enable the level of clawback to be calculated should the covenant be broken.

30. Valuation for viability purposes should be in line with up to date nationally recognised guidance for Build to Rent.

31. On larger multi-tenure developments or as part of larger development areas, viability should form part of the wider viability assessment covering the whole development area. As part of this, 40% of the homes across the whole development will be required to be provided as affordable housing with the Affordable Private Rent or other Build to Rent affordable housing contribution contributing towards the 40%.

32. Any potential trade-off between complying with all the policy requirements and keeping rents, including service charges, at reasonable levels which are affordable to households on a range of incomes, will need to be negotiated with the council, providing clear evidence of why those requirements cannot be met.

Justification for policy

Strategic context

33. This policy is set within the Greater Cambridge Housing Strategy's long-term vision and objectives, which in turn reflect the broader priorities of the two councils. In particular it will help to: promote health and well-being; support the local economy; and reduce carbon emissions & promote environmental sustainability, through:

    a) The creation of mixed, balanced, inclusive and sustainable communities;

    b) A mix of homes to meet a range of needs, including affordable housing;

    c) High quality homes, built to high sustainability standards, with built-in resilience to climate change and fuel poverty, which can help with the councils' aspirations to achieve zero carbon status by 2050;

    d) Creating links between housing and local employment, helping to reduce reliance on private car journeys and promoting active travel, including through walking and cycling.

The potential pros and cons of Build to Rent schemes

34. The councils recognise the importance of taking a positive approach to Build to Rent, and many of the benefits that such schemes can bring, including:

    a) Helping accelerate delivery on new sites, with Build to Rent not being subject to the same absorption constraints as housing for market sale;

    b) Helping generate economic growth. For example, it is estimated that for every 500 Build to Rent units approximately 15 jobs are created (including concierge, estate management, building management, cleaners, maintenance and gardeners); [5]

[5] British Property Foundation, Build to Rent: Unlocking the potential of an emerging sector.

c) Providing more consistent quality of management than is available across the private rented sector as a whole;

d) Offering longer tenancy agreements than generally available in the private rented sector;

e) Providing more choice for house-sharers who seek alternative, high quality rented housing, which in turn may help to free up homes which could otherwise be made available to families;

f) Providing the opportunity to deliver an element of affordable housing for rent at below market rents for people who would be unable to afford to buy or rent on the open market.

35. However, the councils are also mindful that Build to Rent has the potential to present some challenges, particularly in relation to place-shaping and ensuring the provision of mixed, balanced and sustainable communities. With Build to Rent being relatively new in the UK, there is limited understanding of its community and place-shaping impacts. Therefore it is important that any potential risks are mitigated from the outset.

36. These may include:

a) A sharp increase in new residents over a short period of time. For example, at an early stage of a larger development where minimal infrastructure is in place, or where schemes are brought forward in areas which already have an established population;

b) Large concentrations of rental accommodation, of similar size and type of property aimed at specific target groups, may make it difficult to create balanced and mixed communities;

c) Higher turn-over of residents than in most other tenures, again in the context of large, high density schemes, may limit residents' long-term commitment to or integration with the wider community;

d) The success of schemes being dependent on the quality and control of the management company, with potential negative impacts on the wider community; for example in relation to community safety and anti-social behaviour if management standards are not sufficiently high;

e) The tension between providing high quality homes and management services and keeping rents at affordable levels. For example, it is estimated that Build to Rent schemes in London are, on average, achieving a rental premium of 11% over their respective local markets;[6]

f) A tendency for most Build to Rent schemes to offer a lower proportion of affordable housing than in other types of development, and potentially less control for councils as to who is eligible for the affordable homes compared with schemes providing an element of social/affordable rent housing. This is of particular concern in an area where housing affordability is a significant issue for many;

g) Impacts on the wider community that can arise from sub-letting of homes if permitted, including short-term weekend/holiday lets. Again, these may include anti-social behaviour and community safety issues;

h) Risks around what happens to a development if it is later decommissioned as a Build to Rent scheme and the homes are no longer actively managed.

37. This policy aims to take a balanced view; on the one hand encouraging appropriate provision of Build to Rent schemes to meet local housing need, and

[6] Will tenants pay more rent for amenities? JLL 2017

on the other hand trying to ensure that any potential negative impacts are minimised.

Evidence of demand

38. The councils' Housing Strategy clearly identifies significant housing affordability issues in Greater Cambridge. There is high demand for private rented housing locally, as evidenced by high private rents and a lack of privately rented accommodation in the more rural areas. Research has been commissioned to get a better idea of the extent of this need to help inform the emerging joint Local Plan.

39. There is a large private rental market in Cambridge, with a lower prevalence of private renting in the mainly rural area of South Cambridgeshire. [7]

40. Median rents in South Cambridgeshire are higher than in the rest of the Cambridge sub-region, and rents in Cambridge City are considerably higher than the national and local sub-regional average. [8]

41. With a wide range of different types of homes available, the quality of existing private rented accommodation is inevitably mixed; and although the vast majority of private rented housing locally is well managed there is a small minority which is not. The councils are interested in widening the choice of good quality, well-managed homes available for the rental market. Supporting the local economy, and reducing reliance on private vehicle travel through good quality public transport and active travel links through well-located Build to Rent schemes are also very important.

42. Research commissioned by the councils through Savills uses the Experian Mosaic profiling model as an example of identifying the sorts of households with a high propensity to rent across Greater Cambridge. It identifies the main groups

[7] Cambridge sub-region Housing Market Bulletin July 2020 data
[8] Cambridge sub-region Housing Market Bulletin July 2020 data

likely to make up the market, which mainly comprise of singles or couples without children on a range of incomes, including some sharer households. [9]

43. However, there may also be other groups for whom Build to Rent may help to provide a housing solution. For example older people, in the context of an ageing population and a growing interest for some in that group in renting privately.

44. Whatever profiling model is used, a market report will be needed to demonstrate how a proposed scheme would meet local need and demand. The councils will consider this alongside other appropriate available evidence.

45. Investors are already showing a keen interest in bringing forward Build to Rent schemes in Greater Cambridge, and research commissioned by Cambridge City, South Cambridgeshire and West Suffolk District Councils also suggests a market for a good quality private rental product, including an element of Affordable Private Rent. This includes likely demand on at least three of the large strategic sites within Greater Cambridge: North East Cambridge, Waterbeach, Northstowe and Bourn Airfield. [10]

Design and Distribution of Build to Rent schemes

46. The councils recognise that the more units in a scheme the more potential there will be for investors to make a return on their investment. However, creating successful places and promoting mixed and balanced communities are high priorities for both councils, so any planning applications must evidence how the scheme will support the place-shaping agenda.

47. Any decision by the relevant council to limit the size of a scheme or the proportion of homes on a new development to be provided as Build to Rent would be made in the context of issues such as housing need, potential community impacts, and to ensure an appropriate balance with other tenures within an overall development and the surrounding area. This will also help to maximise the

[9] Savills, The Build to Rent market in Greater Cambridge and West Suffolk, June 2020
[10] Draft Arc4 site appraisals and summary report 2020

overall amount of affordable housing on a site in the context of the 40% affordable housing requirement in the councils' Local Plans.

48. The requirement to avoid large mono-tenure clusters of Build to Rent homes is similar to the approach being taken in the councils' draft Clustering and Distribution of Affordable Housing policy

49. Quality of schemes and management is important to the councils, including meeting Local Plan space and accessibility standards, and in contributing towards the councils' environmental sustainability and place-shaping objectives.

50. Providing appropriate internal and/or external communal space and/or in-house amenities which are available to all residents is also important; and design of communal areas needs to take into account likely frequent movement of furniture and belongings.

51. As with other forms of affordable housing, the councils will want to ensure that the Affordable Private Rent homes are constructed and managed to the same high-quality standards as the market rent homes. This includes being tenure-blind and physically indistinguishable from the market homes in terms of design, quality, size and location on the site.

Size of homes required

52. Research evidence referred to above suggests a current potential demand mainly for 1 & 2 bed homes, but also some larger homes e.g. to cater for sharers or family households, although this could change over time.

53. Houses in Multiple Occupation (HMOs) as part of a Build to Rent scheme may be appropriate in some circumstances as part of a wider mix if they help to create a more balanced community, although this may depend on the existing provision of HMOs in the area and the extent to which other larger homes on a development might be reasonably expected to become HMOs at a later date. Any HMOs will

be required to meet minimum space and accessibility standards. Sufficient private space must be incorporated into the design.

Provision of affordable housing (Affordable Private Rent)

54. The Greater Cambridge area clearly faces significant housing affordability issues. The provision of Affordable Private Rental options in new developments at below market rent levels can help to address these issues and create a balanced community.

55. National guidance states that 20% is generally a suitable benchmark for the level of Affordable Private Rent homes to be provided in any build to rent scheme; although there is the potential for this to be varied. Affordable Private Rent is required under the National Planning Policy Framework to be provided as community benefit in perpetuity.

56. Our Greater Cambridge Housing Strategy identifies a gap in provision for housing for those unable to access social or affordable rent housing, but who would also find it difficult to afford the existing private rental market. It is important that rent levels take account of local incomes, with 35% of net income considered reasonable to be spent on housing costs in line with our current Strategy.

57. There is a risk that if Build to Rent schemes are unable to provide 40% affordable housing, this may compromise the councils' Local Plan commitments to providing 40% affordable housing on larger sites. Therefore, where Build to Rent is part of a larger mixed tenure site, 40% affordable housing will be required across the whole site. Whatever the percentage of Affordable Private Rent provided within the Build to Rent Scheme, this will be expected to contribute towards the overall requirement with a split between social/affordable rent and intermediate tenures in line with Housing Strategy requirements.

58. Switching of tenure of individual units may be appropriate once an individual's tenancy comes to an end, provided the agreed overall balance of market and

Affordable Private Rent is broadly maintained across the scheme, and the Affordable Private Rent units remain appropriately distributed across the scheme.

Affordable Private Rent eligibility and rent setting

59. The National Planning Policy Framework and guidance require Affordable Private Rent levels to be set at least 20% below local market rents, including any service charges, for the same or equivalent property. Eligibility for Affordable Private Rent should be determined with regard to local household income levels, related to local rent levels.

60. As stated above, based on current evidence the councils will expect developers to demonstrate that Affordable Private Rent homes will be affordable and available to households with a range of incomes who would struggle to rent or buy locally on the open market. To achieve this, some properties (e.g. larger ones) may require a higher percentage discount than others.

61. In line with government guidance, discount from market rent is expected to be calculated at the point at which a home is rented out, or when the tenancy is renewed. Discounted rents are expected to be reviewed on the same basis as rent increases for market homes.

62. The councils may wish for some priority to be given to applicants for other reasons in addition to income levels. For example: awarding some priority to people working in the local area; or to people already living in the area or who have local family connections.

63. They may also wish to seek a proportion of the Affordable Private Rent homes to be tethered to local employment/ apprenticeship schemes where appropriate, or to meet other local needs, based on local circumstances.

64. Our Strategy identifies homelessness as a serious problem for both councils, with homelessness prevention a key priority. Ensuring that neither applicants nor existing tenants are excluded from being eligible or from remaining a tenant on

the basis that they are in receipt of state benefits, and that support is available for tenants who fall into financial difficulties, will go some way to help prevent homelessness amongst applicants and residents.

65. The councils will work with developers on a bespoke agreement covering issues such as eligibility, setting & reviewing of rents, and how the Affordable Private Rent homes are to be marketed, having regard to national planning guidance.

Tenancies (market and affordable homes)

66. Tenancies in the private rented sector tend to be for 6-months, although many will be renewed after that period. Evidence suggests that although some residents may only want short tenancies, there may also be demand for longer ones. The English Housing Survey 2017-18 reported that nationally private renters had lived in their current accommodation an average of 4.1 years. Around a quarter had lived there for less than one year, but with a similar proportion having lived there over 5 years.

67. Minimum 3-year tenancies for all new tenants who want one, together with. tenant-only break clauses, and the opportunity to renew the tenancy at the end of the tenancy period, should allow tenants choice and a sense of security around how long they can remain.

Scheme management

68. Quality of management by a single management company or operator is key to minimising any community risks that might arise from Build to Rent schemes, and ensuring that schemes are well-integrated into the community.

69. An appropriate level of daily management, including an on-site presence should help ensure prompt resolution of any issues or complaints that may arise.

70. Providers will also be expected to demonstrate how they will prevent or at least mitigate any risks surrounding short-term sub-letting. The need for introduction packs for all tenants, and the process for managing and monitoring the Affordable

Private Rent units will need to be covered by the s106 agreement; with an agreed management plan in place before any of the homes are let.

Future decommissioning of schemes

71. The council recognises that Build to Rent investors will most likely want to retain schemes for the long term in order to get a good long-term return on their investment. However, there always remains the risk of schemes being decommissioned as rental schemes, – for example if demand reduces or if an investor decides to pull out of the market.

72. The councils also recognises that unreasonably onerous exit clauses, giving insufficient flexibility to respond to market conditions, may prevent Build to Rent schemes from coming forward. Our research has identified that planning consents typically include a covenant period in the s106 which may be as short as 7 years, is typically 10-15 years, but may be longer.

73. Policy requirements around covenant periods and the need for an exit plan reflect the high priority that both councils give to the issue of community sustainability and place-shaping. Covenants of longer than 15 years may be appropriate to address potential long-term implications; such as where a scheme is coming forward in the earlier stages of a much wider development which may take a number of years to build out.

74. One for one swaps of units between market and affordable would be acceptable, provided the Affordable Private Rent units remain appropriately distributed across the scheme and are replaced within a reasonable period of time.

Decommissioning of Affordable Private Rent

75. The councils recognise the necessity of Affordable Private Rent homes being provided as a community benefit in perpetuity. The policy aims to ensure that appropriate clawback arrangements are in place should some or all of the dwellings cease to be provided as Affordable Private Rent; with the clawback to be reinvested in further provision of affordable housing.

Monitoring of Affordable Private Rent

76. The councils will want to monitor the arrangements put in place for the Affordable Private Rent homes. This is likely to cover issues such as: how lettings have met eligibility requirements; rent levels and affordability; occupancy levels; location of the homes across the development; marketing arrangements; how the scheme is meeting the overall affordable housing level required in the planning permission; etc. National guidance suggests this should be required by the s106 agreement in the form of an annual statement to authorities.

Viability

77. Valuation guidance for Build to Rent is set out by RICS in 'Valuing residential property purpose built for renting (1st edition 2018).

78. It is recognised that the viability challenges for Build to Rent schemes may be different compared with bringing forward homes for market sale. However, it is also important that the councils meet the objectives laid down in the policy. Therefore any potential trade-offs between different elements of the policy on viability grounds will require clear evidence of why the full requirements cannot be met.

79. The requirement for Build to Rent viability assessments on larger sites to form part of the wider site or area assessment stems from the councils' commitments to achieving 40% affordable housing wherever possible on new developments together with the necessary infrastructure required to support successful communities.

Clustering & Distribution of Affordable Housing Policy– Annexe to the Housing Strategy

Draft v6- 21 January 2021

Purpose

1. This policy sets out the requirements of both South Cambridgeshire District Council and Cambridge City Council with regards to Clustering & Distribution of Affordable housing. This policy covers social rent, affordable rent & shared ownership but does not include discount market, rent to buy or build to rent. The policy should be used to help guide applicants to submit successful planning applications and will be a material consideration in making decisions on applications.

2. This policy is set within the Greater Cambridge Housing Strategy's long-term vision and objectives, which in turn reflect the broader priorities of the two councils. In particular it will help to promote health & well-being and tackle inequality through the creation of mixed, balanced, and inclusive communities.

3. This policy builds on the existing Greater Cambridge Housing Strategy published in April 2019 and will form an Annexe to that document. It supersedes the Cambridge City Council Affordable Housing SPD 2008 & South Cambridgeshire District Council Affordable Housing SPD 2010 regarding clustering.

Key Principles

4. Both Cambridge City Council & South Cambridgeshire District Council are keen that new developments will provide mixed, balanced & sustainable communities; therefore, to facilitate this they seek, wherever possible, fully integrated mixed tenure housing schemes with support given to acceptable levels of clustering.

5. Clusters of affordable housing should contain a mix of affordable tenures so that rented & intermediate units are not grouped separately from each other.

This, equitable cluster placement and good design will create tenure blind clusters.

6. Additionally, the clusters should usually contain a mix of unit sizes, for instance a mix of 1, 2, 3 & 4 bedroom homes. This should help increase opportunities for different sizes and types of households to mix and can help to prevent similar household types to be grouped together which may cause, for example, areas of high child density, groups of residents with similar economic backgrounds or with high support needs.

Policy

7. Clustering

- Small or rural developments of up to 30 units (except for 100% exception sites) – Maximum clusters of 6 to 8 units. Blocks of flats – Maximum of 12 flats should have access from a lift or common stairwell. Ground floor flats should have their own entrances if possible as they are likely to be allocated to older or disabled residents or families with children.
- Medium mixed tenure residential developments of 30 to 200 units – Maximum clusters of 15 units. Clusters not to abut each other. This will include blocks of flats. Ground floor flats should have their own entrances if possible as they are likely to be allocated to older or disabled residents or families with children.
- Large mixed tenure residential development 200 units and over – Maximum clusters of 25 units per parcel. Clusters not to abut each other. This will include blocks of flats. Ground floor flats should have their own entrances if possible as they are likely to be allocated to older or disabled residents or families with children.
- Where a development site is to be built out in separate phases/parcels developers must take account of the location of affordable homes within neighbouring parcels of land to ensure clusters do not adjoin each other.

8. Tenure distribution

- Clusters should contain a mix of affordable tenures, to include rented and intermediate tenures.
- Care should be given to placement of different tenures in flats. If possible one tenure per floor would enable ease of housing management.
- There may be occasions that splitting the tenure type would be detrimental to the wellbeing of the residents. One such instance would be a number of units designated for over 55's, which may benefit being sited together to ensure interconnected similar lifestyles and more efficient provision of any necessary care and/or support, providing they are designed and located so that they integrate well with the rest of the development.

9. Unit size distribution

- Clusters should contain a mix of unit sizes. Care should be taken to refrain from placing more than 3 to 4 larger units together; preference is to intersperse the larger units with smaller 1 or 2 bed units.
- Flats, If possible, a mix of unit sizes in blocks & on each floor.

10. Finally, at all stages of design, service charges levels should be considered. High service charges will increase the risk of the affordable units being unaffordable.

11. It is recommended that there is early engagement with the relevant council's Housing Strategy Team & the Registered Provider. This will help to ensure that a timely agreement on the distribution of the affordable housing can be reached. It is also expected that the applicant will provide a robust Affordable Housing Statement to be submitted with the application. It will need to cover the reasonings for placement & tenure/size distribution of the affordable units across the development and how these are expected to contribute towards a mixed, balanced, and sustainable community.

12. For some schemes both councils will seek to implement a Local Lettings Plan for the allocation and letting of affordable homes. A Local Lettings Plan, such as for initial allocations on new larger developments, will help to achieve broader objectives for creating mixed and balanced communities, or where it can help to address or prevent particular issues from arising in a local area. The plan will be discussed and agreed by all parties involved.

Exceptions to policy

13. Exceptions to policy may be possible and justified because of the scale of the development for example if the scheme is very small, in an area of a particular character, 100% affordable housing schemes, or because of its built form (for example if the development is all made up of high-density flatted blocks), specialist, supported or age-related schemes where critical mass is needed.

14. In some instances the Council may consider proposals to go above the clustering thresholds referred to in the policy, where it is satisfied that the affordable homes are proportionally distributed within the wider scheme, that there are no noticeable concentrations of affordable housing in a particular area which could potentially result in a non-inclusive community in the long term, or where the use of a Local Lettings Plan will help to ensure that the scheme can still be mixed & balanced despite having larger clusters or being 100% affordable housing.

15. The design, layout and management of the homes will be key considerations in determining proposals that exceed the clustering numbers. The onus would be on the developer to provide a robust Housing Statement alongside the planning application. It will specify the reason why the scheme deviates from this Clustering & Distribution Policy and further describe how they intend to ensure the scheme links with the Councils' Key Principles above. The developers would also be expected to demonstrate how they integrate with nearby existing communities. To mitigate issues with larger clusters it is important that Local Lettings Plans are agreed prior to occupation and the

registered provider has an agreed robust management plan in place. Lettings Plans will be published in the public domain for transparency.

National & Local Planning Policy

National Planning Policy Framework – June 2019 updated (NPPF)

16. The NPPF is a material consideration in the determination of planning applications.

17. It requires that planning policies and decisions should aim to achieve healthy, inclusive and safe places which promote social interaction, including opportunities for meetings between people who might not otherwise come into contact with each other, and which are '*safe and accessible, so that crime and disorder, and the fear of crime, do not undermine the quality of life or community cohesion'.*

National Design Guide – October 2019

18. The purpose of the National Design Guide, published by the government in October 2019 was to '***illustrate how well-designed places that are beautiful, enduring and successful can be achieved in practice'.*** Their aim was to '*address unfair segregation and promote integrated and socially cohesive communities'.*

19. Both the National Planning Policy Framework and the National Design Guide indicate a need to mix different tenures of housing across development sites, so that, wherever possible, particular tenures and sizes of property are not concentrated in one area in a development.

Cambridge City Council Affordable Housing SPD 2008

20. **Para 1.6** 'There is no obvious 'best' method of mixing tenures, although 'ghettos' of affordable housing are best avoided. We found examples where physical integration had been achieved through pepper potting, buffering (i.e., providing a graduated range of different house types within the same street,

starting from small affordable units and going through to large executive market housing), clustering and development of separate sites but to the same physical appearance. We recommend that consideration should be given to the use of all four techniques in developing affordable housing in the new communities in Cambridgeshire.'

21. **Para 23**. 'The layout of developments should integrate affordable and supported housing with the open market housing in ways that minimise social exclusion. The creation of tenure monocultures should be avoided. The following approaches exist to achieve this goal:

- Pepper potting, which is the development of the affordable housing as individual dwellings throughout a development. This approach has not yet been followed in Cambridge and can increase the difficulties involved in property management.
- Clustering, which is the development of the affordable housing in multiple groups normally of between 6 and 25 dwellings depending upon the size and design of the development and the nature of the affordable housing. In flatted schemes no more than 12 affordable dwellings should normally have access from a common stairwell or lift. Clustering is the usual approach that is followed in Cambridge. The affordable housing should be provided in prominent parts of a site to aid integration.'

22. **Para 24**. 'A buffering technique can be used to integrate a mix of tenures and house types from larger market housing through to small social rented housing provided that there is no physical segregation, and no tenure monocultures are created. At its simplest this technique could involve using intermediate housing to unite the social rented housing and the open market housing.'

South Cambridgeshire District Council Affordable Housing SPD 2010

23. **3.24** The document makes recommendations relating to the mixing of tenures within residential schemes and the layout of developments, the provision and management of facilities, mixed-use developments, green infrastructure,

integration and accessibility, relationship with existing communities, design and monitoring and delivery. The key lessons regarding mixing tenures and development layout are that:

24. *"There is no obvious 'best' method of mixing tenures, although 'ghettos' of affordable housing are best avoided. We found examples where physical integration had been achieved through pepper potting, buffering (i.e., providing a graduated range of different house types within the same street, starting from small affordable units and going through to large executive market housing), clustering and development of separate sites but to the same physical appearance. We recommend that consideration should be given to the use of all four techniques in developing affordable housing in the new communities in Cambridgeshire. This will offer maximum flexibility to accommodate a range of household types."*

25. **3.25** Policy HG/3 of the Development Control Policies DPD requires that affordable housing is distributed through a residential development in small groups or clusters. Paragraph 4.13 of the DPD elaborates that affordable housing should be integrated with market housing and that in order to ensure sustainable communities. It says that small groups or clusters will typically be of 6 to 8 units. This description of the size of cluster in the district wide Development Control Policies DPD is particularly relevant to development in the rural area at villages where it reflects the relatively small settlement size.

26. **3.26** The Area Action Plans forming part of the LDF for the major developments on the edge of Cambridge and at Northstowe make clear that affordable housing will also be distributed in small groups or clusters but explains that the appropriate cluster size will be determined having regard to the location within the development, including whether it is in a town or district centre or in a residential neighbourhood and the type of housing being provided e.g., family housing or apartments. The North West Cambridge Area Action Plan, prepared jointly with Cambridge City Council, indicates that small groups or clusters may be between 6 and 25 dwellings, and in flatted schemes no more than 12 affordable dwellings should have access from a common stairwell or lift. This is

also the definition included in the City Council's own Affordable Housing Supplementary Planning Document, reflecting the different character and scale of the City compared with the currently predominantly rural character of South Cambridgeshire. The Cambridge definition of small group or cluster is considered to be an appropriate definition to inform discussions on the major developments in South Cambridgeshire, both those forming urban extensions to Cambridge and also the new town of Northstowe, although the actual size will be determined through the planning application process for those developments.

Evidence

27. There is no current national guidance on exact numbers for clustering of affordable housing. The numbers in the policy are partly based on both councils previous Supplementary Planning Policies which have generally worked well and considers what appears to be established best practice in the *Cambridgeshire Horizons Guide – Balanced & Mixed communities – A Good Practice Guide*. The Cambridgeshire Horizons Guide says.

28. *A wide range of house types is a better way of creating mixed communities than focussing on affordability. Another way of putting this is to say that:*

29. *"We should aim for a critical mass of people at different life stages: children, working age population and the elderly, so that each group can develop their own social networks and facilities"*

30. Under key lessons it further goes on to say.

    There is no obvious 'best' method of mixing tenures, although 'ghettos' of affordable housing are best avoided.

31. We have also undertaken a recent survey with Registered Providers who have stock in the areas of Cambridge City & South Cambridgeshire.

32. The responses were very clear that they preferred to have clusters that are easy to manage and distributed evenly across sites. They preferred a mix of

tenures and house types within a cluster to ensure a mix of single person households, couples & families. They preferred that larger properties were not grouped together since this will lead to high child densities which can result in high cases of Anti-Social Behaviour.

Affordable Rents policy - Annexe to the Housing Strategy

Draft v.3 29/12/2020

Purpose

1. This policy sets out the objectives for both South Cambridgeshire District Council and Cambridge City Council with regards to how Registered Housing Providers determine new Affordable Rents for social housing in Greater Cambridge. It applies only to Affordable Rents and does not look at the wider affordability issues of other affordable housing tenures. However, in considering Affordable Private Rent as part of a Build to Rent scheme, regard should be given to this policy.

2. It should also be noted that both Cambridge City and South Cambridgeshire District are identified as high affordability pressure areas and therefore the Councils encourage Registered Housing Providers to provide social rented homes where possible.

Introduction

3. This policy is set within the Greater Cambridge Housing Strategy's long-term vision and objectives, which in turn reflect the broader priorities of the two Councils. In particular it will help to tackle poverty & equality and promote health & well-being through:
    - Ensuring homes are affordable to live in; and
    - Promoting mixed, balanced and inclusive communities

4. This policy builds on the existing Greater Cambridge Housing Strategy published in April 2019 and will form an Annexe to that document.

5. The Policy Statement for Rent for Social Housing published in February 2019, states that: *the rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent. Housing Providers should have regard to the local market context including the relevant Local*

Housing Allowance for the Broad Rental Market Area in which the property is located, when setting Affordable Rents.

6. Given the sharp increase in the Local Housing Allowance (LHA) rates for Greater Cambridge from March 2020, this has impacted on the affordability of Affordable Rents if they continue to be based on LHA rates. For many median rents within South Cambridgeshire, the LHA rate now exceeds 80% of market rent.

7. The Councils are committed to working with Registered Housing Providers to achieve a balance between increasing supply of affordable homes and ensuring that rented homes are affordable to those on lower incomes on our Housing Register. This policy has been developed having regard to the local market context and the affordability challenges facing the area. It builds on the current good practice and partnership approach with Registered Housing Providers, with the aim to achieve consistency and fairness across Greater Cambridge.

Policy Position – Affordable Rents

8. Based on affordability evidence below, the following discount should be considered when determining Affordable Rents for Greater Cambridge:

    - Cambridge City Council and City fringe sites crossing the border with South Cambridgeshire - *the rent for Affordable Rent housing (inclusive of eligible property related service charges) should not exceed* ***60% of gross median market rent in Cambridge City for that size of property, or the current Local Housing Allowance rate, whichever is the lower.***

    - South Cambridgeshire District Council (excluding City fringe sites) - *the rent for Affordable Rent housing (inclusive of eligible property related service charges) should not exceed* ***70% of gross median market***

rent in the village/local adjoining area for that size of property, or the current Local Housing Allowance rate, whichever is the lower.

- Alternatively, Registered Housing Providers may wish to continue to use the January 2020 pre-covid LHA rates as a baseline, and apply the annual inflationary increase as set out in the Rent Standard.

9. **Table 1: January 2020 pre-covid weekly LHA rates (Cambridgeshire Broad Rental Market Area)**

1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
£136	£156	£182	£242

10. Gross median market rent means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector in the relevant district. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.

11. Valuations for initial rent setting must be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors, as set out in the Policy Statement on Rents for Social Housing. This requirement is intended to help ensure that Registered Housing Providers adopt a consistent and transparent approach to the valuation of market rents. Where a Registered Housing Provider chooses to apply the 2020 pre-covid LHA rate (plus inflationary increase), a valuation will not be required.

12. For new developments, the Registered Housing Provider must inform the relevant local authority of the projected rents to be charged as part of the scheme approval, providing details of the valuations undertaken where applicable.

13. Where the design and quality of homes is above national or local standards to help achieve the Councils' objectives in relation to zero carbon homes and tackling fuel poverty, consideration will be given for Affordable Rents to be

charged at up to 80% of a median market rent. Registered Housing Providers will need to demonstrate that the overall affordability of the home, in terms of fuel costs, etc will be sufficiently reduced so that it is cost neutral to tenants.

Justification for policy change

14. Since the introduction of Affordable Rents in 2011, there has been a general consensus between the sub regional local authorities and the Registered Housing Providers that Affordable Rents should be set at the Local Housing Allowance rate. This has also been the policy approach required since the Greater Cambridge Housing Strategy was introduced in 2019. This ensured that the Affordable Rents were kept below the maximum threshold of 80% of the gross market rent and that housing benefit (or the housing element of Universal Credit) would cover the costs of an Affordable Rent. For Cambridge City this equated to between 55%-60% of median market rents depending on property size, and for South Cambridgeshire between 70%-75%. As the LHA rate is a fixed amount (payable for private rents based on property size by number of bedrooms), this also ensured a level playing field in terms of Registered Housing Providers bidding for schemes and setting Affordable Rents.

15. Whilst the increase in LHA rates is good news for private renters on housing related benefits, it has unintended consequences for the setting of Affordable Rents. If Affordable Rents continued to be set at the LHA rate, this would see rent increases of between 22% and 33% on new and re-let properties and would provide a huge disparity across the area on the Affordable Rents charged.

Affordability

16. Affordable Rents should be targeted at those on lower incomes, where housing options are limited. The lower quartile household income for

Cambridge City is around £25,400 and £27,100 for South Cambridgeshire[11]. The Councils' Housing Strategy states that for housing costs to be affordable, households should not spend more than 35% of their net household income on housing costs, such as rent or mortgage. Table 2 below demonstrates what would be considered affordable in terms of rent and service charges on this basis, with Table 3 identifying the likely discounts required to make rents affordable based on different property types.

17. **Table2: Affordability based on 35% of lower quartile household income spent on rent**

Local Authority Area	Gross Income per Annum	Estimated Net Income per Annum	Estimated Net Income per month	Estimated Net Income per week	35% to be spent on Rent
Cambridge City LQ Household Income	£25,400	£20,914	£1,743	£402	£141
South Cambs LQ Household Income	£27,100	£22,070	£1,839	£424	£148

[Source: https://www.moneysavingexpert.com/tax-calculator]

18. **Table 3: Discounts required for affordable rents to be affordable based on median private rents and 35% of lower quartile incomes**

Local Authority Area	Average Median Weekly Rent (hometrack feb 2020 data)	35% to be spent on Rent based on LQ income*	% Discount required for Affordable Rent	Percentage of median rent
Cambridge	£321	£141	56%	44%
South Cambs	£245	£148	40%	60%

19. The significant increase in LHA rates does mean that those who receive full housing benefit are likely to get their rent paid in full even if Affordable Rents

[11] *Source: draft GL Hearn Report on Housing Needs of Specific Groups April 2020, based on ONS modelled income estimates, EHS and ASHE.*

are based on the new LHA rate. However, some households on Universal Credit will be hit by the benefit cap which will mean that the gap between benefit and rent will increase. With higher rents charged this will impact on those on lower incomes who may be forced into claiming benefits where previously they were just managing, or for those currently reliant on full or partial housing benefit, making them less likely to be able to break the benefit cycle and who may be caught in the poverty trap. This is also likely to have implications for the public purse in terms of seeing an increase in benefit claimants.

20. In terms of determining Affordable Rent levels, as the current LHA rates are no longer an appropriate benchmark for rent setting, an appropriate discount percentage of local median market rent should be sought, unless the pre-covid January 2020 LHA rates are used.

21. Whilst the discounts identified in Table 3 are calculated based on 35% of net income, it is recognised that this is unlikely to be achievable in terms of viability and that generally low income households will need to pay more than 35% of their net income on housing costs.

22. On balance, taking into account previous discounts achieved through the pre-2020 LHA rate that proved to be viable in terms of Registered Housing Providers' business plans, and the affordability analysis at Table 3, the Councils will seek a discount resulting in affordable rent levels not exceeding 60% of the local median market rent for each property size in Cambridge City (including the City fringe sites crossing the border with South Cambridgeshire) and 70% in South Cambridgeshire (excluding City fringe sites), or the LHA rate if this is lower.

23. **Table 3: Example of estimated rent levels to be achieved under this policy.**

Local Authority Area	District's Median Weekly Rent (hometrack feb 2020 data)	Affordable Rent Level	Pre-covid LHA Rate January 2020
Cambridge	-	@ 60% of median weekly rent	-

1 Bed	£219	£131	£136
2 Bed	£294	£176	£156
3 Bed	£334	£200	£182
4 Bed	£438	£263	£242
South Cambs	-	@ 70% of median weekly rent	-
1 Bed	£178	£124	£136
2 Bed	£211	£148	£156
3 Bed	£253	£177	£182
4 Bed	£340	£238	£242

24. Within the Greater Cambridge Housing Strategy it is acknowledged that affordability is not just about the cost of the rent or mortgage associated with an affordable home, but is also affected by living costs associated with the location and design of someone's home. For example, a highly energy efficient home can lead to it being more affordable in terms of utility costs. Therefore, provision has been made within this policy for Affordable Rents to be charged at up to 80% of a median market rent, where it can be

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South Cambridgeshire District Council

REPORT TO:	Cabinet	3 February 2021
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head of Finance	

Summary General Fund Revenue Budget 2021/2022

Executive Summary

1. To consider the summary General Fund Revenue Budget for 2021/2022 and to recommend the Revenue Budget to Council.

Key Decision

2. This is not a key decision

Recommendations

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

   (a) Take into account the detailed budgets presented at Appendix B (white pages), and summarised at Appendix A (blue page), with an estimated General Fund Gross Operating Expenditure for 2021/2022 of £71.633 million, estimated Gross Operating Income of £49.145 million and estimated General Fund Net Operating Expenditure of £22.488 million;

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

   (c) Acknowledge that the 2021/2022 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 be met from the General Fund Balance;

   (d) Approve the 2021/2022 General Fund Revenue Budget taking into account the statement by the Chief Finance Officer on the risks and robustness of the estimates as required under Section 25 of the Local Government Act 2003 (reproduced at Appendix F);

   (e) Set the Council Tax Requirement for 2021/2022 at £9,994,789;

   (f) Approve an increase in the District element of the Council Tax of £5 per annum, giving an average Band D Council Tax of £155.31, 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 23 February 2021;

(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 34 to 37;

(i) Approve the acceptance of any grants made during 2021/2022 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 2021/2022, 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 2021/2022 General Fund Revenue Budget based on known commitments at this time and planned levels of Service/functions resulting in a Budget Requirement of £21.719 million;

(ii) The District Council Precept on the Collection Fund (Council Tax Requirement) of £9.995 million in 2021/2022 (based on the Provisional Government Settlement) and a Band D Council Tax of £155.31.

Reason for Recommendations

4. To enable the Cabinet to recommend to Full Council the 2021/2022 General Fund Revenue Budget.

Details

(A) Prospects for Local Government

5. This report sets out the draft revenue budget proposals for 2021/2022 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. In addition, consideration has been given to the impact and severity of COVID-19, the consequent speed of UK economic recovery and the impact of the Government support packages introduced to help Councils respond to the Coronavirus pandemic.

6. It had been expected that, following the one-year spending review for 2020/2021, the Comprehensive Spending Review would be held in 2020 and would apply from April 2021. This was to include major changes in local government funding itself with the planned increase in 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 21 October 2020 that there would be a one-year spending review for 2021/2022 in order to prioritise the response to COVID-19 and to outline measures to drive economic recovery. The Comprehensive Spending Review – which was due to be delivered in the autumn – will now be held in 2021 and will apply from 1 April 2022.

7. A detailed refresh of the Medium Term Financial Strategy (MTFS) was considered by Cabinet, at its meeting on 7 December 2020, 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 2021/2022 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 economic landscape has changed immensely in the last 12 months, initially as a result of the uncertainty over the withdrawal process from the European Union, and recently the financial challenges as a result of the Coronavirus pandemic (COVID-19) which has had an impact on the Council's planned income and expenditure. The Government introduced a number of measures that sought to help businesses survive the crisis caused by the Coronavirus pandemic, including loan guarantees for bank lending, payment of business grants and the expansion of retail relief reducing the business rates liability for many businesses. A support package was also introduced to help Councils respond to the Coronavirus pandemic and to ensure financial sustainability in the future.

10. Inflation used to drive expenditure and income assumptions in revenue budget planning have been based on the Bank of England and Office for Budget Responsibility (OBR) forecasts; the percentage applied in the MTFS and in the proposed budget is 2.5% for employee related costs and 2% for other costs reflecting the Government target for the Community Price Index (CPI). In terms of current economic performance, inflation (measured in terms of CPI), was recorded at 1.1% in June 2020 and at 0.7% in September 2020, below the Bank of England's target of 2%.

11. The Council lends its cash balances externally on a short-term basis, with a view to generating a return that can be spent on delivering council services whilst managing both security and liquidity of the cash. In response to the emerging crisis interest rates were cut globally with banks seeking to provide liquidity through the purchase of financial assets. In the UK itself, the Bank of England cut the Base Rate initially on 11 March 2020 to 0.25% (from 0.75%) and subsequently it was reduced further on 19 March 2020 to a record low level of 0.1%. It is expected that rates will remain at low levels throughout the remainder of 2020/2021 and during the financial year 2021/2022. The anticipated path of any base rate change reflects the fragility of the recovery and this will continue, therefore, to have a direct impact on the investment return achieved by the Council.

12. Short term loans were used during 2020/2021 to fund lending to Ermine Street Housing and to fund other items in the Capital Programme and it is anticipated that external borrowing will be required during 2021/2022. The unexpected increase in Public Works Loan Board (PWLB) interest rates, by one percentage point from 8 October 2019, was reversed on 26 November 2020 to coincide with the introduction of new borrowing restrictions that prevent access to PWLB loans for investment in commercial assets primarily for yield. The impact of these changes has been considered as part of the annual review of the Capital and Treasury Management

Strategies. For budgeting purposes, available interest rates have been factored into the borrowing cost projections associated with the capital programme.

(C) Budget Formulation

13. In looking specifically at the 2021/2022 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 7 December 2020. The clear message is that budget setting and medium term financial planning will be tough over the duration of the MTFS (to 2026) and, as such, the financial objectives identified at paragraph 60 below have helped guide the budget process. In determining the 2021/2022 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 2021/2022 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.

16. In preparing the budget for 2021/22 a detailed revised estimate for 2020/21 has also been prepared taking into account the changes to expenditure and funding as a result of COVID-19. The two key effects to the general fund are the increased expenditure that has been caused by the pandemic and lost service related income due to the various lockdowns and resulting downturn in activity.

17. Additional expenditure is expected to exceed £2m and therefore an increase in service costs of this magnitude is anticipated but also the government support in the form of additional grant has increased similarly so the overall effect on Council finances is expected to be broadly neutral. So effectively whilst the amount to be met

from Government Grants and Taxpayers has increased so has the available amount for financing from Taxation and Grants.

18. With regard to lost service related income the government have introduced an income compensation scheme and this is effectively replacing income that would have been received from customers. The compensation scheme is based on a formula such that the Council will need to bear some of these losses with around 70% being recoverable from the scheme.

19. It is also proposed that within the 2020/21 revised budget £5m be used to fund capital expenditure. The unearmarked General Fund balance is substantial and well in excess of the Council's reserves policy level. By utilising some of the balance to fund capital expenditure will reduce the Minimum Revenue Provision requirement which in turn reduces the Budget Requirement.

20. There is also significant investment in the transformation programme planned over the next few years. This will affect all areas of the Council so is recharged as part of the overhead recharge, hence the increases seen in all Directorates. The actual cost though is funded from the Transformation Reserve rather than the General Fund.

21. The other difference within both revised 2020/21 and original 2021/22 compared to the 2020/21 original budget is the inclusion of the pension adjustments. Accounting requirements are such that the pension costs recognised in the net cost of services should be the value of the pension fund related to those employees delivering the services rather than the actual contributions to the fund in relation to those employees. The effect of this is to increase the net cost of services but the effect is reversed out within net operation expenditure.

(D) <u>Provisional Local Government Settlement – Funding Sources</u>

22. The 2020 Spending Review, announced on 25 November 2020, confirmed that Core Spending Power for local government was expected to increase by 4.5% in cash terms. In addition, it was confirmed that there would not be a reset of the business rates baseline in 2021/2022. The provisional finance settlement announcement, on 17 December 2020 and confirmed on 16 January 2021, made no significant changes to the funding allocations compared to 2020/2021. Whilst this benefits the Council in 2021/2022 compared to previous MTFS forecasts, in overall terms there are very significant risks to the funding level from 2022/2023 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 expected, but deferred, business rate baseline reset could be particularly damaging. There is, however, likely to be some form of damping support from 2022/2023, although it would be phased out over time.

23. 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 100% business rates pilots continued for a further year. The Spending Review also confirmed that a fundamental review of the Business Rates Retention System would report in Spring 2021. The Cambridgeshire Business Rates Pool was also confirmed for a further year.

(iii) An additional one off grant for 2021/22 of £113,000 called the Lower Tier Services Grant, this is un-ringfenced.

(iv) 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;

(v) Continuation of New Homes Bonus (NHB) for a further year, an additional allocation of £1,184,000 has been made for 2021/22, with no new legacy payments. There remains an indication that NHB will be replaced with details subject to usual consultation processes during 2021.

24. The spending power of the Council, based upon the provisional settlement, can be summarised as follows:

	2020/2021 £'000	**2021/2022 Provisional £'000**	**Change %**	**2022/2023 £'000**
Settlement Funding Assessment (SFA):				
- Business Rates Baseline	2,647	2,647	2%	2,699
- Revenue Support Grant (RSG)	-	-	-	-
Total SFA – Per 2020/2021 Settlement	**2,647**	**2,647**	**2%**	**2,699**
- Rural Services Grant	131	131	2%	-
- Lower Tier Services Grant	-	113	100%	-
New Homes Bonus (NHB) Grant	2,768	2,172	11.9%	478
Council Tax Income	9,562	9,995	4.5%	10,424
Core Spending Power	**15,108**	**15,058**	**0.3%**	**13,601**

25. While the level of Settlement Funding Assessment (SFA) for 2021/2022 remains stable as a result of the one-year settlement that has been announced, there remains considerable uncertainty relating to the SFA for 2022/2023 and beyond. The outcome of the Fair Funding Review, a probable baseline reset (and potential review of the Business Rate Retention system), and a review of NHB create further uncertainty.

26. The key elements of local government funding, some of the assumptions made for the period from 2022/2023 and local prospects were outlined in the refresh of the MTFS reported to Cabinet on 7 December 2020. These are outlined in more detail in the "Funding the Budget Requirement" Section below.

(E) Spending Baseline, Spending Pressures and Savings

27. The table below sets out headline movements from the 2020/2021 approved budget. Detailed analysis by service area is outlined in **Appendices A and B**.

	Increased Resource	Reduced Resource
Resources	**£'000s**	**£'000s**
Council Tax	482,000	-
Business Rates	-	2,651,000
Rural Services Grant/Lower Tier Grant	113,000	-
New Homes Bonus	-	575,000
Net increase in Resources	**595,000**	**3,226,000**
	Reduced Spending/ Funding changes	**Increased Spending**
Spending	**£'000s**	**£'000s**
Chief Executive		116,000
Finance Service		1,363,000
Shared Waste and Environmental Services		1,493,000
Housing Services		665,000
Planning Services		849,000
Transformation Services		134,000
HR & Corporate Services		82,000
Interest Payable	923,000	
Investment Income	1,104,000	
Other Levies & Contributions	576,000	
Capital Financing & MRP	3,892,000	
Contribution to Earmarked Reserves		463,000
Contribution to General Fund	1,301,000	
Spending differences between 2020/21 and 2021/22	**7,796,000**	**5,165,000**

28. 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 36 to 48). The increase in Council Tax is based upon a £5 increase on 2021/2022 levels.

(b) Spending pressures and growth bids were originally considered by Cabinet, at its meeting on 7 December 2020, and have been subjected to further refinement. These are summarised at **Appendix C** and include the following:

- Housing services – this relates to the cost of ongoing resource needs to respond to the obligations of the Homeless Reduction Act, particularly in relation to preventing homelessness, addressing the many complex cases and minimising expenditure on expensive forms of temporary accommodation (such as bed and breakfast).

- Commercial Property Management – the creation of core professional capacity in the organisation to manage the increased property portfolio and to undertake essential feasibility studies and due diligence checks in relation to commercial investment projects.

- services – this predominately relates to the provision of additional corporate fraud resource and training to support the commitment to protect public funds, the provision of essential ICT capacity, and additional capacity to strengthen the Finance Service.

(c) Pay and prices incorporate a pay increase of 2.5% 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 F below (paragraphs 30 to 34) and **Appendix D**.

29. It has been established practice, since 2020/2021, 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 2021/2022 revenue budget maintains the sum of £250,000 for this purpose, which represents approximately 1% of the net operating expenditure.

30. The Overview and Scrutiny meeting on 19 January 2021 considered the General Fund budget including an amendment brought forward at the meeting for a 2 year post of Welfare and Visiting Advisor within Housing Benefits. The proposal was supported by the Committee and has therefore now been included in the 2021/22 budget.

(F) Proposed Savings

31. 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.

32. A range of savings proposals, including income generation opportunities, were originally considered by Cabinet at its meeting on 7 December 2020 and covered the period from 2021/2022 to 2024/2025. These have been subject to further refinement and consultation with stakeholders and the schedule of proposals, at **Appendix D**, have been included in the 2021/2022 Revenue Budget.

33. 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	2021/2022	2022/2023	2023/2024	2024/2025	Total

	£000s	%	£000s	%	£000s	%	£000s	%	£000s
Workforce Operating Model	0.576		0.105		0.105		0		0.786
Alternative Ways of Working	0.089		0		0		0		0.089
Business & Growth	1.100		2.475		0.353		0.312		4.240
Managing Demand Better	0.277		0.019		0.019		0		0.315
TOTAL	**2.042**	**38**	**2.599**	**48**	**0.477**	**9**	**0.312**	**6**	**5.430**

34. There continues to be, in addition, 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.

35. In relation to partnership arrangements, a "recharge model" was introduced in 2020/2021 for existing shared services 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 resulted in an adjustment in the level of recharges and this has been factored into the revenue budget.

(G) <u>Funding the Budget Requirement</u>

36. 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>

37. 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. Subject to the broad review of business rates, which will be consulted upon during 2021, 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 2022/2023 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.

38. The Provisional Local Government Finance Settlement was announced on the 17 December 2020 and sets out the Council's SFA for 2021/2022. This is identified in the table below, together with the other factors relevant to determining the Business Rates Yield for 2021/2022:

	2020/2021 **£'000**	**2021/2022 Provisional** **£'000**	**Change** **%**	**2022/2023** **£'000**
Settlement Funding Assessment (SFA):				
- Baseline Funding Level	2,647	2,647	0%	2,699
- Tariff	26,482	26,482	0%	27,012
- Business Rates Baseline	29,129	29,129	0%	29,711

- Section 31 Grants	3,006	2,562	-14.8%	-
Total SFA – Per 2021/2022 Settlement	**2,647**	**2,647**	**0%**	**2,699**
Safety Net Threshold	2,449	2,449	0%	-
Levy Rate (p in £)	£0.50	£0.50		£0.50

39. Specifically, in relation to the preparation of the 2021/2022 Revenue Budget:

(a) The net Business Rates Yield has been estimated at £88.469 million for 2021/2022 as set out in **Appendix E**. The Council's share of this together with the deficit set out in Appendix E equates to £29.743 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). In 2020/21 significant additional section 31 grant was provided to compensate the council for the expanded retail, hospitality and leisure relief given in response to the pandemic.

(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 4.7%, based on analysis of appeals since 2017 under the new Check Challenge Appeal process a reduction in this level was seen. However there is expected to be an increase in appeals going forward in part due to the pandemic it is therefore felt that the national rate of 4.7% should be applied in respect of the appeals provision.

40. 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 was introduced on 1 April 2020. The Pool has also been re-designated to continue in 2021/22. It is estimated that the Council will benefit from an additional income in excess of £1.1 million during 2021/2022 and, in line with established policy, it is proposed that the sum continues to be transferred annually to top up the Renewables Reserve to fund priority projects determined by the Council.

(ii) Rural Services Grant

41. 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. This has been confirmed to continue into 2021/2022 before being phased out.

(iii) Lower Tier Services Grant

42. This is a new one off grant of £113,000 provided to lower tier authorities to support service provision and is un-ringfenced.

(iii) New Homes Bonus

43. The New Homes Bonus (NHB) is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas; it is based on the amount of extra Council Tax revenue raised from new-build homes, conversions and long-term empty homes brought back into use. 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.

44. Housing growth has been significant for this Council area and, as such, the Council has benefited from high levels of NHB. The Government has, however, stated its commitment to review NHB; this is bad news for the Council because housing growth has been significant for the area and, as such, the Council has been a major beneficiary of the grant, receiving a peak of £5.2 million in 2016/2017. Initial reforms have, however, already reduced payments year on year with £2.768 million received in 2020/2021. The 2020 Spending Review, announced on 25 November 2020, confirmed that NHB would continue for a “further year with no new legacy payments”. The sum of £2.192 million has been included in the 2021/2022 revenue budget and it is now anticipated that the last NHB payment will be made in 2022/2023.

45. In previous years, 30% of NHB has been set aside as a contribution to the Greater Cambridge Partnership (GCP) Investment and Delivery Fund but, given the NHB reforms and the forward financial forecasts, the level of contribution has been re-assessed in negotiation with partners and, for 2021/2022, only 10% of NHB receipts has been set aside as a contribution to the GCP Investment and Delivery Fund.

(iv) Council Tax

46. Council Tax has been the most predictable and stable element of Local Government funding, although COVID-19 has created a whole new level of uncertainty. This source of income is predicted to yield £9.995 million in 2021/2022 based upon an assumed £5 increase in Council Tax (the maximum level permitted by Government) and an increase in tax base based upon the latest estimates of housing growth.

47. 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 2021/2022 has been set at 64,353.80 Band D equivalent properties (an increase of 1.15.% (736.20) compared to the 2020/2021 Tax Base of 63,617.60).

48. The proposed increase in Council Tax for 2021/2022 is 3.4%. This proposal equates to an increase of £5.00 on the average Band D property giving a Council Tax of

£155.31 based upon the 2021/2022 Council Tax base of 64,353.8 Band D dwellings. The proposed 3.4% increase in Council Tax, results in a total yield from Council Tax of £10.143 million (including £0.113 million Collection Fund surplus and £0.035 million from the council tax sharing agreement).

(H) Review of Reserves

49. A detailed review of Reserves was carried out as part of the budget setting process in 2020/21 and a further detailed review has not been carried out this time round.

(I) Capital Programme

50. 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 £307.388 million will be needed to support the total capital programme to 2025/2026.

51. The revenue implications of the Capital Programme have also been taken into account in the draft 2021/2022 revenue budget and are detailed at **Appendix A**.

52. In determining the 2021/2022 revenue budget, annual contributions to the following Reserves established in 2020/2021 have been made:

(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

53. 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 2021. A separate report was considered by Cabinet at its meeting on 7 December 2020 and the additional income from the revised fees and charges (albeit marginal) has been included in the draft 2021/2022 revenue budget.

(K) General Fund Revenue Budget Summary

54. The 2021/2022 General Fund Revenue Budget Summary is detailed at **Appendix A (blue page)** and the following is relevant:

(i) Revenue Support Grant (RSG) and Business Rates

These figures reflect the provisional Settlement for 2021/2022. Any adjustment (dependent on its effect) will be reported to Council on 23 February 2021.

(ii) Council Tax Collection Fund Balance in aid of Council Tax

The Council's share of estimated Council Tax surplus as at 31 March 2021 has been determined by the Head of Finance and totals £0.113 million.

(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 **£155.31**.

(iv) District Precept on Collection Fund

In accordance with legislative requirements the District Precept on the Collection Fund will include Parish Precepts when known.

55. **In pursuance of Section 25 of the Local Government Act 2003 the Chief Finance Officer is required to make a statement on the robustness of estimates and the adequacy of Reserves in relation to the Council's budget calculations. Provided Members fully take into account the risks that are outlined in the report at Appendix F, I can confirm that Directors/Heads of Service are satisfied with the level of budgets put forward for 2021/2022 relating to their respective service areas although it must be recognised that the budget allocations in 2021/2022, and the future prospects for service delivery, will be challenging and that pressures and constraints during the next financial year will be inevitable.**

Options

56. 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 they are to be included.

Implications

57. 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

58. The MTFS, approved by Cabinet on 7 December 2020, 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.

59. The MTFS identifies that a prudent level of revenue contingency will be maintained to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding and, in this regard, the proposed General Fund Revenue Budget includes a revenue contingency of £250,000.

60. In accordance with the MTFS, the following financial objectives have guided the formulation of the 2021/2022 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

61. 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.

62. It is a legal requirement (under Section 25 of the Local Government Act 2003) that before approving the ensuing year's Capital and Revenue Budget, the Council are required to receive and take into account a report of the Chief Finance Officer (Head of Finance) on the robustness of the estimates leading to the Council's Council Tax requirement and the adequacy of financial reserves. This needs to cover issues of affordability (having regard to Council Tax implications), prudence (having regard to Council policies/strategies) and sustainability (having regard to forecast annual expenditure and income). This report is attached at **Appendix F**.

Financial

Budget Overview

63. The proposed 2021/2022 revenue budget is set out in the table at **Appendix A**.

Government Funding Settlement

64. 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 16 January 2021 but the final settlement has not yet been formally confirmed. It is, therefore, recommended that:

- if the Government grant were increased it is recommended that the balance would be transferred to the General Fund Reserve;
- if it is reduced that this be the first call on the general contingency.

Parish Council Precepts

65. 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 23 February 2021 as part of Council Tax Resolution.

Risk

General

66. The Revenue Budget for 2021/2022 has been prepared on a prudent basis but there are risks which may affect the budget. These risks include the following:

- The extent of service pressure being higher or lower than anticipated.
- The delivery of planned efficiency savings.
- Unforeseen costs during the year which may exceed the provision in the general contingency of £250,000.
- The economic situation is either better or worse than anticipated with fluctuations in income sources (NB: This affects capital financing costs and fees and charges).
- Increases in inflation above those known or expected at this time.
- Member aspirations regarding service levels.
- The impact of changes in legislation.

It is also critical that the budget setting timescale is followed to ensure that statutory deadlines are complied with.

Specific

67. 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

68. 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: 3 February 2021/Council: 23 February 2021
- Capital Programme Update and New Bids – Report to Cabinet: 7 December 2020
- 2020/2021 Revenue & Capital Budget Monitoring – Report to Cabinet: 7 December 2020
- Medium Term Financial Strategy – Report to Cabinet: 7 December 2020

Appendices

A Revenue Budget 2021/2022: Summary

B Revenue Budget 2021/2022: Detailed Budgets

C Service Pressures Taken into Account

D Service Efficiencies/Income Generation Opportunities

E Business Rate Yield Estimate 2021/2022

F Revenue Budget: Risks and Robustness

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Appendix A

GENERAL FUND ESTIMATE SUMMARY

2020/21 Original Estimate £ 000's	2020/21 Probable Outturn £ 000's		Note	2021/22 Budget Gross Expenditure £ 000's	2021/22 Budget Gross Income £ 000's	2021/22 Budget Net Expenditure £ 000's
760	854	Chief Executive and Chief Operating Officer		1,195	(319)	876
2,610	4,345	Head of Finance		27,113	(23,140)	3,973
1,370	1,239	Head of Human Resoures & Corporate Services		1,669	(316)	1,353
1,616	2,111	Head of Housing		5,662	(3,381)	2,281
7,253	8,416	Head of Shared Waste & Environment		16,474	(7,728)	8,746
2,594	2,371	Head of Transformation		2,934	(206)	2,728
3,988	5,726	Director of Shared Planning		10,248	(5,411)	4,837
0	0	Monitoring Officer				0
20,191	**25,062**	**Net Corporate Expenditure**		**65,295**	**(40,501)**	**24,794**
250		Contingency and unallocated		349		349
20,441	**25,062**	**Net Cost of Services**		**65,644**	**(40,501)**	**25,143**
(4,537)	(4,214)	Income from Investments	(a)		(5,641)	(5,641)
1,271	712	Other Levies and Contributions	(b)	695		695
2,128	751	Interest Payable (Inc. HRA)	(c)	1,205		1,205
(1,074)	(2,840)	Depreciation Reversals & Other Adj.			(3,004)	(3,004)
2,075	870	Minimum Revenue Provision		1,362		1,362
3,977	7,664	Revenue Contributions to Capital		2,727		2,727
24,281	**28,005**	**Net Operating Expenditure**		**71,633**	**(49,145)**	**22,488**
1,451	(2,275)	Contribution to/(from) General Fund		150		150
(1,382)	(550)	Contribution to/(from) Other Reserves			(919)	(919)
24,350	**25,180**	**To be met from Government Grants and Local Taxpayers**		**70,865**	**(50,063)**	**21,719**
		Taxation and Grants				
(11,791)	(10,699)	Business Rates inc Section 31			(9,140)	(9,140)
(9,661)	(9,661)	Council Tax			(10,143)	(10,143)
(2,898)	(4,820)	Other Government Grants			(2,436)	(2,436)
(24,350)	**(25,180)**	**Total Taxation and Grants**				**(21,719)**

Notes:-

(a) This includes Rental income from the Councils Commercial Portfolio and Interest Receivable from Ermine Street Housing and Other Counterparties.

(b) This includes the Drainage Levy and Contributions to the Combined Authority and Greater Cambridge Partnership.

(c) This Includes all Interest payable by the General Fund for both external borrowing and Investment Income passed to the Housing Revenue Account (HRA).

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Appendix B

GENERAL FUND SUMMARY **NET EXPENDITURE**	2020/21 Original Estimate	2020/21 Revised Estimate	2021/22 Original Estimate
Chief Executive and Chief Operating Officer	759,828	854,100	876,330
Head of Finance	2,609,991	4,344,801	3,805,536
Head of Human Resources & Corporate Services	1,369,633	1,239,150	1,352,611
Head of Housing	1,615,922	2,110,683	2,447,745
Head of Shared Waste & Environment	7,253,421	8,416,144	8,746,141
Head of Transformation	2,593,933	2,370,740	2,727,749
Director of Shared Planning	3,987,954	5,726,459	4,837,491
Monitoring Officer	0	0	0
NET CORPORATE EXPENDITURE	**20,190,682**	**25,062,077**	**24,793,603**
Unallocated Overheads - Cambourne Buildings	0	0	99,000
Council Approved Contingencies	250,000	0	250,000
TOTAL NET GENERAL FUND SERVICE EXPENDITURE	**20,440,682**	**25,062,077**	**25,142,603**
Expenditure/Income Not Included in Directorates			
Greater Cambridge Funding Contribution	830,254	276,751	219,282
Internal Drainage Board Levies	206,000	201,000	205,020
Contribution to the Combined Authority from EZ income	234,626	234,626	270,882
Cost of Borrowing to fund Capital and Investments	2,128,452	750,500	1,405,150
Investment Income	(4,537,477)	(4,214,000)	(5,640,607)
Corporate and Strategic Adjustments			
Finance Charge Reversals	(1,074,290)	(1,873,320)	(2,037,380)
IAS 19 Reversals	0	(966,617)	(966,607)
Minimum Revenue Provision	2,078,069	869,904	1,363,041
Contributions to/(from) Earmarked Reserves	(1,382,392)	(550,337)	(919,228)
Capital financing from revenue reserves	3,977,000	7,664,000	2,727,000
Appropriations to/(from) General Reserves	1,448,245	(2,275,184)	(49,832)
GENERAL EXPENSES (BUDGET REQUIREMENT)	**24,349,169**	**25,179,400**	**21,719,324**
Core Funding			
New Homes Bonus	(2,767,512)	(2,767,512)	(2,192,815)
Rural Services Grant/Lower Tier Services Grant	(130,657)	(130,657)	(243,657)
(Surplus) / Deficit on Collection Fund re Business Rates	(119,366)	(119,366)	1,373,396
Business Rates Pool Gain	(1,100,000)	(1,100,000)	(1,100,000)
Section 31 Grant	(3,479,025)	(2,400,417)	(2,561,963)
Covid Support Grant		(1,921,566)	
Council Tax Sharing Agreement			(35,000)
Retained Business Rates	(7,091,609)	(7,078,882)	(6,851,428)
(Surplus) / Deficit on Collection Fund re Council Tax	(78,000)	(78,000)	(113,068)
Council Tax	(9,583,000)	(9,583,000)	(9,994,789)
	(24,349,169)	**(25,179,400)**	**(21,719,324)**

Appendix B(1)

CHIEF EXECUTIVE and CHIEF OPERATING OFFICER

	2020/21 Original Estimate	2020/21 Revised Estimate	2021/22 Original Estimate
SERVICE SUMMARY			
Corporate Management	759,828	854,100	876,330
NET EXPENDITURE TO GENERAL FUND SUMMARY	**759,828**	**854,100**	**876,330**

SUBJECTIVE ANALYSIS

EXPENDITURE			
Staffing Costs	645,912	615,210	513,020
Premises Related Expenses	0	0	0
Transport Related Expenditure	600	50	100
Supplies and Services	47,050	51,590	43,050
Third Party Payments	84,000	84,000	84,000
Transfer Payments	0	0	0
Capital Financing Costs	0	0	0
Overhead and Internal Support Services	243,871	410,520	548,570
Service Accounting Adjustments	0	6,260	6,260
Gross Expenditure	**1,021,433**	**1,167,630**	**1,195,000**
Gross Income	**(261,605)**	**(313,530)**	**(318,670)**
Government Grants	0	0	0
Customer and Client Receipts	0	0	0
Recharges	(261,605)	(313,530)	(318,670)
	759,828	**854,100**	**876,330**

Reduction in Staffing costs due to 2 members of staff transferring to Transformation.
Income from Recharges is higher due to the increased proportion of costs recharged to HRA.

Appendix B(2)

HEAD OF FINANCE

	2020/21 Original Estimate	2020/21 Revised Estimate	2021/22 Original Estimate
SERVICE SUMMARY			
Overheads and Support Services			
Accountancy	884,329	1,074,030	1,081,561
Accounts Payable	51,994	133,400	134,697
Accounts Receivable	135,761	123,460	138,730
Cash Receipting	46,196	45,620	45,900
Procurement	56,911	89,840	166,450
Internal Audit	105,766	112,800	108,460
Anti-Fraud	0	106,926	156,921
Insurance and Risk Management	0	137,935	0
Corporate Services Directorate Support	35,194	0	0
NET EXPENDITURE ALLOCATED TO SERVICES	**1,316,151**	**1,824,011**	**1,832,719**
Direct Service Provision			
Housing and Council Tax Support	623,602	655,309	704,530
Rent Allowances	23,330	307,390	173,050
Rent Rebates	77,316	260,840	105,580
Treasury Management	26,407	54,257	79,775
Cost of NNDR Collection	361,862	383,170	413,504
Cost of Council Tax Collection	1,019,883	1,178,040	1,277,834
Investment Strategy	473,063	646,275	740,470
Miscellaneous	4,528	825,170	255,573
Cambridge Leisure	0	34,350	20,220
NET EXPENDITURE TO GENERAL FUND SUMMARY	**2,609,991**	**4,344,801**	**3,770,536**
TOTAL NET EXPENDITURE	**3,926,142**	**6,168,812**	**5,603,255**

SUBJECTIVE ANALYSIS - Overheads and Support Services

EXPENDITURE			
Staffing Costs	1,020,525	1,295,290	1,371,580
Premises Related Expenses	0	0	0
Transport Related Expenditure	800	400	950
Supplies and Services	42,830	220,490	221,930
Third Party Payments	160,630	140,110	136,450
Transfer Payments	1,000	1,000	1,000
Capital Financing Costs	0	0	0
Overhead and Internal Support Services	360,426	410,416	490,483
Service Accounting Adjustments		50,110	50,110
Gross Expenditure	**1,586,211**	**2,117,816**	**2,272,503**
Gross Income	(14,900)	0	0
	1,571,311	**2,117,816**	**2,272,503**
Recharged to Other Support Services	(255,160)	(293,805)	(284,754)
Recharged To Services	(1,316,151)	(1,824,011)	(1,967,976)

SUBJECTIVE ANALYSIS - Direct Service Provision

EXPENDITURE			
Staffing Costs	1,896,989	1,925,865	2,035,320
Premises Related Expenses	0	0	0
Transport Related Expenditure	0	880	6,260
Supplies and Services	595,780	1,486,080	961,650
Third Party Payments	39,680	41,310	40,480
Transfer Payments	19,071,805	22,715,908	22,580,930
Capital Financing Costs	0	0	0
Overhead and Internal Support Services	1,224,745	1,457,800	1,648,431
Service Accounting Adjustments	0	82,990	82,990
Gross Expenditure	**22,828,999**	**27,710,833**	**27,356,061**
Gross Income	**(20,219,008)**	**(23,366,032)**	**(23,585,525)**
Government Grants	(19,377,698)	(22,089,570)	(22,329,440)
Customer and Client Receipts	(816,810)	(653,914)	(730,440)
Recharges	(24,500)	(622,548)	(525,645)
	2,609,991	**4,344,801**	**3,770,536**

Overheads staffing costs increases are due to a number of staffing bids in Accountancy, Procurement, Accounts Payable and Anti-Fraud teams. This includes a number of Apprentices.
In the current year £100,000 additional insurance costs have been moved from overheads in HR to direct services in Finance and additional costs incurred on ICT equipment, licences and subscriptions.
There is an increase in the costs of direct service provision for the Investment Strategy and also managing Housing and Council Tax support, Costs of Council Tax and NNDR collection. The increased costs are both in staffing and supplies and services, such as ICT equipment, software licences, legal and audit costs. Additional government grants don't fully cover increases in costs of managing these areas due to the challenges of the pandemic. These costs are also causing increased spend in the year 20/21.

Appendix B(3)

HEAD OF HUMAN RESOURCES & CORPORATE SERVICES

	2020/21 Original Estimate	2020/21 Revised Estimate	2021/22 Original Estimate
SERVICE SUMMARY			
Overheads and Support Services			
Human Resources and Payroll	2,292,114	2,285,278	2,334,590
Cambourne Offices	1,347,904	1,424,760	1,404,090
Hub Offices	21,499	23,310	27,950
Central Expenses	240,368	128,310	130,600
Central Support Services	244,056	187,560	187,340
Health & Safety at Work	0	69,200	68,717
NET EXPENDITURE ALLOCATED TO SERVICES	**4,145,941**	**4,118,418**	**4,153,287**
Direct Service Provision			
Elections	0	4,570	3,469
Register of Electors	366,571	352,630	388,479
Democratic Representation	979,165	856,860	938,201
Emergency Planning	23,897	25,090	22,462
NET EXPENDITURE TO GENERAL FUND SUMMARY	**1,369,633**	**1,239,150**	**1,352,611**
TOTAL NET EXPENDITURE	**5,515,574**	**5,357,568**	**5,505,898**

SUBJECTIVE ANALYSIS - Overheads and Support Services

EXPENDITURE			
Staffing Costs	2,479,653	2,633,380	2,614,200
Premises Related Expenses	862,350	777,710	862,750
Transport Related Expenditure	1,075	210	400
Supplies and Services	610,828	386,880	351,120
Third Party Payments	90,880	90,880	91,500
Transfer Payments	0	0	0
Capital Financing Costs	250,000	276,650	276,650
Overhead and Internal Support Services	483,207	520,657	566,486
Service Accounting Adjustments	0	36,020	36,020
Gross Expenditure	**4,777,993**	**4,722,387**	**4,799,126**
Gross Income	(88,750)	(90,190)	(88,750)
TOTAL NET EXPENDITURE	**4,689,243**	**4,632,197**	**4,710,376**
Recharged to Other Support Services	(543,302)	(513,779)	(557,089)
Recharged To Services	(4,145,941)	(4,118,418)	(4,153,287)

SUBJECTIVE ANALYSIS - Direct Service Provision

EXPENDITURE			
Staffing Costs	474,591	434,900	509,760
Premises Related Expenses	0	0	0
Transport Related Expenditure	2,080	870	2,080
Supplies and Services	545,320	484,540	534,610
Third Party Payments	21,390	21,960	22,200
Transfer Payments	77,270	0	0
Capital Financing Costs	0	0	0
Overhead and Internal Support Services	571,385	576,140	580,891
Service Accounting Adjustments	0	18,790	18,790
Gross Expenditure	**1,692,036**	**1,537,200**	**1,668,331**
Gross Income	(322,403)	**(298,050)**	**(315,720)**
Government Grants	0	(10,540)	0
Customer and Client Receipts	(2,980)	(4,590)	(2,980)
Recharge to the HRA	(319,423)	(282,920)	(312,740)
TOTAL NET EXPENDITURE	**1,369,633**	**1,239,150**	**1,352,611**

Staffing bid HR04 leads to £120,000 increased staff costs within Human Resources.
Reduction to Supplies & Services in 21/22 compared to 20/21 original due to 20/21 including a £150,000 HR bid and insurance costs of £100,000 now removed from Central Expenses to new Insurance & Risk Management cost centre.
Current year underspend is largely driven by the costs of the new HR system (a bid in 20/21) not being fully spent in the year. This will be rolled over into 21/22 as implementation of the new system is now moving ahead fast. Also less than anticipated spend on printing, stationery, catering and vending supplies.

Appendix B(4)

HEAD OF HOUSING (GENERAL FUND SERVICES)

	2020/21 Original Estimate	2020/21 Revised Estimate	2021/22 Original Estimate
SERVICE SUMMARY			
Overheads and Support Services			
Housing Management Support	62,737	53,360	57,530
NET EXPENDITURE ALLOCATED TO SERVICES	**62,737**	**53,360**	**57,530**
Direct Service Provision			
Housing Association Support	108,597	105,510	117,073
Homelessness	504,068	734,590	908,453
Letting & Advisory Service	120,945	142,640	146,920
Private Sector Leasing Scheme	270,887	314,780	314,702
Self-Build Vanguard	12,038	1,570	17,895
New Build Programme	0	31,430	63,366
Strategic Housing	174,173	184,090	201,145
Sub-Regional Homelink Service	5,926	9,160	3,128
Travellers Sites	88,387	225,700	315,172
Improvement Grants	74,411	71,549	87,416
Visiting Support Service	32,439	45,128	47,281
General fund Sheltered Properties	105,500	107,220	117,248
Housing Company	27,174	35,660	15,660
Community Lifeline Services	(30,926)	(26,744)	(17,816)
Recharges From/(To) HRA	122,303	128,400	143,102
Open Space Cherry Hinton	0	0	0
NET EXPENDITURE TO GENERAL FUND SUMMARY	**1,615,922**	**2,110,683**	**2,480,745**
TOTAL NET EXPENDITURE	**1,678,659**	**2,164,043**	**2,538,275**

SUBJECTIVE ANALYSIS - Overheads and Support Services

EXPENDITURE			
Staffing Costs	3,300	12,560	6,000
Premises Related Expenses	0	0	0
Transport Related Expenditure	300	0	300
Supplies and Services	28,350	13,750	25,650
Third Party Payments	0	0	0
Transfer Payments	0	0	0
Capital Financing Costs	0	0	0
Overhead and Internal Support Services	30,787	27,050	25,580
Service Accounting Adjustments	0	0	0
Gross Expenditure	**62,737**	**53,360**	**57,530**
Gross Income	**0**	**0**	**0**
Government Grants	0	0	0
Customer and Client Receipts	0	0	0
Recharges	0	0	0
	62,737	**53,360**	**57,530**

SUBJECTIVE ANALYSIS - Direct Service Provision

EXPENDITURE			
Staffing Costs	1,914,208	1,920,816	2,385,590
Premises Related Expenses	41,350	26,400	73,040
Transport Related Expenditure	31,190	20,260	31,190
Supplies and Services	1,341,845	1,522,470	1,463,775
Third Party Payments	48,300	47,460	49,600
Transfer Payments	135,734	271,976	328,964
Capital Financing Costs	97,500	301,750	311,750
Overhead and Internal Support Services	787,825	1,008,886	1,116,243
Service Accounting Adjustments	0	81,430	81,420
Gross Expenditure	**4,397,952**	**5,201,448**	**5,841,572**
Gross Income	(2,782,030)	(3,090,765)	(3,360,827)
Government Grants	(450,173)	(438,110)	(523,037)
Customer and Client Receipts	(2,003,127)	(2,343,840)	(2,466,920)
Recharge to the HRA	(328,730)	(308,815)	(370,870)
	1,615,922	**2,110,683**	**2,480,745**

Additional £400,000 costs relate to the bid for Money Advice Service, part of additional costs of managing homelessness, this cost is to be met from an earmarked reserve accumulated from Government funding.
Additional depreciation of £200,000 relate to Travellers Site.
There is a reduced recharge to HRA from Lettings and Advisory service as higher proportion of non-Council lets are managed by the service.
Increase in the costs of the New Build programme includes a previous year bid moved here from Community Services.

Appendix B(5)

HEAD OF SHARED WASTE & ENVIRONMENT

	2020/21 Original Estimate	2020/21 Revised Estimate	2021/22 Original Estimate
SERVICE SUMMARY			
Overheads and Support Services			
Waterbeach Depot	245,452	254,723	258,970
Environmental Business Support	325,423	208,965	211,411
NET EXPENDITURE ALLOCATED TO SERVICES	**570,875**	**463,688**	**470,381**
Direct Service Provision			
Greater Cambridge Shared Waste Service	3,929,657	4,821,207	4,784,868
Street Cleansing	938,953	838,023	907,033
Flood Defence and Land Drainage	371,107	329,116	445,399
Alcohol and Entertainment Licensing	17,511	50,644	70,093
Animal and Public Health	12,829	16,256	16,691
Environmental Protection	114,830	519,641	720,563
Noise and Nuisance Control	3,200	221,968	333,856
Envirocrime Enforcement	134,119	147,679	92,985
Environmental Health General	945,514	222,016	40,247
Business Hub	(30,000)	(30,000)	(30,000)
Food Safety	226,653	355,802	483,033
Health and Safety at Work	0	113,772	160,734
Housing Standards	0	49,206	102,338
Infectious Disease Control	0	226,483	83,180
Taxi Licensing	146,584	131,778	74,274
Miscellaneous Services	4,861	15,863	7,592
Footway Lighting	139,008	130,476	151,509
Renewable Energy	229,571	174,895	183,385
Sustainability (from Transformation)	69,024	81,319	118,361
NET EXPENDITURE TO GENERAL FUND SUMMARY	**7,253,421**	**8,416,144**	**8,746,141**
TOTAL NET EXPENDITURE	**7,824,296**	**8,879,832**	**9,216,522**

SUBJECTIVE ANALYSIS - Overheads and Support Services

EXPENDITURE			
Staffing Costs	135,491	123,210	116,100
Premises Related Expenses	219,910	225,150	228,200
Transport Related Expenditure	5,000	400	800
Supplies and Services	75,950	67,890	80,640
Third Party Payments	0	0	0
Transfer Payments	0	0	0
Capital Financing Costs	5,720	15,070	15,070
Overhead and Internal Support Services	128,804	29,338	26,941
Service Accounting Adjustments	0	3,130	3,130
Gross Expenditure	**570,875**	**464,188**	**470,881**
Gross Income	**0**	**(500)**	**(500)**
Government Grants	0	0	0
Customer and Client Receipts	0	(500)	(500)
Recharges	0	0	0
	570,875	**463,688**	**470,381**

SUBJECTIVE ANALYSIS - Direct Service Provision

EXPENDITURE			
Staffing Costs	7,589,815	7,496,740	7,998,600
Premises Related Expenses	40,881	26,380	21,490
Transport Related Expenditure	1,683,690	1,684,620	1,680,540
Supplies and Services	893,930	963,150	840,850
Third Party Payments	1,937,500	1,712,640	2,015,280
Transfer Payments	16,320	0	0
Capital Financing Costs	448,570	815,370	969,430
Overhead and Internal Support Services	2,172,090	2,504,454	2,578,621
Service Accounting Adjustments	0	369,420	369,420
Gross Expenditure	14,782,796	15,572,774	16,474,231
Gross Income	(7,529,375)	(7,156,630)	(7,728,090)
Government Grants	0	(441,100)	
Customer and Client Receipts	(7,529,375)	(6,715,530)	(7,728,090)
	7,253,421	**8,416,144**	**8,746,141**

Additional RCV, including electric increase Capital Financing costs by £500,000.
Restructuring process resulted in costs moved between cost centres. £114,000 allocated to Environmental Business Support in 20/21 has been redistributed to other cost centres, while costs previously held under Environmental Health General are now in the new cost centres Health and Safety at Work, Housing Standards and Infectious Disease Control.

Appendix B(6)

HEAD OF TRANSFORMATION

	2020/21 Original Estimate	2020/21 Revised Estimate	2021/22 Original Estimate
SERVICE SUMMARY			
Overheads and Support Services			
3C ICT Shared Service	1,679,406	1,856,168	2,148,107
Contact Centre	907,061	785,020	899,159
Digital CRM - Customer Portal	0	463,980	613,004
Transformation	0	403,320	702,847
NET EXPENDITURE ALLOCATED TO SERVICES	**2,586,467**	**3,508,488**	**4,363,117**
Direct Service Provision			
Policy and Performance	267,974	324,000	592,829
Communications	302,884	491,950	424,862
Business Support & Economic Development	291,330	260,200	420,222
Tourism	35,146	35,014	35,006
Ageing Well	244,445	127,273	79,344
Transport Initiatives & Policy	45,514	27,643	42,227
Voluntary Sector Grants	146,010	140,533	140,476
Community Safety	66,473	83,462	78,212
Community Chest Grants	108,866	97,354	110,929
Northstowe - Healthy New Town	90,317	86,250	79,048
Localism	772,473	566,241	577,097
Health & Wellbeing	214,001	122,320	138,997
Museum Grants	8,500	8,500	8,500
Northstowe - Community Wing	0	0	0
NET EXPENDITURE TO GENERAL FUND SUMMARY	**2,593,933**	**2,370,740**	**2,727,749**
TOTAL NET EXPENDITURE	**5,180,400**	**5,879,228**	**7,090,866**

SUBJECTIVE ANALYSIS - Overheads and Support Services

EXPENDITURE			
Staffing Costs	1,115,908	1,141,910	1,517,560
Premises Related Expenses	0	0	0
Transport Related Expenditure	130	0	0
Supplies and Services	1,393,010	1,920,110	2,672,710
Third Party Payments	150,000	150,000	150,000
Transfer Payments	0	0	0
Capital Financing Costs	270,770	464,480	464,480
Overhead and Internal Support Services	333,692	649,682	919,532
Service Accounting Adjustments	0	57,930	57,930
Gross Expenditure	**3,263,510**	**4,384,112**	**5,782,212**
Gross Income	**(106,380)**	**(31,610)**	**(245,610)**
Net Cost of Services	**3,157,130**	**4,352,502**	**5,536,602**
Recharged to Other Support Services	(570,663)	(844,014)	(1,173,485)
Recharged To Services	(2,586,467)	(3,508,488)	(4,363,117)

SUBJECTIVE ANALYSIS - Direct Service Provision

EXPENDITURE			
Staffing Costs	1,308,034	1,211,341	1,290,310
Premises Related Expenses	8,100	8,200	2,666
Transport Related Expenditure	4,740	520	3,950
Supplies and Services	1,001,093	733,462	827,236
Third Party Payments	0	0	0
Transfer Payments	0	0	0
Capital Financing Costs	1,730	0	0
Overhead and Internal Support Services	501,455	618,881	761,018
Service Accounting Adjustments	0	48,550	48,550
Gross Expenditure	**2,825,152**	**2,620,954**	**2,933,730**
Gross Income	**(231,219)**	**(250,214)**	**(205,981)**
	2,593,933	**2,370,740**	**2,727,749**

A large increase in staffing costs within Transformation for work on the Transformation programme (£400,000), is offset by the movement of posts from Localism to Housing for the construction of buildings in Northstowe. The increase within Supplies & Services is mainly driven by the Transformation programme (£600,000).
There is also a number of smaller bids of up to £100,000, some are multi-year bids approved previously, with increased costs in 21-22 and some minor savings arise from movement of staff to Housing.

Appendix B(7)

DIRECTOR OF SHARED PLANNING

	2020/21 Original Estimate	2020/21 Revised Estimate	2021/22 Original Estimate
SERVICE SUMMARY			
Direct Service Provision			
Operations Management	1,150,458	1,224,588	842,824
Development Management	(901,286)	(156,362)	(705,068)
Land Charges	151,169	402,902	(260,397)
Planning Policy	1,939,710	2,008,012	2,163,040
Pre-Planning Application	(215,828)	(91,070)	0
Building Control Service	121,055	120,970	115,865
Open Space Cherry Hinton	3	805	0
Building New Environments	1,454,634	1,702,485	1,414,572
Enforcement Issues	430,225	371,032	530,933
Strategic Sites	(316,438)	(67,553)	549,454
CIL / S106 Office	170,516	212,240	179,660
Street Naming and Numbering	3,736	(1,590)	6,608
NET EXPENDITURE TO GENERAL FUND SUMMARY	**3,987,954**	**5,726,459**	**4,837,491**

SUBJECTIVE ANALYSIS

EXPENDITURE			
Staffing Costs	6,244,348	6,889,505	6,043,703
Premises Related Expenses	29,350	20,010	23,210
Transport Related Expenditure	36,390	23,446	26,890
Supplies and Services	1,462,020	1,695,724	1,291,980
Third Party Payments	250,360	301,072	279,360
Transfer Payments	120,000	23,150	120,000
Capital Financing Costs	0	0	0
Overhead and Internal Support Services	1,702,887	1,981,297	2,225,293
Service Accounting Adjustments	0	238,010	238,010
Gross Expenditure	**9,845,355**	**11,172,214**	**10,248,446**
Gross Income	**(5,857,401)**	**(5,445,755)**	**(5,410,955)**
Government Grants	0	0	
Customer and Client Receipts	(5,857,401)	(5,445,755)	(5,410,955)
Recharges	0	0	
	3,987,954	**5,726,459**	**4,837,491**

A £400,000 savings proposal was submitted by Planning, which is reflected in reduction in staffing costs in 21/22. The saving is partially offset by the staffing bids submitted in Planning Enforcement. There is additional expenditure and lost income in the 2020/21 partly funded by governemnt covid support funding and compensation for loss of income however some of this additional expenditure and income loss will need to be borne by the Council's General Fund.
Reduction in costs of supplies and services are based on lower projected external legal costs.
Planning fees income received in 20/21 has been significantly below budget due to the pandemic and this effect is expected to continue in 21/22

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Appendix C

Summary of Service Pressures/New On-Going Funding Bids

New Revenue Budget Bids: Staff Related	Ongoing £ pa
Corporate Fraud:	
• Fraud Team Leader/Administrator Post (1 FTE) To support the commitment to protect public funds and resources, funds are required to support a restructure which will include the additional resource to replace an existing Fraud Officer post with a new post of Fraud Team Leader and a part-time administrator.	25,000
Housing Function – Homelessness:	
• Housing Advice & Options [3 FTE] Three additional posts were created within the Housing Advice and Options service in 2017/2018 to manage the additional demands placed on the Council by the introduction of the Homelessness Reduction Act. These were initially on fixed term contracts, which have been extended and funded through a government grant (Flexible Homeless Support Grant). It is evident that these posts are essential on an ongoing basis to respond to the obligations of the Homeless Reduction Act, particularly in relation to preventing homelessness, addressing the many complex cases and minimising expenditure on expensive forms of temporary accommodation (such as bed and breakfast). The posts include a Complex Case Officer (37 hours), Housing Advice Officer (30 hours) and Housing Advice Assistant (37 hours).	120,000
Finance Function – Accountancy:	
• Chief Accountant [1 FTE] There is a need to increase capacity in the Finance Service and across the Council by the creation of a Deputy Section 151 Officer post.	72,000
• Financial Reporting Team [1 FTE] It is proposed to provide apprentice support for the Accountancy's financial reporting team. Core duties would be to support the transaction processing and reconciliations. The apprenticeship is for a 2-year term, however, the proposed post is permanent.	19,000
Commercial Development & Investment:	
• Resource Capacity [1.5 FTE] It has been necessary to review the size and composition of the Investment Team based upon the increased portfolio (and significantly increased rental income), activity levels and core workload. The emphasis has been to ensure a minimum staffing structure consistent with the ambitions and priorities in the Investment Strategy, supplemented by external support to deal with variable activity levels and the need for essential professional support. It is now proposed that new posts should be established.	76,000
TOTAL:	**£312,000**

Summary of New On-going Funding Bids:
Non-Staffing Related

New Revenue Budget Bids: Non-Staff Related	Ongoing £ pa
Corporate Fraud: Training There is a need for a training budget to ensure that team members are able to carry out their duties as effectively as possible.	8,000
Transformation: IT Microsoft Agreement The current Microsoft Agreement was negotiated by the Crown Commercial service (CCS) in March 2018 on behalf of all local authorities and is referred to as the Digital Transformation Arrangements (DTA). The DTA agreement expires in March 2021 and, while it is strongly expected the CCS will negotiate a similar deal, it is possible that costs will be higher. It is also expected that additional features will be available, as recently evidenced with the NHS agreement.	13,000
Transformation: Data Centre Support The proposal is for 24/7 support of the Data Centre environment that will ensure the correct specialised support available when required and improved resolution times.	10,000
Commercial Development & Investment: Operational Costs This is a budget for the cost of feasibility studies and other reports relevant to the property portfolio, some of which will be abortive.	50,000
Land Drainage The allocation of additional funding for land drainage, including gullies, watercourse and flood defence works.	50,000
TOTAL:	**£131,000**

Overall Total	**£443,000**

Value Attributable To:

General Fund	**£284,000**
Housing Revenue Account	**£39,000**
Earmarked Reserves (Homelessness)	**£120,000**

Appendix D

Service Efficiencies/Income Generation Opportunities: 2021-2025

Theme 1: Develop a Workforce Operating Model			Timeline/Saving			
			2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £
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)		**£170,000 ***	**£100,000**	**£100,000**	**-**
2	A package of measures to respond to a reduction in applications and actual land charges income. The package results in reduced costs to both the Council and Cambridgeshire County Council in accordance with the existing agreement. Measures are focused around (i) reducing contract/agency staff costs associated with reduced application numbers (including legal costs), (ii) the re-profiling of planning policy spend and securing improved cost recovery from partners (Greater Cambridge Partnership and (iii) the consolidation of costs in the Business Support team. A longer term programme of measures (not yet costed) to transform/reformat the service is also being developed.		**£394,000**	**-**	**-**	**-**
3	Rationalise processes and budgets to focus on efficient service delivery and effective resource deployment, including a review of:					
	(a)	the HR function following the implementation of a new Human Resource Information System, including an extension of self-service arrangements.	**£50,000**	**-**	**-**	**-**
	(b)	Commissioning external Graphic Design	**£10,000**			
	(c)	An in-house road litter picking service (reducing the need for contractors), including the recruitment of an additional operative to focus on "A" road picking - with a saving of £45,000 in contractors fees offset by the estimated cost of the operative at £25,000.	**£20,000**	**-**	**-**	**-**
	(d)	Expand and grow Commercial waste service		**£25,000**	**£25,000**	

Theme 2: Alternative Ways of Working		Timeline/Savings			
		2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £
4	Increase customer self-service and remote access through the implementation of the "One-Vu" customer portal project.	**£80,000**	**-**	**-**	**-**
6	Following the introduction of 'Council Anywhere', and the increased opportunity for remote working, to reduce unnecessary travel to meetings. The Council achieved a £50,000 saving in the first 6 months of 2020/2021. (General Fund Element)	**£25,000**	**-**	**-**	**-**

Theme 3: Business and Growth			Timeline/Savings			
			2021/2022 £	2022/2023 £	2023/24 £	2024/25 £
7		Implementation of the Investment Strategy (subject to Council approval on 28 November 2019) by pursuing, subject to business case justification, commercial investment opportunities.	**£1,032,000**	**£2,475,000**	**£353,000**	**£312,000**
8		To review Planning Performance Agreements and processes to reduce the current subsidy provided to those who undertake major developments.	**£30,000**	**-**	**-**	**-**
9		To undertake a review of the Ermine Street Housing recharge model	**£3,000**			
10		To consider prevailing fee scales and income generation opportunities for regulatory services, including:				
	(a)	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.	**£30,000**	**-**	**-**	**-**
	(b)	The development of a commercial model for the building control service to generate additional income from consultancy services.	**£5,000**	**-**	**-**	**-**

Theme 4: Managing Demand Better			Timeline/Savings			
			2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £
10	To review the commercial waste collection service, including:					
	(a)	Increasing the current charge of £35 for an additional green bin for the collection of garden waste by £5 per year over the next 3 years to bring in line with charges applying at other local Councils (£50).	**£19,000**	**£19,000**	**£19,000**	**-**
	(b)	Rebalancing the waste collection rounds to make it possible for three rounds to be completed with Driver and only one loader.	**£38,000**	**-**	**-**	**-**
	(c)	Improvement and better routing of small mini-freighter rounds serving hard to reach areas and farms mainly.	**£15,000**			
	(d)	Realising a saving on fuel costs due to improved routing and reduction of a fleet vehicle.	**£20,000**			
	(e)	Realising a saving by removing an existing trade round and redistributing the work to the remaining trade rounds.	**£15,000**			
12	Review of all council tax exemptions/discounts using data matching techniques (countywide project).		**£35,000**	**-**	**-**	**-**

14	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	**£80,000**	**-**	**-**	**-**

		modifications and enhancements.				
	(b)	Installation of roof-mounted solar panels at Waterbeach Depot	**£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	**£2,126,000**	**£2,619,000**	**£497,000**	**£312,000**
Value Attributable to General Fund	**£2,042,000**	**£2,599,000**	**£477,000**	**£312,000**
Value Attributable to Housing Revenue Account	**£84,000**	**£20,000**	**£20,000**	**-**

Business Rates Yield **Appendix E**

		Total	Central govt.	SCDC	CCC	Fire
		1	0.5	0.4	0.09	0.01
		£	£	£	£	£
NNDR YIELD ESTIMATE 2020/21						
Share of Collection fund						
Net yield (after reliefs and provisions)		**95,008,079**				
Less						
	Transitional Payment Protection	41,688				
	Cost of collection	- 240,278				
	Yield from renewable energy	- 764,626				
	Enterprises	- 902,941				
Yield for distribution		**93,141,922**	**46,570,961**	**37,256,769**	**8,382,773**	**931,419**
Add						
	Cost of collection			240,278		
	Yield from renewable energy			764,626		
	Enterprises			902,941		
	Designated area relief		- 223,869	223,869		
Total Income from rates yield		**95,049,767**	**46,347,092**	**39,388,483**	**8,382,773**	**931,419**
Estimated Surplus / (deficit) from 2021/22		**- 19,284,286**	**- 9,642,143**	**- 7,713,714**	**- 1,735,586**	**- 192,843**
		75,765,481	**36,704,949**	**31,674,768**	**6,647,187**	**738,576**

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APPENDIX F

REVENUE BUDGET RISKS AND ROBUSTNESS

In pursuance of Section 25 of the Local Government Act 2003, the Council's designated Head of Finance (Chief Finance Officer) is required to make a statement on the robustness of estimates and the adequacy of Reserves in relation to the Council's budget calculations.

The economic landscape has changed immensely in the last 12 months, initially as a result of the uncertainty over the withdrawal process from the European Union, and subsequently the financial challenges as a result of the Coronavirus pandemic (COVID-19) which has impacted on the Council's planned income and expenditure.

The relevant issues in relation to the 2021/2022 budget are as follows:

Estimates

1. The formulation of the budget has allowed for best estimates of the commitments necessary to maintain service levels and these have been reviewed and refined throughout the process. Service Areas have engaged in a robust challenge of, and determination of, the 2021/2022 budgets being tabled for their respective service areas. This has enabled a good understanding of budget issues faced, thus improving the prospects of budget compliance.

2. In determining financial forecasts and specifically the 2021/2022 budget, regard has been given to (i) the impact of the Government support package that was introduced to help Councils respond to the Coronavirus pandemic and to ensure financial sustainability in the future and (ii) the actual experience of the Council in the year to date. Specifically, the forecasting and budgeting seeks to provide best estimates for Council Tax and Business Rates Yield, service-related income and any additional expenditure based on assumptions in relation to both the duration and severity of COVID-19 and the speed of recovery.

3. The determination of the 2021/2022 revenue budget has been informed by established and effective budget monitoring arrangements that have created a sound foundation for the overall management of the Council's financial resources. This provides the basis for the monitoring of compliance with the efficiency assumptions built into the revenue budget and has also enabled budget pressures to be identified, managed, and appraised as part of the 2021/2022 budget setting process.

4. The budget has been prepared in accordance with the Council's Medium Term Financial Strategy (MTFS) and the following financial objectives, as part of the Revenue Budget Strategy, have helped guide the budget proposals:

   (a) A sustainable medium term financial plan that allows the achievement of the Council's key objectives.

(b) Realistic levels of year-on-year spending which are supportable via annual income streams and do not require the use of general reserves to support recurring expenditure.

(c) General reserves should be maintained at all times at or above the agreed minimum level.

(d) Constraining annual Council Tax increases to an acceptable level.

(e) The pursuance of “invest to save” opportunities with a financial return on the investment in transforming activities over an acceptable payback period.

(f) A commitment to explore income generation opportunities and to maximise income from fees and charges.

(g) A commitment to maximising efficiency savings.

5. As part of the overall budget strategy, the Council has sought to protect front line service budgets. This has included a review of service delivery options and emphasis on the optimisation of corporate budgets and the continuation of a service transformation programme developed in 2019/2020 as part of a 4-year plan to transform service quality, improve organisational productivity and improve customer services. The programme is aimed at delivering Council services more efficiently and in a more convenient way for the public.

6. The formulation of the budget has allowed for best estimates of inflation and applied at a level to reflect efficiency requirements. In this regard, general inflation has been provided at 2% on certain budgets (such as contract costs) and, in relation to staff costs, an allowance has been made for incremental shift. An inflationary allowance of 1% has been made for transport costs, 2% for non-domestic rates and up to 2.5% for energy costs.

7. It is important to acknowledge that there are risks inherent in the budget estimates and these include specific areas set out below, with an attempt to quantify them where possible:

(a) Pay inflation for local government employees in 2021/2022 has been assumed at 2.5% however the government indicated that a public sector pay freeze would be brought in but whether this comes to fruition remains to be seen. Should the final employers’ settlement be in excess of this, and the Council reviews its local scheme, an additional cost would be incurred (every 0.5% on pay would equate to around £130,000 on staffing costs).

(b) Inflation on specific contracts has been allowed at a rate of 2% and, in some cases, this will require robust contract negotiations. The timely review of business requirements in relation to contracted services should, however, reduce the risk of an increase in some contact values in excess of the budgetary allocation made.

(c) Interest is allowed for as both an income item (on daily balances for example) and as an expense (on borrowing for capital for example). The Bank of England cut the Base Rate initially on 11 March 2020 to 0.25% (from 0.75%) and subsequently it was reduced further on 19 March 2020 to a record low level of 0.1%. Consequently, the rates available to investors continue to be exceptionally low and the budget assumptions are based on a 0.1% interest rate. From a borrowing perspective, it has been necessary to consider the implications of the changes to the rules affecting local authorities borrowing from the Public Works Loan Board introduced by HM Treasury from 26 November 2020. The main purpose of the change is to restrict the ability of local authorities to borrow for pure investment in commercial property.

(d) Given the current economic outlook there is a risk that the forecast level of income budgeted in 2021/2022 in some areas (e.g. planning income, land charge fees) may not be achieved. The determined budget has, however, been prepared having regard to income trends which should reduce the risk involved. With any downturn in the economy there is a possibility that benefit caseload will increase and, though an increase in numbers receiving Universal Credit would see cases transfer to the Department of Work and Pensions, Council income could still be impacted, and debts would become more difficult to collect.

(e) In terms of benefits, the increased stringency of the subsidy claim audit increases the risk of subsidy being withheld and this may require additional resources to be deployed on quality assurance.

(f) There are a number of budget reductions proposed within the budget as part of the Transformation programme over the next four years; every attempt is being made to prioritise services, and to streamline processes to avoid an adverse impact on service delivery, but there is a risk that there will be as yet unpredicted impacts on services.

(g) It is possible that some of the proposed reductions may not be achievable or may not be achievable in the time frame anticipated, potentially leading to the need for other reductions, budget overspends, or the use of contingency funding. These areas will be kept under review as part of the established budget monitoring arrangements.

(h) It is proposed to maintain the Contingency at £250,000 as part of its risk mitigation strategy reflecting (i) the challenges faced by local government at this time and (ii) general appreciation of budget risks.

8. In determining the 2021/2022 revenue estimates, 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 preparedness to consult service users and providers to ensure that services can be remodelled and tailored within acceptable tolerances.

(c) A comprehensive review of the base budget to provide greater assurance for the future. The review has been based upon regular established monitoring processes and has incorporated a review of the alignment between the original budget and service activity.

(d) The identification, as a result of (c) above, of service pressures and endeavours to make adequate provision in the 2021/2022 base budget.

(e) The provision of funding to support Business Plan priorities.

(f) Continued review and tight control of the capital programme given the impact of borrowing costs on the revenue budget.

9. In terms of the capital programme, regular assessments need to be made to ensure that schemes and costs meet the test as to what can be classified as Capital Expenditure. In addition, the long-term affordability of the capital programme has been reviewed and this has resulted in proposals for a revised and reprofiled programme, including priority for invest to save proposals and prudent allocation of grant and other income to reduce borrowing costs.

10. In submitting the 2021/2022 revenue budget for approval, regard has also been given to issues of affordability (having regard to Council Tax implications), prudence (having regard to Council policies/strategies) and overall sustainability (having regard to forecast annual expenditure and income).

Reserves

1. The Council's Revenue Reserves and Provisions are held to fund specific initiatives or held to cover unforeseen events within the Council's prudent financial management arrangements.

2. The Council, as at 1 April 2020, held a Bad Debt Provision to a value of £2.9 million and Revenue Reserves of around £46 million of which £29 million was earmarked. The balance of £17 million represents the General Reserve and working balance. An annual review of Reserves has been carried out as part of the budget process and a number have been re-aligned or combined. The overall level is significant and accords with the optimum level required calculated on a risk basis. A process exists to regularly refresh the risk assessed level of General Fund Reserve having regard to the needs and risks of the Council on an ongoing basis.

3. A detailed review of Revenue Reserves and Provisions was carried out as part of the 2020/21 budget and this time round it has been much more light touch. It

is though proposed to use £5 million of the unearmarked general fund reserve to fund capital expenditure in 2020/21.

4. In reviewing Reserves, due regard has been given to professional guidance. Since 1992 the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Accounting Panel (LAAP) has issued LAAP Bulletins to local authority practitioners. These Bulletins provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirements.

5. Based on an assessment of the risks facing the Council, including transformation, demographic and transition factors and past experience of budget pressures, the Reserves that are proposed to be retained is considered appropriate, but should be subject to review to ensure that excessive balances are not maintained. Some of these reserves can only be used for specific purposes, but others could be called upon if necessary and so provide additional flexibility.

6. In view of the unsettled economic background, and significant changes that will impact upon medium term finances (such as the localisation of business rates), it is recognised that there is an ongoing need to review and establish a level of reserves which allows the Council to withstand the financial impacts of future developments, unanticipated or otherwise, at a local or national level.

Conclusions

1. The process for the formulation of budgets provides a reasonable assurance of their robustness.

2. The level of the Reserves is sufficient to provide a working balance to cushion the impact of unexpected events or uneven cash flows (general reserves) and funds to meet known or anticipated liabilities (earmarked reserves).

3. It is recognised that the financial pressures facing the Council are not going to ease over the medium term. The economic situation, coupled with a downward funding trajectory outlined in the spending review, will require the Council to put in place sustainable budget proposals in order to set a balanced budget.

4. In addition, there are going to be a number of changes in how local government is funded over the medium term, in particular the Business Rates Retention Scheme and the Fair Funding Review. This reshaped funding landscape has the effect of increasing financial uncertainty and risk and the Council's financial resilience will depend upon appropriate mitigating actions ranging from effective financial control, a clear financial strategy and strong financial governance. The ongoing assessment of the Council's financial resilience, including the sufficiency of Reserves, will form a major element of the Council's response to this new financial landscape.

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Agenda Item 11

South Cambridgeshire District Council

REPORT TO:	Cabinet	3 February 2021
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head of Finance	

Housing Revenue Account Revenue & Capital Budget: 2021/2022

Executive Summary

1. To consider the summary Housing Revenue Account (HRA) Revenue and Capital Budget for 2021/2022 and to recommend the HRA Budget to Council.

Key Decision

2. This is not a key decision

Recommendations

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

Housing Revenue Account (HRA): Revenue

(a) approve the HRA revenue budget for 2021/2022 as shown in the HRA Budget Summary as presented at Appendix A;

HRA: Review of Rents and Charges

(b) Approve that council dwelling rents for all social rented properties be increased by the Consumer Prices Index plus 1% (1.5%), in line with legislative requirements introduced as part of the Welfare Reform and Work Act, with effect from 1st April 2021;

(c) Approve that affordable rents are reviewed in line with rent legislation, to ensure that rents charged are no more than 80% of market rent for 2021/2022. Local policy is to cap affordable rents at the lower level of Local Housing Allowance, which will result in rent variations in line with any changes notified to the authority in this level, effective from 1st April 2021;

(d) Approve inflationary increases of 0.6% in garage rents for 2021/2022.

(e) Approve the proposed service charges for HRA services and facilities provided to both tenants and leaseholders, as shown in Appendix D.

HRA: Capital

(f) Approve the required level of funding for new build investment between 2021/2022 and 2025/2026 to ensure that commitments can be met in respect of the investment of all right to buy receipts currently retained or anticipated to be received by the authority for this period. This expenditure will take the form of HRA new build, with the 70% top up met by other HRA resources;

(g) approve the HRA Medium Term Financial Strategy forecasts as shown in Appendix B;

(h) approve the Housing Capital Programme as shown in Appendix C.

Reason for Recommendations

4. To enable the Cabinet to recommend to Full Council the 2021/2022 HRA Revenue Budget and Capital Programme.

Details

(A) Background

5. The HRA is a ring-fenced area of the Council's activity and represents the landlord activity which the authority carries out as a stock retaining authority.

6. HRA budgets continue to be set in the context of a 30-year business plan, which is reviewed in November and February of each year. The HRA budget setting report covers both HRA revenue and capital spending. As the authority's landlord account, the HRA accounts for all services to tenants and leaseholders and is the account into which the proceeds of the rent and landlord service charges are credited.

7. Resource available to invest in housing is dependent upon the income streams for the HRA, the most significant of these being the rental income for the housing stock. For the four years ended 31st March 2020, the Council were required to reduce rents by 1% per annum to comply with a national approach to rent setting. From 1st April 2020 rents can be increased by the September Consumer Prices Index (CPI) plus 1%. This equates to a 1.5% increase from 1St April 2021. The Government has previously indicated that CPI plus 1% will apply for the following four years from 1st April 2020.

8. There is a key requirement to ensure that the HRA can support a significant level of housing debt whilst also ensuring ongoing delivery of housing services. As at April 2020, the authority was supporting a housing debt of £205 million. The current policy does not assume set-aside of resource to allow for repayment of housing debt, but instead assumes the resource is used to deliver a new build programme in the medium term, in an attempt to ensure sustainability of the HRA.

(B) Budget Formulation

9. Consideration needs to be given to the fluid nature of some of the assumptions that are required to be incorporated into the financial forecasting for the HRA, particularly in relation to the impact of changes in national housing policy. The previous

assumption around rent loss from the sale of high value voids has now been removed as this policy is not being pursued by Central Government at this time.

10. Assumptions will need to be continually reviewed and amended as information is made available and any changes in the economic environment become apparent.

11. The budget for 2021/2022 has been constructed in the wider context of the national position for social housing. The Council still seeks to achieve a balance in investment against key housing priorities as follows, although this still proves challenging:

- Investment in the existing housing stock with a commitment to increase energy efficiency, reduce the carbon footprint and increase the sustainability of the Council's properties;
- Investment in the delivery of new affordable homes;
- Investment in new initiatives;
- Spend on landlord services (i.e. housing management, responsive and void repairs);
- Support for, and potential repayment of, housing debt.

12. The time and top up constraints currently associated with the retention and re-investment of right to buy receipts and the rollout of Universal Credit locally, continue to pose significant financial challenges for the HRA but at least the ending of the 1% rent reductions provides additional resources going forward.

13. The draft revenue and capital estimates for the HRA are outlined in detail in **Appendices A to C** of the report.

(C) National and Local Policy Context

14. The Council welcomed the government's announcement of the lifting of the borrowing cap on HRA borrowing and aspires to build capacity, thus enabling an increase in the rate of building new council homes to take advantage of that opportunity when appropriate. A locally calculated debt cap has recently been estimated using the latest estimated income and expenditure projections and that suggests a cap of £250 million should be set on affordability grounds; this is an additional £45 million. Any further borrowing though will be subject to Council approval, as was the case when the Council took on the original £205 million debt.

15. Welfare Reform has already presented some challenges, and the Council have resources in this budget to support tenants some of whom are now receiving Universal Credit, in the expectation that their numbers would further increase.

16. The Council's HRA owns and/or manages the following properties, broken down by category of housing provided:

Housing Category	Actual Stock Numbers as at 1/4/2020	Estimated Stock Numbers as at 1/4/2021
General Housing (Incl. use as Temporary Housing)	4,191	4,224
Sheltered Housing	1,056	1,061
Sheltered Housing – Equity Share	78	76
Miscellaneous Leased Dwellings	3	3
Shared Ownership / FTB Dwellings	77	90
Total Dwellings	**5,405**	**5,454**

17. A breakdown of the housing stock by property type is outlined in the table below:

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2020	Estimated Stock Numbers as at 1/4/2021
Bedsits	20	20
1 Bed	1,065	1,095
2 Bed	2,398	2,413
3 Bed	1,849	1,852
4 Bed	69	70
5 Bed	1	1
6 Bed	3	3
Total Dwellings	**5,405**	**5,454**

18. The HRA continues to maintain the freehold in respect of flats, sold under the right to buy process on long leases. Services continue to be provided to these properties in respect of repairs and improvements to communal areas and services for common facilities.

19. As at 31 March 2020, the Council held £5,866,982.62 of right to buy receipts under the retention agreement with the Ministry of Housing, Communities & Local Government (MHCLG), to be spent within 3 years of their original receipts date, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. Currently, the balance must be funded from the Council's own resources, or through borrowing, and the receipts cannot be used on replacement dwellings or dwellings receiving any other form of public subsidy.

(D) <u>HRA Resources</u>

20. HRA resources comprise rent, service charges, income from garages/other property, investment income, external funding and earmarked funds. These are each considered below:

(i) <u>Rent: Rent Arrears, Bad Debt Provision and Void Levels</u>

21. Performance in the collection of current tenant debt fell during 2020/2021, affected by the impact of the COVID-19 pandemic. At the end of November 2020, current tenant arrears stood at £606,794 and former tenant arrears at £237,992, compared with £473,421 and £220,866 retrospectively as at 31 March 2020. The position is being carefully monitored, with staff working proactively with tenants in arrears. However, the tools to help enforce rent collection have changed with increased notice periods introduced through legislation (Coronavirus Act 2020). The notice periods for minor rent arrears have been extended from 2 weeks to 6 months, and for more severe rent arrears (over 6 months arrears) the notice period is 4 weeks. Eviction notices cannot be served during the national lockdown period. On a positive note, the recently installed Housing Management system (Orchard) should allow for a more targeted review of tenant arrears and collections rates are anticipated to improve as the UK emerge from the pandemic.

22. The level of annual contribution to the bad debt provision was reviewed again as part of the HRA budget, with the contribution set at 0.5% from 2020/2021. This assumption has not been amended as part of this HRA budget setting report.

23. At 31 March 2020, the provision for bad debt stood at £528,622, representing 76% of the total debt outstanding at the time.

24. The estimated value of rent not collected as a direct result of void dwellings in 2020/2021 is £600,000, representing a void loss of 2.1%. The higher than desired levels are due to the effect of the COVID-19 pandemic with lockdowns hindering necessary void works between tenancies, less tenant relocations and the progression of new build shared-ownership property sales.

25. At the end of December 2020, 89 properties were unoccupied, representative of 1.7% of the housing stock.

26. The current assumption of 1.1% voids in general housing is still considered appropriate for the longer-term in anticipation that the COVID-19 restrictions will be lifted later in the year.

(ii) <u>Rent: Restructuring and Rent Levels</u>

27. The authority still lets property on two differing rent levels, social rent and affordable rent, with the latter capped locally at the level of the Local Housing Allowance.

28. Property specific rent restructured target social rents apply for the socially rented stock held in the HRA. From 1st April 2020 both the target rent and actual rent increased by CPI plus 1% so the convergence of the actual and target rents, which was abandoned when the 1% rent reduction targets were brought in, will still not happen unless a property becomes void and the rent is moved to target on re-let.

29. The average social rent in 2020/2021, at the time of writing this report, across the socially rented housing stock was £104.45, and after applying the expected increase of 1.50% will become £106.02. At the time of writing this report, 41% of the social rented housing stock was being charged at target rent levels, compared with 38% in the previous year.

30. There are 141 new build or acquired properties charged at the higher ‘affordable rent’ levels, equivalent to the pre-Covid Local Housing Allowance, with 32 of these being shared ownership homes.

(iii) Rent Setting

31. Rent levels continue to be set by Council in February of each year, following consideration at Cabinet.

32. From April 2020, the authority has been able to apply an increase of CPI plus 1% which equated to 2.7% in 2020/2021. The last year of a four-year rent cut in social housing rents of 1% per annum was in 2019/2020.

33. In respect of longer-term financial forecasts, the Government has agreed a return to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, for the next 4 years from April 2020. This equates to 1.5% for the financial year 2021/2022.

34. For affordable rented homes, the requirement for local authorities is to determine what 80% of the market rent is for each dwelling and ensure that the combined rent and service charges levied for a property does not exceed this level. Our local policy limits affordable rents to the Local Housing Allowance level (approximately 60% of market rent) from the point of introduction. As a result, affordable rents for 2021/2022 will be reviewed in line with Council policy, using pre-Covid Local Housing Allowance levels as the baseline and increasing these by CPI inflation. The average affordable rent in 2020/2021 at the time of writing this report was £148.18.

(iv) Service Charges

35. Service charges continue to be levied for services that are not true landlord functions, and are provided to some tenants and not others, depending upon the type, nature and location of the property. Some service charges are eligible for housing benefit, depending upon the nature of the service.

36. The approach to setting service charge levels for 2021/2021 is detailed in the report at **Appendix D.**

(v) Other Sources of Income

37. The HRA had 951 residential garages as at 1st April 2020, which are outside the curtilage of the dwelling. Approximately 406 garages were vacant at the time of compiling this report. A number of the vacant garages have been identified as needing repairs or major works prior to being ready to let, or are being considered for demolition, disposal, self-build sites or redevelopment.

38. A two-tier charging structure is applied for garages, with one rate for garages rented to tenants, and another for rental of garages by others, with the latter being subject to VAT at the prevailing rate. If a tenant holds more than two garages, VAT is also payable.

39. In addition to dwellings held for rent, the HRA has a number of communal rooms in sheltered schemes. Currently the costs of these buildings are recovered through service charges levied to residents. A review of these assets continues to ensure that they are either well utilised for the purpose intended, or that consideration is given to alternative options for the use of each site, generating an income for the HRA where possible. Extensive consultation is being carried out as part of this review to ensure that all local views are taken account of.

40. The HRA receives interest on general and ear-marked revenue balances, any funds set-aside in the major repairs reserve or the revenue debt repayment reserve, any unapplied capital balances and in respect of any internal lending to the General Fund. The interest rates available to the Council generally remain low, and market recovery is slow, although lending to Ermine Street Housing still provides a better return than lending to external third parties currently.

(vi) Other External Funding

41. In addition to income direct from service users, the HRA anticipates receiving external funding from Section 106 Funding. The Council has a policy in respect of Section 106 Commuted Sums, which allows the first call on these to be to fund the delivery of new build affordable housing in the HRA. The assumption that this funding is utilised to deliver new affordable homes is identified into the Housing Capital Investment Plan.

(vii) Earmarked & Specific Funds: Revenue

42. In addition to General Reserves, the HRA Account still maintains a number of earmarked or specific funds. Details of the current level of funding in these reserves is shown at **Appendix E**.

43. A Self-Insurance Fund is maintained to mitigate the risks associated with the authority self-insuring its housing stock. Costs in lieu of insurance claims are charged to the HRA in year, with the reserve available to meet any higher than anticipated remedial costs, allowing the HRA time to react to the additional expenditure incurred.

44. A statutory Major Repairs Reserve is credited with depreciation in respect of the housing stock each year, with funding then in the Housing Capital Investment Plan, to meet the capital cost of works to HRA assets, or alternatively to repay housing debt.

45. Change in national housing policy, and the continued desire to invest resource in new build to replace lost stock and appropriately spend retained right to buy receipts, impacts the ability to set-aside resource to repay debt. This means the Council will have no alternative but to refinance a significant proportion of the loan portfolio as each loan matures. The approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision, allows the HRA to retain flexibility over the use of the limited resource that is available for set aside in the future.

(viii) Earmarked Funds: Capital Receipts

46. The HRA retains an element from all right to buy receipts over and above those assumed in the self-financing settlement, in recognition of the debt held in respect of the asset. These sums are held in a separate ear-marked capital reserve, allowing them to be utilised to repay debt should the authority so choose, or alternatively reinvest as deemed appropriate.

47. With the Right to Buy Receipt Retention Agreement in force, this reserve ensures that resource is identified for re-investment and, if necessary, repayment purposes.

(E) HRA Revenue Account Budget: Revised Budget 2020/2021

48. Service budgets for the current financial year were reviewed as part of the budget setting process for the coming year in order to ascertain what the likely balance would

be on the Housing Revenue Account at the end of the financial year. The changes are summarised in the table below:

2020/2021 Revised Budget	Original Budget Feb-2020 £ 000's	Proposed Changes £ 000's	Revised Jan-2021 £ 000's
Rental Income	(29,474)	143	(29,331)
Other Income	(1,489)	66	(1,423)
Supervision and Management	6,710	(635)	6,075
Repairs	4,777	(1,001)	3,776
Depreciation	6,868	(202)	6,666
Other Expenditure	384	35	419
Revenue Funding of Capital Expenditure	15,149	(5,961)	9,188
Loan interest	7,254	(75)	7,179
Interest receivable	(680)	(11)	(691)
IAS 19 (Pension Cost) Reversals		(173)	(173)
Revised Net HRA Use of Reserves	**9,499**	**(7,814)**	**1,685**

49. The above figures include any rollover approvals from 2019/2020 in the second column along with other amendments listed on a category by category basis. The resulting change in the use of reserves is also identified for the current year. The middle column shows the difference between the original and revised budgets. The net reduction in costs for 2020/2021 will result in a lower call on the use of HRA reserves than previously anticipated.

(F) <u>HRA Revenue Account Budget: Budget 2021/2022</u>

50. The HRA balance at the start of the financial year was a little over £4.3 million but it is anticipated that some of this will be used to fund the Housebuilding Programme in 2020/2021. At the end of 2020/2021 the balance is anticipated to fall to just above £2.6 million. Whilst this level of balance is adequate for HRA purposes it would not be prudent to let this fall much below £2.5 million.

51. The Council has commenced a transformation programme which will deliver savings across the authority and some of these savings will fall on the HRA. It will also be necessary to ensure that efficiency savings are sought within the HRA to ensure that the account remains viable so the savings initiatives that were undertaken during this budget process for the General Fund should be extended to encompass the HRA for the next budget cycle.

52. Expenditure excluding capital charges has increased by £689,411 over the 2020/2021 original position though £173,000 relates to accounting adjustments for pension costs that are reversed out. Capital expenditure charged to revenue has increased on the previous year by £4.6 million but the increase is funded from earmarked reserves.

53. Income has increased by £961,000 primarily as a result of the aforementioned rent increase of 1.5% now allowed by central government following the ending of the four year 1% rent reduction policy.

54. The proposed budget is based on an HRA deficit of £1.69 million in 2020/2021 and a surplus of £227,000 in 2021/2022. This is possible due to the level of HRA balance and earmarked reserves at 1st April 2020 (£13.8 million). Much of the balance is being

used to fund the Housebuilding Programme in these years but some borrowing is also likely to be required. Efficiency savings could reduce the required level of borrowing but it would be unrealistic to expect the HRA to find all of the additional resource requirements from efficiencies.

55. The overall revenue budget position for the HRA for 2021/2022 is presented in **Appendix A**. A balanced budget can be set for 2021/2022, with the balance on the account reducing close to the desired minimum before increasing in later years.

(G) Housing Capital Budget

(i) Stock Investment and Decent Homes

56. A full stock condition survey of the Council housing stock is planned for 2021/22 to improve the information held to inform future decision making. The authority procured, as part of a joint exercise with Cambridge City Council, updated software to record and report asset management data, as part of a wider project to implement a fully integrated housing management information system. The successful supplier of the new Housing Management Information System was "Orchard", who delivered Orchard Asset (formerly ProMaster) as the asset management solution.

57. As at 31 March 2020, 94.64% of the housing stock was reported as decent, compared with 95.31% at 31 March 2019; with 281 properties that were considered to be non-decent (in addition to refusals by tenants to access the property and undertake the necessary works). In the year to 31 March 2020, access to properties considered to be non-decent was refused by 118 tenants.

58. Other investments include more controllable high heat retaining electric storage systems and investment in renewable energies where appropriate such as air source heat pumps. Working with NetZero on a pilot study, energy consumption is being monitored on 5 properties across the Council's stock to understand what renewable technologies will be most appropriate in a particular property type to achieve net zero carbon emissions. Health and safety work is being undertaken to upgrade the Councils fire doors in flats that have been identified through testing following the tragic event of Grenfell to be non-compliant this is being followed up with a rolling programme of door replacement and annual safety assessment.

59. Emergency lighting has been installed in flat blocks and smoke alarms have been installed that are linked to the emergency alarms in sheltered housing.

60. The Capital programme has been updated and is reproduced at **Appendix C**.

(ii) New Build and Re-Development

61. At the time of writing this report 112 new homes had been completed since April 2012, all of which were built as affordable rented homes, with a further 33 shared ownership homes also completed

Scheme	Status	Estimated Affordable Units	Scheme Composition	Scheme
Fen Drayton	Completed	20	4 x 1 Bed House	Fen Drayton

Road, Swavesey	May 2016		10 x 2 Bed House 5 x 3 Bed House 1 x 4 Bed House	Road, Swavesey
Horseheath Road, Linton	Completed July 2016	4	1 x 2 Bed Bungalow 2 x 2 Bed Flat 1 x 2 Bed House	Horseheath Road, Linton
Hill Farm, Foxton	Completed January 2017	15	4 x 1 Bed House 6 x 2 Bed House 5 x 3 Bed House	Hill Farm, Foxton
Robinson Court, Gamlingay	Completed August 2018	6 plus 4 shared ownership and 4 market sale	4 x 1 Bed Flat 2 x 2 Bed Flat 2 x 1 Bed House (S/Ownership) 2 x 2 Bed House (S/Ownership) 2 x 2 Bed House (Market Sale) 2 x 3 Bed House (Market Sale)	Robinson Court, Gamlingay
Pampisford Road, Great Abington	Completed April 2018	6 plus 2 shared ownership	2 x 1 Bed Flat 2 x 2 Bed House 1 x 2 Bed Bungalow 2 x 2 Bed Bungalow (Shared Ownership) 1 x 3 Bed House	Pampisford Road, Great Abington
Bannold Road, Waterbeach	Completed April 2018	16 plus 7 shared ownership	6 x 1 Bed Flat 6 x 2 Bed Flat 4 x 2 Bed House 2 x 2 Bed House (Shared Ownership) 5 x 3 Bed House (Shared Ownership)	Bannold Road, Waterbeach
Woodside, Longstanton	Completed April 2019	3	3 x 2 Bed House	Woodside, Longstanton
Gibson Close, Waterbeach	Completed November 2019	6 plus 3 shared ownership	4 x 1 Bed Flat 2 x 2 Bed House 3 x 2 Bed House	Gibson Close, Waterbeach

			(Shared Ownership)	
High Street, Balsham	Completed December 2019	9 plus 4 shared ownership	7 x 1 Bed Flat 2 x 2 Bed Flat 4 x 2 Bed House (Shared Ownership)	High Street, Balsham
Highfields, Caldecote	Completed December 2019	3 shared ownership	1 x 1 Bed House 2 x 2 Bed House	Highfields, Caldecote
Station Road, Foxton	Completed October 2020	6 plus 3 shared ownership	4 x 1 Bed Flat 1 x 2 Bed House 1 x 3 Bed House 2 x 2 Bed House (SO) 1 x 3 Bed House (SO)	Station Road, Foxton
Pembroke Way, Teversham	Completed November 2020	5	2 x 1 Bed Flat 1 x 1 Bed Bungalow 2 x 2 Bed House	893,000
Linton Road, Great Abington	Completed December 2020	13 plus 5 shared ownership	6 x 1 Bed Flats 2 x 2 Bed House 5 x 3 Bed House 2 x 2 Bed House (SO) 3 x 3 Bed House (SO)	Linton Road, Great Abington
Burton End, West Wickham	Completed December 2020	3 plus 1 shared ownership	1 x 1 Bed Bungalow 1 x 2 Bed Bungalow 1 x 2 Bed House 1 x 3 Bed House (SO)	Burton End, West Wickham
Total		**112 rented** **32 shared ownership** **4 market sale**		**Total**

62. The table below updates the position in respect of schemes either in progress or with Lead Cabinet Member approval, based upon previous versions of the business plan, confirming their status and the current budget allocation which is required for each of the schemes, with the budgeted expenditure included at **Appendix C**.

Scheme	Status	Estimated Affordable Units	Indicative Scheme Composition (Subject to Change)	Scheme Budget (Gross of subsidy / capital receipts)
Grace Crescent, Hardwick (Rented)	On site	27	16 x 1 Bed Flats 9 x 2 Bed Houses 1 x 3 Bed House 1 x 4 Bed House	4,711,480
Grace Crescent, Hardwick (Shared Ownership)	On site	12 shared ownership	6 x 2 Bed Flat (SO) 4 x 2 Bed House (SO) 2 x 3 Bed House (SO)	3,125,540
Bennell Farm, Toft	On site	25 plus 11 shared ownership	8 x 1 Bed Flat 9 x 2 Bed Flat 5 x 2 Bed House 3 x 3 Bed House 8 x 2 Bed House (SO) 2 x 3 Bed House (SO) 1 x 4 Bed House (SO)	7,089,700
Babraham Road, Sawston	On site	44 plus 19 shared ownership	20 x 1 Bed Flat 21 x 2 Bed Flat 2 x 3 Bed House 1 x 4 Bed House 4 x 1 Bed Flat (SO) 11 x 2 Bed Flat (SO) 3 x 3 Bed House (SO) 1 x 4 Bed House (SO)	12,350,135
Impington Lane, Impington	On site	7 plus 3 shared ownership	6 x 1 Bed Flat 1 x 3 Bed House 2 x 2 Bed House (SO) 1 x 3 Bed House (SO)	1,959,950

Northstowe, Phase 2A	Not yet in contract	81	59 x 1 Bed Flat 22 x 2 Bed Flat	12,030,000
Emerson Road, Great Abington	Not yet in contract	3	2 x 2 Bed Flat 1 x 2 Bed House	535,870
High Street, Meldreth	Not yet in contract	4 plus 3 shared ownership	2 x 2 Bed House 2 x 3 Bed House 3 x 2 Bed House (SO)	1,697,210
Orchard Gardens, Melbourn	Not yet in contract	6 plus 3 shared ownership	2 x 1 Bed Flat 1 x 1 Bed House 3 x 2 Bed House 3 x 3 Bed House (SO)	2,016,740
Total		**197 rented** **51 shared ownership**		**43,499,270**

63. There are a number of schemes where feasibility work is being carried out with a view to building out the sites for the HRA directly, or alternatively negotiations are in progress with developers, for the HRA to acquire the affordable housing on existing new build development schemes. These schemes do not yet have formal approval and, as such, have not yet been built in to the Housing Capital Investment Plan on a scheme specific basis. Instead, an unallocated new build budget is included, which when a scheme receives Head of Housing and Lead Cabinet Member approval, allows resource to be transferred from this unallocated new build/acquisition budget to the scheme specifically to allow monitoring of progress.

64. Some schemes deliver only new provision of affordable rented housing and, as such, will be eligible for 30% of the scheme to be funded using retained right to buy receipts. Many of these schemes, in order to be planning policy complaint, include a mix of affordable rented and intermediate housing (usually shared ownership). Shared ownership dwellings are not currently eligible for use of retained right to buy resource, but instead can be part funded using S106 commuted sums if available.

65. The assumption has been retained, that the authority utilise resource previously set-aside for the potential redemption of housing debt, combined with revenue resource that can be released as a result of capital receipts that have been received from the sale of HRA land and dwellings on the open market in recent years, or that are anticipated to be received from the sale of self-build plots, to fund building new homes. This is anticipated to provide sufficient resource to allow the appropriate re-investment of existing and anticipated retained right to buy receipts in the medium term, without the immediate need to pass any funding to a registered provider.

(iii) <u>Self-Build Plots</u>

66. Work continues to prepare and market parcels of HRA land that provide self-build opportunities, releasing capital receipts which are then available for re-investment by the HRA to release resource elsewhere in the capital programme, facilitating the delivery of new homes in the district.

67. A gross capital receipt of £160,000 is assumed based upon the cash receipts from the first plots sold. A net capital receipt to the HRA of around £127,000 per plot should result after financing the costs of site preparation

68. The HRA is required to ensure that best value is achieved on a plot by plot basis, achieved and demonstrated by marketing the dwelling on the open market.

69. 5 sites are currently being progressed with others undergoing investigation and feasibility work.

70. The table below details those sites disposed of to date:

Location	Date	Receipt	No. of plots
Benet Cl, Milton	Oct-18	195,000	1
Cambridge Rd, Balsham	Dec-18	171,750	1
St Audreys Close, Histon	Aug-19	151,000	1
Macaulay Avenue, Great Shelford	Sep-19	405,000	3
Blacksmiths Close, Babraham	Dec-19	205,000	1
Westfield Road, Fowlmere	Oct-20	205,000	1
Total		**1,332,750**	**8**

71. A site in Orwell previously identified for sale as 2 self-build plots has now been withdrawn and is being investigated for development of our own affordable rented dwellings.

(iv) Section 106 Funding

72. Commuted sum payments received through the planning process, in lieu of the delivery of affordable housing, are made available in the first instance to the HRA to invest in affordable homes.

73. The Council currently holds £3.16 million in commuted sums for affordable housing. The following table provides an update of when current sums held must be spent (year-end prior to deadline date), against the resource committed to date:

Year	Section 106 sum to be spent	Cumulative Section 106 sum to be spent	Resource committed / spent General Fund	Resource committed HRA	Cumulative resource still to be committed

	£	£	£	£	£
2025/26	87,421	87,421	0	87,421	0
2026/27	2,236,454	2,323,875	0	1,557,579	678,875
2027/28	494,614	2,818,489	0	0	1,173,489
2028/29	339,654	3,158,143	0	0	1,513,143
				1,645,000	

Commitments to date include:

Scheme	Fund	2020/21 £	2021/22 £
Grace Crescent, Hardwick – contribution towards 12 shared ownership homes	HRA	195,000	0
Burton End, West Wickham – contribution to 1 shared ownership home	HRA	50,000	0
Bennell Farm, Toft – contribution to 11 shared ownership home	HRA	275,000	0
Babraham Road, Sawston – contribution to 19 shared ownership home	HRA	325,000	300,000
Station Road, Foxton – contribution to 3 shared ownership home	HRA	150,000	0
Impington Lane, Impington – contribution to 3 shared ownership home	HRA	50,000	0
High Street, Meldreth – contribution to 3 shared ownership home	HRA	0	150,000
Orchard Gardens, Melbourn – contribution to 3 shared ownership home	HRA	0	150,000
	HRA	**1,045,000**	**600,000**

74. With £1,513,143 of resource still to be re-invested, there is a commitment to invest the sum in new HRA homes wherever possible.

75. As the resource cannot currently be combined with retained right to buy receipts for the delivery of a specific social rented housing dwelling, it is likely, although not guaranteed, that the funds will be utilised predominantly to deliver other forms of affordable and intermediate housing, such as shared ownership or shared equity.

(v) Asset Acquisitions and Disposals

76. The Right to Buy Retention Agreement allows the acquisition of existing dwellings, as an alternative to building new homes, although new supply remains the priority. Acquisition is a valid option when new build is not possible within a quarterly deadline for the use of retained receipts. If a decision is taken at the end of a quarter that there is a risk that new build schemes will deliver in the required timeframes, resources can be vired from the unallocated new build/acquisition budget into the budget for direct market acquisition.

77. Receipts from individual asset disposals are only recognised in the HRA's reserves when received, and after all relevant costs have been provided for, whilst there are assumptions incorporated about the level of receipts from the sale of self-build plots, allowing planned utilisation of the funds to release resource elsewhere in the HRA to facilitate the appropriate reinvestment of retained right to buy receipts. Any delay in the receipt of these capital sums will significantly impact the authority's ability to spend right to buy receipts appropriately.

78. As part of the quarterly decision as to whether the authority should retain right to buy receipts, pass them to a registered provider, or as a last resort pay them over to central government, officers need to consider the progress in respect of the sale of self-build plots and any other capital receipts which may have been received by that point in any year. There is a risk judgement that needs to be made as part of this quarterly decision-making process.

(vi) Capital Spend and Phasing

79. The updated Capital programme is presented to Cabinet and includes re-profiling and updating the capitalised repairs budgets, new house building budgets and transferring resources from the unallocated sum to schemes that have now been identified.

(H) HRA Treasury Management

(i) Background

80. Statutorily, the HRA is required to set a balanced budget, including recognition of the revenue implications that arise from capital financing decisions.

(ii) HRA Borrowing

81. As at 1 April 2020, the HRA was supporting external borrowing of £205 million in the form of 41 maturity loans with the Public Works Loans Board (PWLB), with rates ranging between 3.44% and 3.53%. The loans have varying maturity dates, with the first £5 million due to be repaid on 28 March 2037 and the last on 28 March 2057.

82. The HRA Capital Financing Requirement (HRA CFR) stood at £204 million due to a small amount (£694,000) of internal borrowing from the HRA by the General Fund. The General Fund is required to pay the HRA annual interest on the internal borrowing as part of the Item 8 Determination for the HRA. The interest rate payable to the HRA can be determined by the authority but must be deemed reasonable and stand up to external scrutiny from auditors.

83. Recent changes in legislation mean that the HRA is no longer subject to a borrowing debt cap. The authority can borrow within its HRA as long as it can demonstrate that the HRA can support the borrowing and that the resource is being utilised in the provision of social or affordable housing. A local debt cap has been calculated at £250 million as at 1st April 2019 rising to £300 million at 31st March 2022. This will be kept under review but is dependent on expected HRA income and expenditure levels.

84. The Council may now choose to borrow to deliver additional affordable housing to ensure that it can maintain a programme of new build affordable housing over the longer-term. The Capital Programme assumes that £3 million will be required, £1 million during 2021/2022 and £2 million in 2022/2023, but the expectation currently is that this will only need to be for 2 years.

85. The 2021/2022 HRA Budget Setting Report does not review the potential sources of lending (i.e. Internal, Inter-Authority, Public Works Loans Board, Market) types of borrowing, lengths of loans or rates available for taking out any additional borrowing at this stage. This will need to be undertaken at the point at which any borrowing is considered as part of the coming year's budgets.

(iii) Debt Repayment/Re-Investment

86. The current debt repayment strategy for the HRA, not to set-aside resource to repay housing debt, but to instead invest resource in new build housing, assumes the need to re-finance the borrowing when loans mature.

87. The potential debt repayment or re-investment reserve stood at £8.5 million as at 1 April 2020, with the current assumption being that this will be re-invested in order to extend the life of the business plan, once other resources are exhausted. Of this, it is expected that £8 million will be used in 2021/2022.

88. Regular consideration will need to be given, in the context of the current financial climate, whether the authority wants to retain the current re-investment strategy or re-consider some element of set-aside if resources allow.

Options

89. There are a number of other options regarding budget setting, but the budget as presented represents the best use of resources within the constraints that exist**.**

Implications

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

Policy

91. Housing is one of the Council's top priorities, with a commitment to deliver good quality housing which is affordable for people to live in, near to where they work. There are currently 1,674 households on the Council's waiting list, with Council house-building continuing to be regarded as a high priority.

Legal

92. The pressure to reduce budgets and the continuation of a poor financial settlement could adversely affect the provision of statutory services. Officers will be required to seek legal advice in relation to a few the national changes in housing policy as the regulations are released by Central Government.

Financial

93. These are outlined in the report and its supporting appendices.

Risk

General

94. An annual update to the assessment of the key risks which the HRA faces in financial terms was included as part of the HRA Medium Term Financial Strategy.

95. The authority maintains a risk register, incorporating specific risks affecting the Housing Revenue Account, considering the likelihood and impact associated with each risk, and the mitigation in place to counteract these. The risk register is regularly reviewed and updated.

96. General reserves are held to help manage risks inherent in financial forecasting. Risks include changes in legislative and statutory requirements, inflation and interest rates, unanticipated service needs, rent and other income shortfalls and emergencies. The reserve allows the authority time to respond to unanticipated events, without an immediate and unplanned impact on service delivery.

97. For the HRA, the minimum level of reserves of £2.5 million is proposed to be retained, recognising the need to safeguard the Council against the risk and uncertainty in the current financial and operational environment for housing.

Environmental

98. There are no environmental implications arising from this report. The Council's housing stock is largely energy-efficient and in a good state of repair and but there is a need to improve it where the Council is able to and keep it in good condition.

Equality Analysis

99. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. Preliminary analyses have been undertaken of the equality impact of each of the proposals summarised at Appendix D where efficiencies are profiled for 2020/2021.

100. Further equalities work is being completed. Where that assessment concludes that a proposal has no relevance to the Council's equalities duties then no further action will be taken. Where it is determined that the proposal does have relevance to these duties, a full equality analysis will be undertaken by the relevant service area to establish the impact of the proposal on a protected group or groups and to identify the necessary mitigating actions.

Background Papers

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

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

(b) on the Council's website; and

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

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 3 February 2021

- Budget Report – Report to Council: 23 February 2021
- Capital Programme Update and New Bids – Report to Cabinet: 3 February 2021
- 2020/2021 Revenue and Capital Budget Monitoring Q2 – Report to Cabinet: 7 December 2020

Appendices

A HRA Revenue Budget 2021/2022: Summary

B HRA Medium Term Financial Strategy: Financial Forecast 2021/2022 to 2025/2026

C HRA Capital Programme 2021/2022 to 2025/2026

D Proposed HRA Service Charges 2021/2022

E HRA Earmarked and Specific Funds

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Appendix A

HOUSING REVENUE ACCOUNT BUDGET SUMMARY

NET EXPENDITURE	Estimate 2020-21	Revised 2020-21	Estimate 2021-22	Difference (Col 4-2)
Housing Revenue Account				
EXPENDITURE				
Support Services				
Repairs Administration	1,887,810	1,590,000	1,873,080	(14,730)
General Administration	2,558,730	2,235,000	2,826,690	267,960
Sheltered Housing	95,420	74,600	130,440	35,020
Flats - Communal Areas	49,310	10,000	69,400	20,090
Outdoor Maintenance	158,540	133,920	166,340	7,800
Sewage	6,000	5,000	8,180	2,180
Tenant Participation	194,040	165,900	203,720	9,680
New Homes Programme	172,310	280,000	270,430	98,120
Other Expenditure				
Rents Rates etc	4,200	4,200	8,750	4,550
HRA Stock Valuation	0	9,350	9,350	9,350
Registration of HRA Land	4,500	4,500	4,500	0
Housing Repairs & Maintenance	4,463,000	3,500,000	4,604,660	141,660
Provision for Bad or Doubtful Debts	140,000	140,000	142,000	2,000
Recharges				
Corporate Management	261,610	313,530	318,670	57,060
Democratic Representation Charge	319,430	282,920	312,740	(6,690)
Treasury Management Charge	24,500	54,260	79,760	55,260
Communications	45,900	45,900	46,000	100
Capital Charges				
Interest on Self Finance Debt / Loan interest	7,253,920	7,178,920	7,193,920	(60,000)
Revenue Funding of Capital Expenditure	15,149,000	9,188,000	13,788,000	(1,361,000)
Net Depreciation	6,868,450	6,665,960	6,800,280	(68,170)
TOTAL EXPENDITURE	**39,656,670**	**31,881,960**	**38,856,910**	**(799,760)**
INCOME				
Rent Income from Dwellings	(29,022,950)	(28,900,000)	(29,802,390)	(779,440)
Rent Income from Garages	(411,060)	(390,500)	(398,000)	13,060
Other Income	(40,000)	(40,000)	(77,500)	(37,500)
De=Minimus Receipts	(3,000)	(3,000)	(3,000)	0
TOTAL INCOME	**(29,477,010)**	**(29,333,500)**	**(30,280,890)**	**(803,880)**
Net Cost of Services	**10,179,660**	**2,548,460**	**8,576,020**	**(1,603,640)**
External Interest Receivable	(680,470)	(690,500)	(630,150)	50,320
Internal Interest Receivable	0		0	0
Transfer from Earmarked Reserves	(6,000,000)		(8,000,000)	(2,000,000)
IAS 19 (Pension Cost) Reversals		(173,010)	(173,010)	
Deficit/(Surplus) for the year	**3,499,190**	**1,684,950**	**(227,140)**	**(3,553,320)**

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Appendix B

Description	Original 2020/21 £'000	Revised 2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/2025 £'000	2025/26 £'000
Income							
Rental Income (Dwellings)	(29,023)	(28,900)	(29,802)	(31,114)	(31,991)	(33,144)	(33,989)
Rental Income (Other)	(451)	(431)	(476)	(485)	(495)	(505)	(515)
Service Charges	(1,337)	(1,271)	(1,284)	(1,310)	(1,336)	(1,363)	(1,390)
Contribution towards Expenditure	(149)	(150)	(150)	(153)	(156)	(159)	(162)
Other Income	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Total Income	**(30,963)**	**(30,754)**	**(31,715)**	**(33,065)**	**(33,982)**	**(35,174)**	**(36,060)**
Expenditure							
Supervision & Management - General	5,319	4,793	5,731	5,845	5,962	6,082	6,203
Supervision & Management - Special	1,390	1,283	1,393	1,421	1,450	1,479	1,508
Repairs & Maintenance	4,777	3,775	4,931	5,177	5,280	5,385	5,492
Depreciation – t/f to Major Repairs Res.	6,868	6,666	6,800	7,032	7,249	7,473	7,707
Debt Management Expenditure	25	54	80	81	83	85	86
Other Expenditure	360	365	374	381	389	397	405
Total Expenditure	**18,739**	**16,936**	**19,309**	**19,938**	**20,413**	**20,900**	**21,402**
Net Cost of HRA Services	**(12,223)**	**(13,818)**	**(12,406)**	**(13,127)**	**(13,569)**	**(14,274)**	**(14,658)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account							
Interest Receivable	(680)	(691)	(630)	(415)	(376)	(380)	(412)
HRA (Surplus) / Deficit for the Year	**(12,904)**	**(14,509)**	**(13,036)**	**(13,542)**	**(13,945)**	**(14,654)**	**(15,070)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance							
Loan Interest	7,254	7,179	7,194	7,224	7,202	7,187	7,179
Appropriation from Ear-Marked Reserve	(6,000)		(8,000)		1,500	1,000	500
Direct Revenue Financing of Capital	15,149	9,188	13,788	6,099	5,256	6,307	6,229
IAS 19 (Pension Cost) Reversals		(173)	(173)				
(Surplus) / Deficit for Year	**3,499**	**1,685**	**(227)**	**(219)**	**13**	**(160)**	**(1,162)**
Balance b/f	(6,648)	(4,306)	(2,621)	(2,848)	(3,067)	(3,054)	(3,214)
Total Balance c/f	**(3,149)**	**(2,621)**	**(2,848)**	**(3,067)**	**(3,054)**	**(3,214)**	**(4,376)**

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Housing Revenue Account	Original 2020-21	Revised 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Improvements - Existing Stock							
Water / Drainage Upgrades	83	83	85	87	88	90	92
Drainage Upgrades	310	310	310	0	0	0	0
Disabled Adaptations	890	890	908	926	945	964	983
Change of Tenancy - Capital	700	800	816	832	849	866	883
Rewiring	380	380	388	395	403	411	420
Heating Installation	1,400	1,229	969	988	1,008	1,028	1,049
Electrical Heating Replacement	500	1,000	510	520	531	541	552
Energy Conservation	100	444	250	255	260	265	271
Estate Roads, Paths & Lighting	70	70	71	73	74	76	77
Garage Refurbishment	50	50	51	52	53	54	55
Parking/Garages	160	326	163	166	170	173	177
Window Replacement	500	600	612	624	637	649	662
Re-Roofing	550	550	561	572	584	595	607
Full Refurbishments	250	300	306	312	318	325	331
Structural Works	100	200	204	208	212	217	221
Asbestos Removal	60	60	61	63	64	65	66
Kitchen Refurbishment	500	642	510	520	531	541	552
Bathroom Refurbishment	300	300	306	312	318	325	331
Fire Door Replacement Programme	185	465	141	144	146	149	152
Fencing	70	70	71	73	74	76	77
Total Improvements - Existing Stock	**7,158**	**8,769**	**7,293**	**7,122**	**7,265**	**7,410**	**7,558**
Other Improvements							
Sheltered Housing and Other Stock	50	50	50	50	50	50	50
Flats	20	20	20	20	20	20	20
Central / Departmental Investment	0	0	0	0	0	0	0
Total Other Improvements	**70**	**70**	**70**	**70**	**70**	**70**	**70**
HRA New Build							
Pembroke Way, Teversham	411	538	0	0	0	0	0
Pampisford Road, Great Abington	0		0	0	0	0	0
High Street, Balsham	0		0	0	0	0	0
Woodside, Longstanton	0		0	0	0	0	0
Bannold Drove, Waterbeach	0		0	0	0	0	0
Gibson Close, Waterbeach	0		0	0	0	0	0
Highfields, Caldecote	0		0	0	0	0	0
Linton Road, Great Abington	449	161	0	0	0	0	0
Grace Crescent, Hardwick (Rented)	1,671	903	232	0	0	0	0
Grace Crescent, Hardwick (Shared Ownership)	1,109	817	304	0	0	0	0
Burton End, West Wickham	354	304	0	0	0	0	0
Bennel Farm, Toft	2,263	3,273	822	0	0	0	0
Station Road, Foxton	403	215	0	0	0	0	0
Babraham Road, Sawston	5,087	2,661	5,422	354	0	0	0
Impington Lane, Impington	987	1,251	35	0	0	0	0
Northstowe, Phase 2a	5,388	1,139	4,817	6,074	0	0	0
Emerson Road, Great Abington		109	427				
High Street, Meldreth		288	1,409				
Orchard Gardens, Melbourn		403	1,614				
Unallocated New Build / Acquisition Budget	8,749	0	6,841	8,745	10,200	10,200	10,200
Total HRA New Build	**26,871**	**12,062**	**21,923**	**15,173**	**10,200**	**10,200**	**10,200**
Other HRA Capital Spend							
Shared Ownership Repurchase	150	150	150	150	150	150	150
Self-Build Vanguard - Up front HRA Land Assembly Costs	152	100	100	100	100	100	100
HRA Share of Corporate ICT Development	127						
Total Other HRA Capital Spend	**429**	**250**	**250**	**250**	**250**	**250**	**250**
Total HRA Capital Spend	**34,528**	**21,151**	**29,536**	**22,615**	**17,785**	**17,930**	**18,078**

Housing Capital Resources							
Other Capital Receipts (Dwellings, Shared Ownership)	(967)	(510)	(2,070)	(3,030)	(2,190)	(1,110)	(1,110)
Other Capital Receipts (Land, Self-Build Plot Sales)	(600)	(205)	(450)	(450)	(450)	(450)	(450)
Major Repairs Reserve	(6,868)	(7,763)	(6,799)	(7,032)	(7,249)	(7,473)	(7,704)
Direct Revenue Financing of Capital	(15,149)	(9,188)	(13,788)	(6,099)	(5,256)	(6,307)	(6,229)
Other Capital Resources (Grants / S106 funding)	(1,145)	(1,045)	(450)	(400)	(400)	(350)	(345)
Retained Right to Buy Receipts	(4,799)	(2,440)	(4,979)	(3,604)	(2,240)	(2,240)	(2,240)
Retained Right to Buy Receipts (Used by Registered Provider)			0	0	0	0	0
HRA CFR / Prudential Borrowing	(5,000)		(1,000)	(2,000)	0		0
Total Housing Capital Resources	**(34,528)**	**(21,151)**	**(29,536)**	**(22,615)**	**(17,785)**	**(17,930)**	**(18,078)**
Net (Surplus) / Deficit of Resources	**(0)**	**0**	**0**	**(0)**	**0**	**0**	**0**

Service Charges

Appendix D

Charge Description	Charge Basis	Current Charges 2020/21 (£)	Proposed Charges 2021/22 (£)	Increase (%)	Increase (£)
General Housing					
Use and Occupation Fee	Weekly	As per Target Rent	As per Target Rent	1.5%	Variable
Sewage	Weekly	4.65 to 5.56	As per Anglian Water Standard Rates	TBC	TBC
White Goods Charge (per item)	Weekly	1.50	1.50	0%	0.00
Management Charge (Third Party)	Weekly	As per third party charge	As per third party charge	TBC	TBC
General Stock - Flats					
Blocks with Door Entry	Weekly	3.51	3.53	0.6%	0.02
Blocks without Door Entry	Weekly	2.34	2.35	0.6%	0.01
General Sheltered Schemes					
Sheltered Charge (Staffing)	Weekly	5.74 to 7.77	5.82 to 7.86	Variable	Variable
Communal Premises Charge	Weekly	0.00 to 18.58	0.00 to 18.43	Variable	Variable
Grounds Maintenance Charge	Weekly	0.31 to 2.19	0.31 to 2.12	Variable	Variable
Communal Heating / Lighting (Elm Court)	Weekly	8.96	9.31	3.9%	0.35
Water (Elm Court)	Weekly	1.95	1.86	-4.6%	-0.09
White Goods Charge (per item)	Weekly	1.50	1.50	0%	0.00
Alarm Charge	Weekly	3.00	3.00	0%	0.00
Mobile Alarm Solution	Weekly	3.50	3.50	0%	0.00
Elderly Equity Share (As per Sheltered Housing recovered quarterly, plus charges below)					
External Property Repairs	Quarterly	1.04 to 18.20	2.08 to 20.67	Variable	Variable
Management Fee (10%)	Quarterly	7.93 to 37.70	10.01 to 35.88	Variable	Variable
Temporary Accommodation					
Temporary Let Charge	Weekly	32.00	32.00	0%	0.00
Garage and Storage Unit Rents					
Garages or Storage Unit Rented to Tenant	Weekly	9.12	9.17	0.6%	0.05
More than 2 Garages Rented to Tenant	Weekly	9.12 plus VAT	9.17 plus VAT	0.6%	0.05 plus VAT
All Other Garage and Storage Unit Rentals	Weekly	12.34 plus VAT	12.41 plus VAT	0.6%	0.07 plus VAT

Leasehold Charges for Services

Solicitors' pre-sale enquiries (Standard sale pack)	One-Off	110.00	150.00	36.3%	40.00
Copy of lease / document provision	One-Off	30.00	30.00	0%	0.00
Re-mortgage Enquiry/Copy of Insurance schedule	One-Off	30.00	30.00	0%	0.00
Notice of Assignment/Notice of Charge/Notice of Transfer	One-Off	90.00	100.00	11.1%	10.00
Deed of Variation – Administration Plus SCDC Solicitor fees and own solicitor fees	One-Off	50.00 550.00+	50.00 550.00+	0%	0.00
Home Improvement – Administration Only Inclusive of Surveyor Visit	One-Off	30.00 125.00	30.00 125.00	0%	0.00
Retrospective consent for home improvements	One-Off	Above + 25.00	Above + 25.00	0%	0.00
Registering sub-let details	One-Off	50.00	75.00	50%	25.00
Advice interview for prospective purchasers	One-Off	50.00	50.00	0%	0.00

HRA Earmarked & Specific Funds Appendix E
2020/21 (£'000)

HRA Earmarked & Specific Revenue Funds (£'000)

Self-Insurance Reserve

	Current Balance
Self-Insurance Reserve	(1,000.0)

Debt Set-Aside (Revenue)

	Current Balance
Debt Set-Aside	(8,500.0)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Current Balance
Debt Set-Aside	(5,739.3)

Major Repairs Reserve

	Current Balance
MRR	(970.3)

RTB Retained Receipts Reserve

	Current Balance
RTB Retained Receipts	(5,867.0)

Capital Receipts

	Current Balance
Capital Receipts	(3,325.7)

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South Cambridgeshire District Council

REPORT TO:	Cabinet	3 February 2021
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head of Finance	

Capital Programme 2021/2022 to 2025/2026

Executive Summary

1. To consider the Council's Capital Programme for financial years 2021/2022 to 2025/2026.

Key Decision

2. This is not a key decision

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 2020/2021 to 2025/2026 that was approved by Council at its meeting on 7 December 2020.

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 2020/2021 (being the current year), 2021/2022, 2022/2023, 2023/2024, 2024/2025 and 2025/2026 financial years and to make recommendations to Council on 23 February 2021.

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 Cabinet on 7 December 2020 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

New bids for Capital expenditure were included in the previous Cabinet update to the capital programme in December. The programme presented has not changed in relation to those schemes.

Revised Schemes

10. Since the Cabinet meeting, held on 7 December 2020, further changes to the capital programme have emerged to reflect recent developments and expectation of the timing of expenditure as summarised below:

(a) Investment Strategy– On 25th November 2020 the PWLB consultation response was published and the key principle of this is that if an authority wishes to pursue the purchase of Commercial property purely for financial gain in the next three years it can no longer borrow from the PWLB for **any** capital projects in its Capital programme in the timeframe. Whilst further clarification is being sought and no doubt the exact ramifications of the consultation response will become clearer over time it does effectively but into serious doubt the continued investment in stream 1 investments.

The Capital Programme has been rephased significantly as the spending of the £340 million in the investment strategy is likely to take longer and probably be restricted to those investments that fall within stream 2 and 3;

(b) Greening of South Cambs Hall – There have been further delays to this project due to the pandemic. The budget was previously re-profiled moving £927,000 of the £1.92 million into 2021/22 it is now proposed that a further £600,000 of the 2020/21 allocation be reprofiled into 2021/22. (amount to be confirmed).

(c) Works to South Cambs Hall – The Curtain window walling at either end of the building needs replacing which was originally expected during the current financial year. The budget for this of £675,000 will now need to be moved into 2021/22.

(d) Other Scheme – There have also been one or two other minor changes in terms of re-profiling;

Scheme Re-profiling

11. 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 2020/2021 by £22.296 million and for 2021/2022 by £35.822 million and the revised spend profile is set out in detail in **Appendix A**.

Revised Capital Programme: 2021/2022 – 2025/2026

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

Capital Programme Financing

13. 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.

14. 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).

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

	2021/2022 £'000	**2022/2023 £'000**	**2023/2024 £'000**	**2024/2025 £'000**	**2025/2026 £'000**
Receipts Applied	966	498	310	345	263

16. 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 2020/2021 (current year) to 2025/2026 are shown at **Appendix A**.

Summary Capital Programme	2021/2022 £'000	2022/2023 £'000	2023/2024 £'000	2024/2025 £'000	2025/2026 £'000
Gross Directorate Budgets:					
• Transformation	307	104	104	104	104
• HR and Corporate	2,892	275	34	68	1,060
• Finance	63,557	48,220	52,200	52,200	51,800
• Waste & Environmental	2,415	1,835	2,053	1,490	8,740
• Housing (General Fund)	4,596	5,425	11,325	1,325	1,325
Gross Total	**73,767**	**55,859**	**65,716**	**55,187**	**63,029**
Financed By:					
• Grants/Contributions	5,201	5,635	11,160	1,710	4,120
• Revenue	2,812	1,226	1,746	632	5,546
• Capital Receipts	966	498	310	345	263
• Borrowing	64,788	48,500	52,500	52,500	53,100
Total Financing	**73,767**	**55,859**	**65,716**	**55,187**	**63,029**

Scheme Commitments

17. 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

18. 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 7 December 2020 and slippage identified since then.

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 Council has two policies which underpin the Capital Programme, namely the Capital 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.

21. The approved Business Plan 2020-2025 outlines the key goals for the Council – the capital programme will support these objectives.

Legal

22. 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.

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

Financial

24. 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.

25. 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.

26. Full Council, at its meeting on 7 December 2020, approved new schemes for inclusion in the General Fund capital programme for the period 2021/2022 to 2024/2025 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	**2020/2021 £'000**	**2021/2022 £'000**	**2022/2023 £'000**	**2023/2024 £'000**	**2024/2025 £'000**
Expenditure					
Transformation	180	307	104	104	104
HR and Corporate Services	2,024	1,714	275	34	68
Finance	65,024	100,557	68,220	69,200	29,800
Waste & Environmental	2,239	2,415	1,835	2,053	1,490
Housing Services	1,435	4,596	5,425	11,325	1,325
Planning	15				
Total	70,917	109,589	75,859	82,716	32,787
Funding					
Capital Receipts	1,856	1,938	998	810	845
Grants/Contributions	717	5,201	5,635	11,160	1,710
Revenue	10,520	2,162	1,226	1,726	632
Borrowing	57,824	100,288	68,000	69,000	29,800
Total	70,917	109,589	75,859	82,716	32,787

27. This report details the amendments to the programme, including re-phasing of work, since the last update in December 2020.

28. 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

29. 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

30. 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

31. 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.

32. 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: 5 February 2020/Council: 20 February 2020
- Medium Term Financial Strategy – Report to Cabinet: 7 December 2020
- General Fund Capital Programme Update and New Bids – Report to Cabinet: 7 December 2020

Appendices

A Revised Capital Programme

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Appendix A

NET EXPENDITURE	Budget 2020-21	Revised 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26
DIRECTORATE / SERVICE	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TRANSFORMATION							
ICT Development :							
New Server Technologies				15	15	15	15
Extend compute capacity in shared data centre			23				
Desktop Transformation Programme			89	89	89	89	89
Telephony Replacement	120	150					
Wi-Fi Access Points	7						
Data Centre Generator	16	16					
Data Centre Capacity Growth	14	14					
Business Analytics Service	4						
OpenProcess Module			25				
An Integrated Performance Management System			60				
A Complaints Management System			90				
A single source Council Business CRM system			20				
TRANSFORMATION TOTAL	**161**	**180**	**307**	**104**	**104**	**104**	**104**
HUMAN RESOURCES & ORGANISATION							
Upgrade AV and Delegate System	150	150					
Human Resources System	116	116					
South Cambridgeshire Hall :							
Energy Efficiency (Rnew)	1,920	428	1,527				
Office adaptations and enhancements	70	55	1,365	275	34	68	1,060
HUMAN RESOURCES & ORGANISATION TOTAL	**2,256**	**749**	**2,892**	**275**	**34**	**68**	**1,060**

FINANCE							
Cash Receipting System			69				
Advance funding for housing company pilot scheme	16,603	13,824	3,288				
Investment Strategy	96,000	30,000	60,000	48,000	52,000	52,000	51,600
Corporate Fraud Case Management System				20			
Contribution towards A14 upgrade (Inf)	200	200	200	200	200	200	200
FINANCE TOTAL	**112,803**	**44,024**	**63,557**	**48,220**	**52,200**	**52,200**	**51,800**
WASTE and the ENVIRONMENT							
Health and Environmental Services System		100	30				
Greater Cambridge Shared Waste Service :							
Waste Management System		50					
Team Manager Vehicles (RV)	36		37				
Depot Electric Charging Infrastructure		18	100				
Refuse Collection Vehicles	559	388	1,900	1,595	1,900	1,390	8,740
Trade Skips		32					
Street Cleansing :							
Pavement Street Sweepers					73	74	
Mechanical Road Sweepers			123	240			
Truck Replacements	170	200	30			26	
Land Drainage :							
Tractors	80		80		80		
Flail Mowers	37		37				
Trailer (funded from s106 Capital Contributions)	8		8				
Environmental Protection :							
Air Quality Monitoring Equipment		30	70				
Environmental Services Enforcement Vehicle	21	0					
Footway Lighting :							
Parish Maintained Street Lights	1,295	1,400					
WASTE & ENVIRONMENT TOTAL	**2,206**	**2,218**	**2,415**	**1,835**	**2,053**	**1,490**	**8,740**

HOUSING DIRECTORATE (GENERAL FUND)							
Housing management system		150	40				
Northstowe							
Civic Hub	149		549	4,000	10,000		
Sports Pavilion	175	50	1,032				
Community Centre	200		1,500				
Other Housing General Fund							
Requited GF Share of HRA Capital Expenditure	25	25	25	25	25	25	25
Repurchase of General Fund Sheltered Properties	500	500	500	500	500	500	500
Grants for the provision of Social Housing							
Improvement Grants/Loans :							
Home Repairs Assistance	100	100	100	100	100	100	100
Disabled Facilities							
Mandatory	670	600	840	790	690	690	690
Discretionary	10	10	10	10	10	10	10
HOUSING (GENERAL FUND) TOTAL	**1,829**	**1,435**	**4,596**	**5,425**	**11,325**	**1,325**	**1,325**
PLANNING DIRECTORATE							
Aerial Photography Refresh	15	15					
PLANNING TOTAL	**15**	**15**					
GROSS CAPITAL EXPENDITURE (GENERAL FUND)	**119,270**	**48,621**	**73,767**	**55,859**	**65,716**	**55,187**	**63,029**

Fixed Assets	101,687	33,887	69,329	54,759	64,716	54,187	62,029
Revenue Expenditure funded from Capital under Statute (REFCUS)	17,583	14,734	4,438	1,100	1,000	1,000	1,000
	119,270	**48,621**	**73,767**	**55,859**	**65,716**	**55,187**	**63,029**
Financed By:							
Capital Receipts	(1,030)	(1,151)	(966)	(498)	(310)	(345)	(263)
S106 Agreement Contribution (ring fenced for Housing)	(149)	(50)	(3,081)	(4,000)	(10,000)		
Capital Contributions (from s106)	(500)		(80)		(80)		
Cambridgeshire County Council (DFG)	(670)	(610)	(850)	(800)	(700)	(700)	(700)
Revenue Contribution from HRA towards software etc	(111)	(265)	(85)	(26)	(26)	(26)	(26)
Revenue Contribution from General Fund		(5,000)					
Internal Borrowing - re Commercial Vehicles	(185)						
External funding from CCC for Trade Skips		(32)					
External funding from CCC for Waste Vehicle			(1,140)	(835)	(380)	(1,010)	(3,420)
External funding from CCC for Waste IT System		(25)					
External funding from CCC for Electric Charging Infrastructure			(50)				
Excess Funding for E-RCV vs Standard RCV from renewables		(406)	(399)	(366)	(965)	(188)	(2,632)
Vehicle Sinking Fund		(200)	(551)	(634)	(555)	(218)	(2,688)
Earmarked Reserves	(4,022)	(2,058)	(1,777)	(200)	(200)	(200)	(200)
Internal Borrowing ESH		(7,824)					
External Borrowing	(112,603)	(31,000)	(64,788)	(48,500)	(52,500)	(52,500)	(53,100)
	(119,270)	**(48,621)**	**(73,767)**	**(55,859)**	**(65,716)**	**(55,187)**	**(63,029)**
	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 2021/22 budget process. In particular the inclusion of allocations to move away from a diesel waste fleet to an electric fleet and backlog maintenance and improvement works to South Cambs Hall. Costs related to the 'greening' of South Cambs Hall and the Parish Maintained Street Lights programme have been re-profiled along with the Investment Strategy and lending to Ermine Street Housing.

South Cambridgeshire District Council

REPORT TO:	Cabinet	3 February 2021
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head 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.

Key Decision

2. This is not a key decision

Recommendation

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

Reason for Recommendation

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 changes to the rules around local authority borrowing from the Public Works Loans Board (PWLB) introduced effective from 26 November 2020.

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. In addition to the annual report to Council on the treasury management strategy in advance of the financial year, a mid-year review of treasury management performance and an annual review after the close of the financial year are submitted to the Audit and Corporate Governance Committee for consideration.

7. By adopting the key recommendations of the CIPFA Code, the Council maintains as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

- A treasury management strategy, with supporting suitable treasury management practices, setting out the manner in which the Council will seek to achieve the policies and objectives in the treasury management policy statement, and prescribing how it will manage and control those activities.

8. The Treasury Management Strategy was fully reviewed and refreshed as part of the 2020/2021 budget setting process having regard to established guidance and best practice and an updated version, reproduced at **Appendix A** was approved by Council for adoption at its meeting on 20 February 2020.

Treasury Management Policy Statement

9. The adopted Treasury Management Strategy incorporates a Treasury Management Policy Statement. This is reproduced below and, with the update in red text below, it is considered that it will remain appropriate and applicable during 2021/2022:

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.

The Council will have regard to Environmental, Social & Governance (ESG) considerations when monitoring performance and making investment decisions. As part of this the Council, as a responsible investor, will work with all Counterparties and Treasury Advisors to promote active ESG policies.

Treasury Management Arrangements

10. The Head of Finance, as the Council's designated Section 151 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.

Treasury Management Strategy: Annual Review

11. The economic landscape has changed immensely in the last 12 months and, in line with good practice, the Treasury Management Strategy has been subject to annual review. This has included a light touch review of the strategy by Chris Brain Associates, specialist treasury management consultants, to provide reassurance to the Council that it remains fit for purpose in these uncertain times.

12. The review confirms that the existing strategy follows the accepted and expected format for such documents. The review, together with other known changes that have occurred or are in progress, have identified some necessary updates to the Treasury Management Strategy as follows:

- the inclusion of Environmental, Social & Governance (ESG) considerations. These issues can have a material impact on the value of financial assets and on the long-term performance of investments and, therefore, should be considered to better manage risk and generate sustainable, long term returns. Well managed companies with strong governance are more likely to be successful long-term investments.

- the annual review and update of Treasury Management Indicators that are identified at Section 12 of the adopted Strategy.

- the review of the Minimum Revenue Provision (MRP), at Annex E to the Treasury Management Strategy, following external advice and, in particular, the proposal for the level of MRP to be applied on investment properties to be set to reflect the annual valuation of these properties.

- the need to consider the implications of the changes to the rules affecting local authorities borrowing from the PWLB introduced by HM Treasury from 26 November 2020. The main purpose of the changes is to restrict the ability of local authorities to borrow for pure investment in commercial property. The full response to the consultation is outlined in a HM Treasury document, issued on 25 November 2020, entitled "Public Works Loan Board: future lending terms – Response to the consultation". The changes are outlined below and could have implications on the Council's wider borrowing requirements.

13. An updated version of the Treasury Management Strategy is attached at **Appendix A** with the proposed changes to the current version of the Strategy, approved on 20 February 2020, identified in red and crossed through text.

PWLB Consultation – Government Response

14. HM Treasury commenced, in March 2020, a consultation on potential changes to the rules around local authorities borrowing from the PWLB.
15. The aim of the consultation was to develop a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily

for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime. The changes are outlined below and have been reflected, as appropriate, in the Treasury Management Strategy and also in the Capital and Investment Strategies.

16. Following the consultation, the Government announced (on 25 November 2020) revised lending terms for PWLB borrowing and initial guidance to support Local Authorities to determine if a proposed project is an appropriate use of PWLB loans. These new terms applied to all loans arranged from 9.00am on 26 November 2020.

17. The main features of the new lending terms are as follows:

    (a) As a condition of accessing the PWLB, Local Authorities will be asked to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. In order to minimise the administrative burden this process is closely modelled on the existing application process that most large Local Authorities follow to access the Certainty Rate (a discounted rate offered by the PWLB).

    (b) As part of this, the PWLB will ask the finance director of the Local Authority (or equivalent) to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on the finance director's professional interpretation of guidance issued alongside these lending terms.

    (c) It is not possible to reliably link particular loans to specific spending, so this restriction applies on a 'whole plan' basis – meaning that the PWLB will not lend to a Local Authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.

    (d) When applying for a new loan, the Local Authority will be required to confirm that the plans they have submitted remain current and that the assurance that they do not intend to buy investment assets primarily for yield remains valid.

    (e) The government is committed to the prudential system and has no intention of routinely reviewing the purpose of individual loans. If HM Treasury has concerns that a loan may be used in a way that is incompatible with HM Treasury's own duties to ensure that public spending represents good value for money to the taxpayer, the department will contact the Local Authority to gain a fuller understanding of the situation. Should it transpire that a Local Authority has deliberately misused the PWLB, HM Treasury has the option to suspend access to the PWLB, and in the most extreme cases, to require that loans be repaid. In practice such an eventuality is highly unlikely and would only occur after extensive discussions.

18. The Government has specifically identified the categories of "service delivery", "housing", "regeneration", and "treasury management" and considers that these are suitable for encapsulating most capital spending by local authorities. The Government considers also that there is a "preventative" category of activity that involves direct investments in companies or other assets to prevent social or economic decline (distinct from the regeneration category). The Government has defined this activity in the published guidance as action with all of the following characteristics:

(a) The intervention prevents a negative outcome, such as by buying and conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease.

(b) There is no realistic prospect of support from a source other than the local authority.

(c) The local authority has an exit strategy and does not propose to hold the investment for longer than is necessary to achieve the objectives that justified the intervention.

(d) The intervention takes the form of grants, loans, sale and leaseback, equity injections, or other forms of support that generate a balance sheet asset.

19. The Government has chosen to issue guidance rather than strict definitions because of the challenges of developing strict definitions that reliably give the intended categorisation when applied to something as diverse as local government. It does, however, anticipate that cases of preventative action will be relatively rare.

20. If a Local Authority intends to buy commercial assets primarily for yield (even by using reserves) then they will be prevented from taking any PWLB borrowing. It is not, therefore, permitted to reprofile the capital programme so that borrowing is only used on allowed projects, with internal borrowing used for commercial activities. This does not, however, prevent the Council from borrowing for projects that are primarily for other purposes, which also happen to generate a financial yield (e.g. land assembly for development or regeneration purposes).

21. Regeneration projects are permissible and are described in the guidance as having characteristics that fall into one of four areas:

(a) The project is addressing an economic or social market failure by providing services, facilities, or other amenities of value to local people and that would not otherwise be provided by the private sector.

(b) The Local Authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment.

(c) The project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value.

(d) While some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services.

22. Investment on 'out of area' acquisitions will, however, be difficult to justify on the grounds of the five accepted borrowing categories.

23. The Housing category would appear to justify the continuation of Housing Revenue Account (HRA) schemes and General Fund housing activity, or housing delivered through Council owned companies and thus does not appear to restrict the borrowing for the purpose of social or affordable housing.

24. Individual projects and schemes may have characteristics of several different categories of spending. In these cases, the Section 151 officer or equivalent of the authority will need to use their professional judgment to assess the main objective of the investment and consider which category is the best fit.

25. The Government intends to monitor the implementation of these reforms to ensure that the new lending arrangements are working as intended. MHCLG is reviewing the effectiveness of the local government borrowing and investment framework, and is developing options to intervene directly where concerns exist that the intent of the prudential regime is not complied with.

26. Local authorities should, therefore, expect External Auditors to review internal decision-making processes around borrowing and investment, including the assessment of whether plans are compliant with the lending terms of the PWLB. Local authorities should ensure, therefore, that processes are robust.

27. The unexpected increase in PWLB interest rates, by one percentage point from 8 October 2019, was reversed on 26 November 2020 to coincide with the introduction of new borrowing restrictions. This was in line with the Government announcement at the start of the consultation process to cut the interest rate on new PWLB loans, subject to market conditions, once a workable system could be designed and implemented to ensure that support would not be diverted into debt for-yield activity

Options

28. 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.

29. 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

30. 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

31. 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.

32. 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 3 February 2021 for onward approval by Council on 23 February 2021.

Legal

33. 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.

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

35. 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

36. 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

37. 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

38. 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

39. 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.

40. 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:

- Investment Strategy – Report to Council: 28 November 2019
- General Fund Medium Term Financial Strategy – Report to Cabinet: 4 December 2019
- General Fund Budget Report – Report to Cabinet: 5 February 2020
- General Fund Budget – Report to Council: 20 February 2020
- Treasury Management Annual Report 2019/2020 – Report to Audit and Corporate Governance Committee: 29 September 2020
- Mid-Year 2020/2021 Treasury Management Report – Report to Audit and Corporate Governance Committee: 24 November 2020
- HM Treasury Document entitled "Public Works Loan Board: future lending terms – Response to the consultation" issued on 25 November 2020.

Appendices

A Treasury Management Strategy

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APPENDIX A

TREASURY MANAGEMENT STRATEGY

FEBRUARY ~~2020~~ 2021

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~~ 2021/2022.

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~~ 3 February ~~2020~~ 2021 for onward approval by Council on ~~20~~ 23 February ~~2020~~ 2021.

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.

The Council will have regard to Environmental, Social & Governance (ESG) considerations when monitoring performance and making investment decisions. As part of this the Council, as a responsible investor, will work with all Counterparties and Treasury Advisors to promote active ESG policies.

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 5 January 2021, the Council held £224 million of borrowing and £121 million of investments. The Council is committed to further short term borrowing of £25 million by year end. 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~~ 2021/2022.

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~~ 7 December 2020 it is anticipated that there will be some external borrowing for capital financing purposes during ~~2020/2021~~ 2021/2022. 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~~ 2021/2022 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~~ 2021/2022, 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.

8.12 **PWLB:** Due regard will be given to the prevailing rules in relation to local authority borrowing from the PWLB and, in particular, the impact of borrowing for the acquisition of commercial assets on the Council's wider borrowing requirements. Due regard will be given to the guidance published by HM Treasury on 25 November 2020 entitled, "Public Works Loan Board: future lending terms – Response to the consultation". The new borrowing rules restrict the ability of local authorities to borrow from PWLB for pure investment in commercial property.

As a condition of accessing the PWLB, Local Authorities must submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. As part of this, the Head of Finance will need to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on their professional interpretation of guidance issued. When applying for a new loan, the Local Authority must confirm that the plans they have submitted remain current and provide assurance that they do not intend to buy investment assets primarily for yield.

If the Council intends to buy commercial assets primarily for yield (even by using reserves) then they will be prevented from taking any PWLB borrowing and will need to consider alternative sources of funding. It is not, therefore, permitted to reprofile the capital programme so that borrowing is only used on allowed projects, with internal borrowing used for commercial activities.

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~~ continues to pursue 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 ordinarily 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 and will be set having regard to its annual valuation. The application of MRP will be adjusted to reflect the annual valuation of these properties and will be determined on a property by property basis.

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 £116.5 million and £87.3 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.

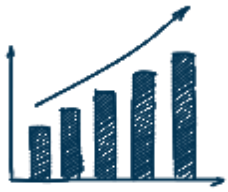
The portfolio will target as a whole to achieve a return above the Bank of England Consumer Price Inflation (CPI) target in order to maintain the spending power of the sum invested. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that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

The Council will have regard to Environmental, Social & Governance (ESG) factors in decision making, particularly when considering long term strategy funds as these issues can have a material impact on the value of financial assets and on the long-term performance of investments and, therefore, should be considered to better manage risk and generate sustainable, long term returns. Well managed companies with strong governance are more likely to be successful long-term investments.

The Council will endeavour to be an active owner and steward of its investments, both internally and externally managed, by engaging with Fund Managers in relation to their ESG policies.

10.3 **Negative Interest Rates:** If the UK enters into a recession in 2021/2022, there is a chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

10.4 **Strategy:** To achieve the objective above the Council has set a target based on CPI inflation (November CPI is 0.3%). 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 £10 million 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

10.5 **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.

10.6 **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**.

10.7 **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.

10.8 **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.

10.9 **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.

10.10 **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.

10.11 **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.

10.12 **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.

10.13 **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.

10.14 **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.

10.15 **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.

10.16 **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.

10.17 **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.

10.18 **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.

10.19 **Investment Limits:** The revenue reserves available to cover investment losses are forecast to be ~~£14 million on 31 March 2020~~ £18 million on 31 March 2021. 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.

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

11. PRUDENTIAL INDICATORS

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

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

11.3 The following indicators are identified in the Capital Strategy:

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

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

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

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

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

12. TREASURY MANAGEMENT INDICATORS

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

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

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

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

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

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

Price Risk Indicator	2021/2022	2022/2023	2023/2024
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	£7 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~~ 2021/2022. 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.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

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 January 2021

ECONOMIC BACKGROUND

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

    - The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
    - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
    - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

- It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.

- The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

- In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to **downside risks,** which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.

- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

- There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

- One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and 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. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.

- **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the Coronavirus crisis.

INTEREST RATE FORECASTS 2020 - 2023

The Council's treasury advisor, Link Group, provided the following forecasts on 11th August 2020 (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

Additional notes by Link on this forecast table:

- Please note that Link have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, Link have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6 months are currently running below 0.1%, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve, means that the rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 0.05% is achievable for 3 months, 0.1% for 6 months and 0.15% for 12 months.

- During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.

- If clients require forecasts for 3 months to 12 months beyond the end of 2021, a temporary fix would be to assume no change in our current forecasts. Link will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.

The Coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the Coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the Coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the Coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK** - second nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - 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.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** 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 subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.

- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland 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 a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- **US – the Presidential election in 2020:** this could have repercussions for the US economy and SINO-US trade relations.

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

- **UK -** stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic 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.

Annex B

Capital Programme & Financing: 7 December 2020

£'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital expenditure:					
General Fund	28,166	34,797	70,479	55,859	65,716
HRA	22,647	20,748	29,939	22,615	17,785
Third Party Loans - ESH	12,991	13,824	3,288	-	-
Third Party Loans - Other	1,145	-	-	-	-
Total Capital Expenditure	**64,949**	**69,369**	**103,706**	**78,474**	**83,501**
Resourced By:					
Capital Receipts	(5,222)	(4,251)	(8,465)	(7,582)	(5,190)
Other Contributions	(20,191)	(26,294)	(28,453)	(19,392)	(25,811)
Total Available Resource for Capital Financing	**(25,413)**	**(30,545)**	**(36,918)**	**(26,974)**	**(31,501)**
Unfinanced Capital Expenditure	**39,536**	**38,824**	**66,788**	**51,500**	**52,000**

Actual Portfolio: 5 January 2021

	Actual Portfolio £m
External borrowing:	
Public Works Loan Board	205.1
Local Authorities	19
LOBO loans from banks	Nil
Total external borrowing	**224.1**
Other long-term liabilities:	
Finance Leases	Nil
Total other long-term liabilities	**Nil**
Total gross external debt	**224.1**
Treasury investments:	
Banks & building societies (unsecured)	32.3
Ermine Street Housing	80.8
Government (incl. local authorities)	Nil
Money Market Funds	Nil
Registered Social Landlords	5
Cambridge Leisure and Ice Centre	2.4
Total treasury investments	**120.5**
Net debt	**103.6**

Note: all values are on a principal/nominal basis

Annex C

Medium Term Forecasts: 7 December 2020

	31.3.2020 Actual £m	31.3.2021 Estimate £m	31.3.2022 Forecast £m	31.3.2023 Forecast £m	31.3.2024 Forecast £m
General Fund CFR	309.0	346.9	412.3	461.8	511.5
Less: Other debt liabilities					
Loans CFR	309.0	346.9	412.3	461.8	511.5
Less: External Borrowing	215.1	236.1	303.9	352.4	404.9
Internal (over) borrowing	93.9	110.8	108.4	109.4	106.6
Usable Reserves	68.2	65.0	61.7	58.6	55.4
Working Capital	35.8	26.8	27.0	27.2	27.4
Investments	10.0	10.0	7.0	7.0	7.0

Projections are based on the latest Capital Programme to be submitted to Full Council on 23 February 2021

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	309.0	346.9	412.3	461.8	511.5
Less: Usable reserves	68.2	65.0	61.7	58.6	55.4
Less: Working Capital	35.8	26.8	27.0	27.2	27.4
Plus: Minimum investments	10	10	7	7	7
Liability Benchmark	195.0	265.1	316.6	383.0	435.7

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. There is a requirement for these investments to clearly demonstrate security, liquidity and yield and these factors will influence the applicability of MRP. MRP will ordinarily 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 and will be set having regard to its annual valuation. The application of MRP will be adjusted to reflect the annual valuation of Investment properties and will be determined on a property by property basis; an increase in the valuation of a property that results in revaluation gains in the Council's Capital Adjustment Account will result in a corresponding reduction in MRP whilst, conversely, falling valuations may result in voluntary increases in MRP to ensure that the authority is retaining increasing equity in the property.

(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:	Cabinet	3 February 2021
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head 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.

Key Decision

2. This is not a key decision

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 of the Prudential Code 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 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. The Capital Strategy was fully reviewed and refreshed as part of the 2020/2021 budget setting process having regard to established guidance and best practice and an updated version, reproduced at **Appendix A** was approved by Council for adoption at its meeting on 20 February 2020.

10. In reviewing the Capital Strategy, the following guiding principles continue to be applied as these 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.

11. The review has included a light touch review of the strategy by Chris Brain Associates to provide independent assurance to the Council that it remains fit for purpose and compliant. The review has confirmed that the existing strategy is compliant with best practice guidelines and that it follows the CIPFA model and, as such, provides an overarching document covering capital expenditure, financing and treasury management having regard to risks and rewards and impact on priority outcomes. The external review, together with other known changes, has identified the need for some minor updates to the Capital Strategy as follows:

- incorporation of the new Leasing Accounting Standard (IFRS 16) which requires lease and rental agreements to be recognised on the Council's Balance Sheet as both an asset and a liability (see Prudential Indicator 4 at **Annex A** of the Capital Strategy).

- the annual review and update of the range of Prudential Indicators that are identified in the adopted Strategy at **Annex A**.

- to ensure that the outcome of the consultation by HM Treasury on changes to the rules for accessing borrowing from the Public Works Loans Board (PWLB) for investment in commercial property is taken into account. This has also been considered as part of the annual review of the Treasury Management Strategy (see separate report on the agenda).

- changes to reflect the time period of the updated Strategy and minor designation variations.

- to highlight the importance of the Council's capital investment plans to the ongoing financial resilience of the authority (given the key objective of the separate Investment Strategy to invest in commercial assets to achieve a positive financial return) as well as the achievement of key corporate objectives, particularly in relation to the climate emergency and housing.

- to provide context for the increases in the value of national indicators for capital expenditure, capital financing requirement and debt expenditure given the significant income contributions to the revenue budget.

- to highlight the use of asset condition assessments to inform the identification of capital replacements within the capital programme.

12. 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.

13. An updated version of the Capital Strategy is attached at **Appendix A** with the proposed changes to the current version of the Strategy, approved on 20 February 2020, identified in red and crossed through text.

Investment Strategy

14. 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.

15. Council approved a revised Investment Strategy at its meeting on 28 November 2019 and a separate report is included on the agenda following its annual review.

Treasury Management Strategy

16. 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

17. 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.

18. Good governance requires that proper arrangements need to be 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

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 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

21. 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

22. 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

23. 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

24. 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

25. 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.

26. 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:

- Investment Strategy – Report to Council: 28 November 2019
- Medium Term Financial Strategy – Report to Cabinet: 4 December 2019
- General Fund Budget Report – Report to Cabinet: 5 February 2020
- General Fund Budget Report – Report to Council: 20 February 2020
- Business Plan 2020/2025 – Report to Cabinet: 5 February 2020
- General Fund Budget – Report to Council: 20 February 2020
- HM Treasury Document entitled "Public Works Loan Board: future lending terms – Response to the consultation" issued on 25 November 2020.

Appendices

A Capital Strategy

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APPENDIX A

Capital Strategy

FEBRUARY ~~2020~~ 2021

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 ~~2019-24~~ 2020-2025 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 ~~2019-24~~ 2020-2025 Business Plan is seen as an overarching document that links individual Service Plans and Council Strategies, including the Capital Strategy. The Capital Strategy supports the achievement of the Council's vision through investment in the assets the Council owns, the delivery of key infrastructure to support growth and improvement in services, and through improvements to the services and systems that the Council utilises. The key aims of the Capital Strategy are to:

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

3. Investment Priorities

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

3.2 Against the background of limited central government support the capital programme identifies the total investment needed to support the achievement of Council's aims and objectives such as housing, economic development and climate emergency. The Council's capital investment plans are also important to the ongoing financial resilience of the authority given the key objective of investing in commercial assets to deliver a positive financial return for the benefit of the revenue budget.

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 145 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 ~~Management~~ Leadership 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 ~~Management~~ Leadership 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 Asset condition assessments will be regularly undertaken to inform the identification of capital replacements within the CAP.

7.3 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 from external sources 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 is 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.

8.7 Due regard will be given to the prevailing rules in relation to local authority borrowing from the PWLB and, in particular, the impact of borrowing for the acquisition of commercial assets on the Council's wider borrowing requirements. Due regard will be given to the guidance published by HM Treasury on 25 November 2020 entitled, "Public Works Loan Board: future lending terms – Response to the consultation". The new borrowing rules restrict the ability of local authorities to borrow from PWLB for pure investment in commercial property.

As a condition of accessing the PWLB, Local Authorities must submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. As part of this, the Head of Finance will need to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on their professional interpretation of guidance issued. When applying for a new loan, the Local Authority must confirm that the plans they have submitted remain current and provide assurance that they do not intend to buy investment assets primarily for yield.

If the Council intends to buy commercial assets primarily for yield (even by using reserves) then they will be prevented from taking any PWLB borrowing and will need to consider alternative sources of funding. It is not, therefore, permitted to reprofile the capital programme so that borrowing is only used on allowed projects, with internal borrowing used for commercial activities.

9 Investment Strategy

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

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

9.3 A key objective of the Investment Strategy is to invest in commercial assets to achieve a positive financial return, with initial plans to invest £340 million over a 5 year period in order to contribute in excess of £11 million per annum to the Council's revenue budget. This highlights the importance to the Council's capital investment plans to the ongoing financial resilience of the authority.

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

10 Revenue Budget Implications

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

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

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

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

11 Knowledge and Skills

11.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Chief Executive is a qualified accountant with ~~13~~ 14 years' experience. The Head of Finance is a qualified accountant and has ~~26~~ 27 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
- CIPFA Guidance on Prudential Property Investment
- CIPFA Code of Practice on Local Authority Accounting in the UK 2019/2020
- Statutory Guidance on Local Government Investment (3rd Edition) 2018
- Statutory Guidance on the Minimum Revenue Provision 2018

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

- Business Plan:

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

- Revenue and Capital Estimates: [2021/2022 budget to be considered at the meeting]

- Corporate Asset Plan:

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

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

- Medium Term Financial Strategy:

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

- Investment Strategy: [Updated version to be considered at the meeting]

- Treasury Management Strategy: [Updated version to be considered at the meeting]

- Standing Orders:

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

- Financial Regulations:

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

Annex A

Recommended Prudential Indicators

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

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

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

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

	2019/2020 Actual £000	2020/2021 Forecast £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000
Capital Expenditure	64,949	69,369	103,706	78,474	83,501

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.

	2019/2020 Actual £000	2020/2021 Forecast £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000
Capital Financing Requirement	309,030	346,984	412,409	461,952	511,616

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.

	2019/2020 Actual £000	2020/2021 Forecast £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000
Debt (including Leases)	215,123	249,123	315,911	367,411	419,911
Capital Financing Requirement	309,030	346,984	412,409	461,952	511,616
Difference	93,907	97,861	96,698	94,541	91,705

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 limit needs to accommodate the new leasing Accounting Standard IFRS 16 (adopted by CIPFA in the Code of Practice on Local Authority Accounting from 1 April 2020) which requires all leases and rental agreements to be held on the Council's Balance Sheet as an asset and lease liability. The Operational Boundary indicator represents the prudent level of borrowing and will be reviewed annually.

	2019/2020 Limit £000	2020/2021 Limit £000	2021/2022 Limit £000	2022/2023 Limit £000
Authorised limit – borrowing	345,803	433,693	479,142	550,142
Authorised limit – other long term liabilities	-	-	-	-
Authorised limit – total external debt	345,803	433,693	479,142	550,142
Operational boundary – borrowing	340,803	428,693	474,142	545,142
Operational boundary – other long term liabilities	-	-	-	-
Operational boundary – total external debt	340,803	428,693	474,142	545,142

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 business rate redistribution, council tax and collection fund surplus share).

	2019/2020 Actual £000	2020/2021 Forecast £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000
Financing Costs	581	870	1,363	1,956	2,335
% of Net Revenue Stream	3.1	4.3	8.0	11.0	12.9

The national indicators for capital expenditure, capital financing requirement and debt expenditure as a percentage of net revenue stream show significant increases which need to be set against the context of significant income contributions to the revenue budget from commercial property investment. This is identified in the "Net Commercial Income to Net Service Expenditure" ratio at paragraph 8.4.2 of the separate Investment Strategy.

Agenda Item 15

South Cambridgeshire District Council

REPORT TO:	Cabinet	18 January 2021
LEAD MEMBER:	Cllr John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head of Finance	

LOCALISED COUNCIL TAX SUPPORT: 2021/2022

Executive Summary

1. The purpose of this report is to review the Localised Council Tax Support (LCTS) scheme for 2020/21 and agree the LCTS scheme for 2021/22

Key Decision

2. No.

Recommendations

3. It is recommended that Cabinet recommends to Council, at its meeting on 23 February 2021 the adoption of Option 1, comprising the LCTS Income Bands scheme currently in operation, with an uprating of calculation figures in in line with the Consumer Price Index

Reasons for Recommendations

4. There is considerable economic uncertainty due to COVID 19 and the current LCTS scheme has supported South Cambridgeshire's residents to pay their Council Tax. and expenditure within the existing budget

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

Details

6. The current scheme which is based on banded discounts is working well and any significant changes to the scheme would a large amount of resource to change.

7. A change however small to the current scheme would need a comprehensive consultation with residents and stakeholders, combined with considerable resource to redesign the scheme and model financial impact. The Covid response has taken priority and resources have not been available to undertake a scheme redesign.

8. The LCTS scheme currently in place replaced the previous scheme which was considered not fit for purpose following the rollout of Universal Credit (UC) in October 2018.

9. The current scheme was considered as a longer-term option as it enables smaller changes to be absorbed and not require the issue of a new council tax bill following each change of income or circumstance.

10. There has been a significant increase in uptake from residents who have been financial impacted because of the of the COVID 19 Pandemic but to date this has been within budget

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

12. The Covid 19 pandemic has seen a significant increase in LCTS expenditure compared to 2019/20 but current expenditure is still within budget. The Covid 19 hardship scheme has provided additional support to residents.

13. It may be prudent to review the scheme in the summer of 2021 to review options for 2021-22 as we may be clearer information about the financial impact to residents and the Council of Covid 19.

14. The DWP uprate the figures for calculation annually to reflect CPI, allowing those in receipt of benefits not to be worse off due to inflation a similar uprating for the scheme would enable residents to be not be worse off due to this inflation increase.

15. The current to date LCTS expenditure for 2020/2021 is £6,733,751 expenditure while for 2019/2020 expenditure was £6,096,137 it is expected that final amount for 2020/21 will be more than the current amount. The cost of LCTS is shared between the major Council Tax preceptors: -

    a) Cambridgeshire County Council
    b) South Cambridgeshire District Council
    c) Cambridgeshire Police Authority
    d) Cambridgeshire Fire Authority

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

The Covid 19 Hardship fund has provided £ 455,074 additional support to residents for Council Tax, most of the funding has been provided as additional support to those on localised Council Tax support (LCTS)

Options

16. The following options have been considered: -

    Option 1:

    Continue with the current scheme in place with necessary adjustments for scheme uprating in line with CPI. The estimate of LCTS is broadly similar to the current scheme in place (Option2), excluding increases to the Council Tax charge.

    The Banded Scheme enables smaller changes not to affect LCTS awards. The modelling undertaken based on uprating for CPI will only affect a small number of claimants (65) increasing total LCTS awarded in total by estimate of £15,000 annually; the increased cost would be shared between the major preceptors based on their share of total council tax .

    Option 2:-

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

    This option will be broadly similar in cost to 2020/21 excluding increases to the Council Tax charge

    This option would mean that some low income households would be paying more council tax although the numbers are small; cost of living rises in income claimant received may not cover all increases in living cost and they may be financially worse off.

Implications

17. 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

18. The cost of LCTS as has been modelled based on estimates using current caseload; based on the options detailed within this report Option 1 or Option 2 scheme as modelled should be affordable in the context of the Council's Medium-Term Financial Strategy. The cost of LCTS is split between the major Council Tax preceptors.

Staffing

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

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

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

Risks/Opportunities

22. The economic downturn due to Coved-19 has result in a significant increased demand for Council Tax Support, the cost of which would be borne directly by all major preceptors and could exceed current estimates and reduce the income received from Council Tax. The Council Tax base estimate for 2021-22 reflect the current financial.

Alignment with Council Priority Areas

Housing that is truly affordable for everyone to live in

23. Localised Council Tax Benefit support the Priority area of making housing truly affordable as the scheme supports residents on lower income to pay their council tax.

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