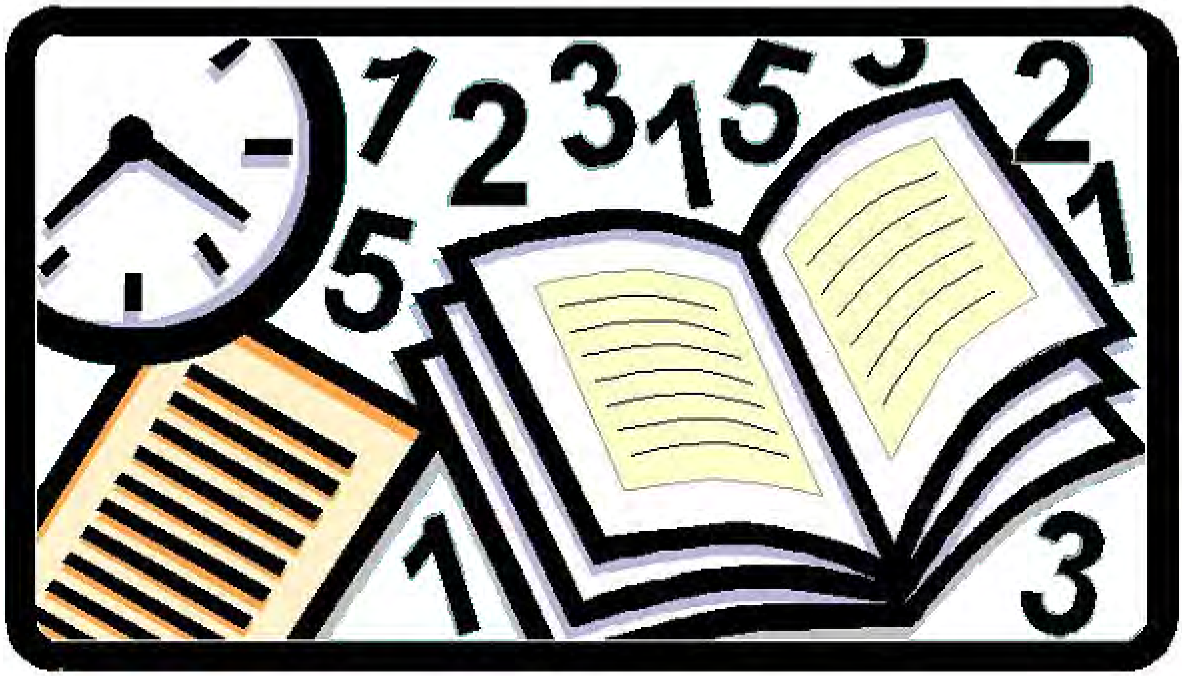
Version 4
Final

CAMBRIDGE
CITY COUNCIL

MEDIUM TERM STRATEGY

SEPTEMBER 2009



Covering the period :

2009/10 to 2013/14

Version Control History

	Version No.	Version for :	Anticipated Content
	1	Draft	Draft content for consultation
	2	The Executive (14 September 2009)	MTS and 2009/10 budget process proposals
	3	Council (22 October 2009)	The Executive's recommended budget strategy
Current	4	FINAL	Final version for publication following Council

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Executive Summary

Introduction

1) The Medium Term Strategy (MTS) is the Council's key financial planning document. It sets out, and considers the implications of, the Medium Term Objectives (MTOs) and priorities approved by the Council.

2) It is part of a wider corporate process, which is shown in Appendix A, together with an outline timetable of key events; at Appendix B.

3) The September 2009 MTS faces particular challenges in seeking to manage the significant pressures represented by the current economic downturn, the losses on the online ticketing for the 2008 Folk Festival and investments with Icelandic banks.

4) In managing these pressures the Council's key principles for medium and long-term financial management need to be met, whilst ensuring that the use of scarce resources most effectively meets the objectives that the Council has identified.

Policy Context

5) The key policy context for the MTS was outlined in the MTOs, and supporting detail, which were approved by the Council at its meeting on 21 May 2009. A revised set of MTOs were approved by Council on 20 July 2006.

6) This included determination of the priorities for decision-making in budget setting. The key elements for prioritisation are :

- Contribution to the MTOs (adverse effects will be reflected in low prioritisation)
- Improving Council performance as measured by nationally significant Performance Indicators (savings resulting in adverse effects would be a very low priority)
- Bids are expected to have explored procurement options, including partnership working
- Bids representing additional cost to existing services must demonstrate that no further offsetting efficiency savings are available in that service.

7) The Cambridge Sustainable Community Strategy for 2008 to 2010 was developed with our partners in the Cambridge Local Strategic Partnership (LSP). The strategy sets out 3 key themes for Cambridge and the priorities for taking them forward.

8) The Sustainable Community Strategy's key themes were used (along with themes from the other 4 District level Sustainable Community Strategies in Cambridgeshire) to develop the Cambridgeshire Local Area Agreement (LAA).

9) This means we have a clear alignment of priorities between County and District level. A key role of the Cambridge LSP is to ensure that the LAA action plan, as it relates to the City, is being delivered. The LSP does this by holding partners and partnerships to account and by commissioning projects that will help to achieve our priorities.

10) The LAA for Cambridgeshire, which came into effect from June 2008, was 'refreshed' in March 2009 following negotiations with the Regional Government Office. It has 5 themes – growth, economic prosperity, economic sustainability, equality and inclusion and strong communities.

11) The LAA spells out what the local partners will aim to achieve within these 5 themes by setting challenging improvement targets against 50 National Indicators. Partners, including the City Council, are prioritising resources and working together to deliver these targets.

12) The improvement targets are now an important part of our core business and are integrated into our current service planning processes. They will also be integrated into 2010/11 service plans.

13) Cambridgeshire Together, the LAA Board, will receive reward grant according to how well we perform with our partners against the agreed targets. However, there will be a minimum level of performance which LAA partners will need to achieve by 2011 before any reward is payable. The detail of how the scheme will work in practice is still not clear and there will need to be discussion locally as to how any reward grant should be used and allocated. The government has made around £340m available nationally to fund the scheme. The Improvement and Development Agency (IDeA) estimates this is equivalent to an average of £2.2m for each LAA.

14) Cambridgeshire's Local Public Service Agreement (LPSA) formed part of the first LAA agreement. The LPSA contained 'stretch targets' that partners in the county negotiated with Government across 12 topic areas. These targets had to be delivered by March 2007. Partners needed to achieve at least 60% of each 'stretch target' in order to be awarded reward grant. Across the County we achieved a total of £9m 'one-off' reward grant.

15) Cambridgeshire Together used £915,000 to help support the concessionary fares bus scheme and is using £525,000 for capacity building of the LAA over a three year period. LSPs were asked to decide how the remaining reward grant (approximately £1.5m per LSP) should be used to deliver projects over the period January 2009 to April 2012. Collectively, partners agreed to spend some of the grant on countywide projects that will help achieve the targets in the new LAA. The rest is being spent on local projects, commissioned by each of the 5 District LSPs

16) The Cambridge City LSP has commissioned a package of projects that will help deliver the City's Sustainable Community Strategy, and this package is being co-ordinated on behalf of the LSP by officers in Strategy and Partnerships who are monitoring delivery. Most of the projects are already underway or due to commence later in 2009. All projects have to be completed by April 2012.

Demographic Factors

17) Demographic factors affect the Council's planning in a number of ways :

- Changes in total population affect the Council's entitlement to Government grant under the current grant distribution formula
- Changes in the number of households affect the taxbase for Council Tax purposes, and hence the total amount which will be raised from this source

- The characteristics of both population and households can help identify specific implications for the type and nature of many services provided by the Council
- All of the above factors affect the level of demand for, and use of, services provided by the Council

18) Census 2001 had significant implications for the Council, as the data showed a significant fall in the resident population (108,832) compared with the interim projected figure (124,400).

19) This was of particular significance as resident population is the key element for the distribution of Government grant under the present Formula Grant system.

20) The adverse effect of this was initially compounded for the City Council by the fact that the continued use of detailed data from the 1991 Census (where the updated 2001 data was still unavailable at that level) was disadvantageous. The use of 2001 data was implemented as part of the 2006/07 Local Government Finance Settlement, which has served to significantly increase the Council's grant entitlement.

21) Recent revisions to the estimation process used by the Office of National Statistics (ONS) in determining the population estimates used in the formula grant mechanism, have resulted in the City again being attributed with positive net effects of international migration. However, work by the County Research Group has suggested that the ONS projections may, again, be overstated.

22) It is important to note that the ONS official national estimates are demographic "trend based" forecasts and do not take into account any local policy considerations, meaning that they will exclude revisions to reflect the full 2001 census results and the planned house-building and growth agenda as laid out in Local Plans, and the Regional Spatial Strategy for this area which would be included in the County Research Group's "policy based" dwelling-led forecasts.

23) The impact of revised national estimates would have come to light under the next Census, and so this change has merely served to bring forward the effect. This will effect the Council's position relative to the Floor for Formula Grant purposes.

24) Regional planning issues will also have an impact for the services delivered by the Council, primarily in the medium and longer-term. This will reflect the final adoption of the new Local Plan, and particularly the implications of the City's position within the Growth Agenda.

25) Overall, the scale of growth projected for Cambridge presents a huge challenge for the City Council and its partners. The Regional Spatial Strategy (RSS) for the East of England, published in May 2008, set a target for the increase in dwellings in the city between 2001 and 2021 of at least 19,000 new homes (that is, over 40% more). The 2007 mid-year population estimates from Cambridgeshire County Council's Research Group also forecast that Cambridge will grow from 109,800 residents in 2001 to 151,300 residents in 2021 – an increase of almost 38%.

26) The City is working with key stakeholders, in particular Cambridgeshire Horizons, South Cambridgeshire District Council and the County Council, to estimate and plan for the implications of the Growth Agenda.

27) Whilst Government funding and Section 106 funding will assist with the provision of the required infrastructure, this may not cover the full cost; and will certainly not support the ongoing service (and consequent revenue cost) pressures which will affect the City from not only its own increased level of residents but also those in neighbouring districts using services provided in the City.

28) The Council continues to update the modelling of the income and expenditure effects of the projected level of growth in establishing both overall affordability and enabling effective planning and management of each element of growth. It has adopted the approach of earmarking the additional Council Tax income resulting from Growth to fund the revenue costs associated with Growth. This approach has already allowed the funding of the revenue costs associated with a new Chamberlain refuse collection round, and seeks to minimise any pressure on other services. Any new bids will be taken into account as part of the Budget-Setting Report in February 2010.

29) Whilst the main impact in terms of growth of households and population numbers had been expected to be seen within the City from 2009/10, the current economic climate has resulted in significant impacts on the sale of houses and housebuilding activity, although planning applications for the first developments in the Southern Fringe are due to be determined shortly. However, the significant growth which has already started within South Cambridgeshire could have an effect for some City services in the immediate future.

30) This will be a key area for development as part of the budget process, and in future MTS documents, and represents a key area of potential risk for the Council.

Treasury Management

31) The Council achieved debt-free status at 31 March 2003, and has a current policy of retaining this position. This has significant implications in terms of both revenue and capital.

32) The initial move to, and maintenance of, debt-free status was clearly to the overall advantage of the Council due to ability to use 100% of Right-to-Buy receipts and to achieve improvements in the net interest position for the General Fund. However, with the end of the prevailing capital control system in March 2004 and the transitional benefits that accompanied the move to the current system the advantage of remaining debt-free have largely diminished.

33) With particular reference to the implications for housing, the borrowing policy for future years is reviewed as part of the each MTS and budget process. This flexibility may be important in terms of the Government's current review of the Housing Revenue Account and a possible future 'Self-Financing for Housing' framework.

34) Independent consultancy work supporting the last Stock Option Appraisal confirmed that Prudential Borrowing would be less effective over the longer-term than direct revenue funding of capital expenditure, using the stream of revenue funding available within the HRA, under current regulations.

35) The main factor for projections of actual investment income continues to be the levels of market interest rates. The Bank of England's Monetary Policy Committee (MPC) last cut Bank Rate in March 2009, to an historic low of 0.50%. This ended a run of cuts started in October 2008 as a measure to try and stimulate the economy and to counter the dual concerns over a possible recession and deflation.

36) Following cuts in the Bank Rate, the MPC increased the amount of asset purchases under the Bank's quantitative easing (QE) programme from £75bn to £125bn in May 2009. The MPC still retains the option to extend these purchases by a further £25bn before having to ask the Chancellor for further authorisation. However, while QE does at least seem to have been successful in improving liquidity in financial markets, its impact on the wider economy remains limited.

37) Interest rate changes are a significant factor for the Council, as an increase or decrease of 1% in rates would have an estimated impact of around £497,680 on investment receipts in 2009/10, though falling to £362,470 in 2010/11 as existing higher rate lending is repaid to the Council.

38) Inflationary pressures within the economy continue to reduce with, as at July 2009, RPI standing at -1.4% (following the historic low of -1.6% in June) and CPI at +1.7%. The rate for CPI has now come down to below the Government's target level of 2.0% for the first time since September 2007.

39) In its August 2009 Inflation Report the MPC of the Bank of England noted that the immediate prospect was for CPI inflation to fall substantially below the 2% target. The analysis in the report led the MPC to judge that to keep CPI inflation on target it should maintain Bank Base Rate at 0.5% and increase the size of the programme of asset purchases financed by the issue of central bank reserves to a total of £175b.

40) The next meeting of the MPC will be on 9 & 10 September 2009, with the next Bank of England Inflation Report due for publication on 11 November 2009. These will give further indications on the medium term prospects.

41) The Council continues to work with the Local Government Association and other affected Councils to seek the return of as much of its investments in Icelandic banks as possible, but it is clear that not all of the funds can be recovered.

42) The Council has taken advantage of the Capital Finance Regulations, issued in March 2009, to defer the impact on the General Fund of the impairment of these investments. However, under the regulations as they currently stand, the Council must transfer the balance of the impairment (held temporarily on the Financial Instruments Adjustment Account) to the General Fund no later than 31 March 2011.

43) A key challenge for the construction of this MTS has been to identify the means to fund the projected level of impairment. This has been achieved in the financial projections, based on the latest indications of recovery of 80 pence in the pound for Heritable Bank Plc investments and 83 pence in the pound for Landsbanki Islands hf investments.

Financial Projections - Revenue

44) The key aim of the MTS is to develop a series of financial projections to determine the achievability and sustainability of the financial plans, which are required to deliver the aims set out in the MTOs.

45) As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities. This is then measured against the projection of available funding to determine affordability. The package of measures required to equalise the two form the financial strategy for the budget year.

46) The key assumptions for the preparation of these projections are shown in Appendix N.

47) Key revenue spending pressures have also been reviewed. This has identified a number of areas where spending pressures are deemed to be 'unavoidable' for the purposes of the MTS, and have been included in the projected spending requirement. These items are detailed in Section 8 of the MTS, and Appendix J.

48) The level of ongoing unavoidable pressures for 2010/11, in particular the consequences of the economic downturn, has presented a significant challenge for the Council in this MTS. However, the robust nature of the Council's financial planning framework is demonstrated by the ability to manage these effects.

49) The review has also highlighted a significant number of areas where the impact on revenue spending cannot be quantified with sufficient accuracy, at this point in the process. As in previous years, these have been included as 'Uncertainties' and this listing (shown in Appendix K) will form the basis for ongoing review through the period of the budget process.

50) The main issue in terms of funding availability is the estimation of the level of Government grant which the Council will be entitled to. Although this has been set for the period to 2010/11, future trends are still critical in effective longer-term financial planning and to ensure real financial sustainability.

Government Grant Projections

51) The Government introduced a new Formula Grant (FG) distribution system as part of the Provisional Settlement announcement on 5 December 2002. The main effect of this for the City Council was a significant reduction in grant entitlement, largely resulting from the reduction in resident population level to 108,832, identified through Census 2001.

52) The Government also implemented a system of protection to handle significant changes for individual authorities, as a result of the new system - known as 'Floors' (setting a minimum level of increase year-on-year).

53) For 2008/09 the 3-year Final Settlement confirmed a 'Floor' for district councils at only 1.0%, compared with 2.7% for 2007/08. This significant reduction must also be viewed in the context of the rising level of inflationary pressure being faced by the Council at that time.

54) The Settlement also confirmed a 'Floor' level for district councils of just 0.5% for both 2009/10 and 2010/11, representing even greater pressure on spending given the projections for inflation over that period, resulting in a difficult period for the Council.

55) The impact of the 2008/09 Settlement for Cambridge is shown below :

	2008/09 Final (£ 's)	2009/10 Final (£ 's)	2010/11 Provisional (£ 's)
Share of National NNDR Pool	10,810,065	11,978,470	11,996,606
Revenue Support Grant - Basic	1,151,323		
- Floor adj.	353,526	398,019	441,765
Total External Support (TES)	**12,314,914**	**12,376,489**	**12,438,371**
Change on previous year (cash basis) - £'s	*193,135*	*61,575*	*61,882*
- %'age	*1.59%*	*0.50%*	*0.50%*

56) As noted above, the continued use of 'Floors' as part of the system is particularly important for the City Council, and the Floor element within Formula Grant for the City is detailed below.

Financial Year	Total External Support (£'s)	Increase at 'Floor' *[c.f. Prior Year Adjusted]* (%)	Level of Protection through 'Floors' included in FG (£'s)	Protection as a percentage of Formula Grant (%)
2003/04	11,217,610	3.0%	1,950,309	17.39%
2004/05	10,725,430	3.0%	1,807,310	16.85%
2005/06	11,026,479	2.5%	1,304,364	11.83%
2006/07	11,840,035	3.0%	387,138	3.27%
2007/08	12,121,779	2.7%	262,019	2.16%
2008/09	12,314,914	1.0%	353,526	2.87%
2009/10	12,376,489	0.5%	398,019	3.22%
2010/11	12,438,371	0.5%	441,765	3.55%

57) Although the level of Floor protection reduced significantly from the sum of £1.95m in 2003/04 through to £262,019 in 2007/08, from 2008/09 onward the level starts to rise again, representing increased risk to the Council.

58) As illustrated in the table above, the amount of protection and the proportion of total grant represented by the Floor adjustment grant is now increasing year-on-year. This is particularly significant in the context of the sub-regional growth agenda, in that until the Council's entitlement moves above floor level, increases in population (or inclusion of other 'positive' data changes) will not result in a direct cash increase in grant, merely serving to reduce the gap to the Floor.

59) Although the level of Floor protection up to 2010/11 is relatively limited (at just 3.55% of Formula Grant, this could be far higher if the Council were (again) to suffer a reduction in the population figures used to determine grant entitlement.

60) The introduction of 3-year Settlement periods, with the proposal that data used in the calculations will be frozen over the period, has provided greater certainty on grant levels, but could be a risk during a period of significant growth if the system does not use projections which accurately reflect the planned scale of that growth.

61) There is particular uncertainty about Formula Grant projections at this point, due to the lack of clarity on the timing and content of the next Government Spending Review and in terms of the funding implications of the probable transfer of responsibility for the national Concessionary Fares scheme to upper tier and unitary authorities.

62) Whilst it is generally anticipated that there will be a significant reduction in funding through Formula Grant for District Councils the exact magnitude remains unclear, and it is assumed for forward projections that this will be offset by the reduction in the current net spending pressure for the City resulting from Concessionary Fares.

63) The Council received significant additional funding under the initial Local Authority Business Growth Incentives (LABGI) initiative. This also meant that the County Council received an associated grant under the scheme.

64) Following a consultation last autumn, a revised LABGI scheme was announced which will mean that councils who, working with sub-regional partners, achieve business growth in their area, will qualify for a share of the new reward fund. No funding was allocated for the 2008-09 financial year.

65) The reformed scheme will distribute £100m amongst local authorities (£50m for each of 2009/10 and 2010/11), as opposed to the £150m proposed in the Comprehensive Spending Review 2007.

66) The funding from LABGI has been reinvested in commercial development within the City, with recommendations for its use to fund the Guildhall Project and further development phases at Lion Yard. Recommendations for the use of the £80,328 determined for 2009/10 (as announced on 25 September 2009) continue to be based on this principal, adding to the provision for the Council's contribution to the Phase 2 works at Lion Yard.

67) The Council remains committed to the identification of efficiency measures and the delivery of value for money services, both through Service Reviews and wider budget processes. The identification and reporting of Efficiency Gains, under the Gershon initiative, has been integrated within the existing corporate processes operated by the Council, and this approach has been extended to the NI179 process. This has served to avoid any unnecessary additional or duplicated effort, whilst ensuring that Gains are considered at the most appropriate point in the annual process.

68) Over the period of Spending Review 2004 (i.e. to March 2008) the Council achieved cumulative cashable and non-cashable savings of £3.8m against a target of £1.6m. This reflected the fact that the Council has a long-standing commitment to the identification and achievement of efficiency savings.

69) National Indicator (NI) 179 Value for Money Gains has replaced Gershon efficiency statements as the measure of annual savings. The new indicator is reported twice annually, a forecast in October and actuals in July.

70) The amount submitted as new, ongoing 2008/09 cash savings is £463,149, which after adding the surplus cashable savings from Gershon of £1,343,543 after inflation, gave a total savings submission for 2008/09 of £1,806,692. The target for 2008-2011 at 3% [compound] plus 1% is £4.4m. Our cash efficiency savings target for the next two years is therefore £2.6m.

71) The targets for NI179 are more onerous than Gershon in that we must make 3% cash savings per annum over 3 years (now 9.3% compound plus 1.0%). Each savings initiative has to have an impact in three successive years to be considered as having a 'Value for Money cash releasing impact'. One off savings do not contribute at all to this indicator, the thrust of the programme is to encourage transformation.

72) The Council has, for many years, sought to identify efficiency opportunities as being the most effective means to free-up resources to enable the provision of new or enhanced services. The Council would expect to continue to strive to identify all such opportunities as an integral part of its annual budget and review processes.

Housing Revenue Account (HRA)

73) Following sign-off of the Stock Option Appraisal in 2005, and the agreement to retain the housing stock, the key focus for the HRA continues to be delivery against the extensive programme of works to achieve and maintain the enhanced Decent Homes standard, in consultation with tenants.

74) Following an Audit Commission Inspection of landlord services in October 2008, the Housing Service achieved a two star rating, with excellent prospects for improvement.

75) The City Council was one of six 'high performing' authorities (3 with ALMOs and 3 without) who participated in an exercise undertaken by the Department for Communities and Local Government (CLG) to examine the costs and benefits of operating their HRA finances outside of the national HRA subsidy system.

76) A two year review of the HRA subsidy system has subsequently taken place, with CLG and Treasury working with a range of local authorities, stakeholders and professional housing bodies to "develop a sustainable, long term system for financing council housing, one that is consistent with wider housing policy, including the establishment of a regulator of social housing".

77) The Review has culminated in a Consultation Paper 'Reform of Council Housing Finance' which seeks views on a proposed HRA self-financing model, with Local Authorities retaining all future rental streams in return for a one-off payment representing redistribution of national housing debt.

78) The review identifies the potential for Local Authorities to re-invest future HRA surpluses in enhanced services and new build Council Housing, thus going some way towards replacing affordable housing stock lost through the right to buy process.

79) The Housing and Regeneration Act 2008 has seen the creation of the Tenant Services Authority (TSA) as a new agency to regulate and protect the interests of tenants. It is anticipated that a future direction by the Secretary of State will see the TSA playing a key role in rent policy.

80) In the context of the HRA Review, regulations have been relaxed to allow Local Authorities to build again and Homes and Communities Agency (HCA) grant funding has been made available, in a further bid to see this achieved.

Key Unavoidable Pressures and Bids Requiring Funding in the MTS

81) There are a number of items which require the approval of funding changes as part of the MTS. A number of these have both capital and revenue consequences.

82) The Council is currently implementing its Customer Access Strategy proposal, which proposes radical changes to the way the Council delivers and organises its customer-facing services to provide more joined-up services for customers, more efficiently. There is also an associated project for a corporate implementation of Electronic Document and Records Management (EDRM). This will support the new customer access service, and also facilitate the achievement of significant efficiencies in back office functions through business process reengineering.

83) The Council continues to have to bear significant net revenue costs (currently around £1.5m or 23% of the total raised for the City through Council Tax) associated with the current national Concessionary Fare scheme. Proposals are currently being consulted upon to move this function to upper tier and unitary authorities, but the details of the financial adjustments that would accompany this are still to be determined.

84) Given the circumstances associated with this issue the Council will be looking to continue to work with similarly affected authorities across the country, as well as national groups such as SDCT and LGA, to lobby for the issue to be addressed so that Cambridge residents are not disadvantaged through the need to reduce other services to this degree in order to compensate.

85) A number of other pressures are identified through the MTS, and funding proposals included in the forward projections.

Capital

86) The previous funding policy has been successful in providing a base position with uncommitted capital funding available in future years. However, this is based on the ability to continue making revenue contributions each year (currently £890k for 2009/10, £1,030 for 2010/11 and at the rate of £1.38m per year subsequently for the General Fund).

87) The introduction of the new Prudential Framework for capital finance, with effect from 1 April 2004, had little immediate impact for the Council. The advantage of remaining debt-free for the first three years to benefit from transitional arrangements for national pooling of housing receipts has more than offset any advantage from Prudential Borrowing.

88) However, this approach is being reviewed as part of the MTS and budget process, with particular reference to the implications for housing, to determine the most appropriate longer-term policy. Work to date has confirmed that Prudential Borrowing would be less effective over the longer-term than direct revenue funding of capital expenditure, using the stream of revenue funding available within the HRA.

89) The February 2009 Budget-Setting Report highlighted the potential need to borrow £1.1m under Prudential Borrowing during 2010/11, for a 3-year period, to meet cashflow pressures. The BSR noted that it was hoped that this would not actually be required, and removal of this need has been a key aim in constructing the financial planning within this document. The projections confirm that this borrowing will not be required, with a sum of £400k being required for a period of less than a year in 2010/11, which can be met through internal borrowing.

90) The proceeds of dwelling sales under the Right to Buy scheme have historically been a major source of regular ongoing capital receipts. However, a significant decline in right to buy sales over the last three years, coupled with the current National Pooling of housing capital receipts regulations, results in the availability of minimal capital resources from this source.

91) The projected availability of uncommitted capital funding is :

	2009/10 (£ 000's)	2010/11 (£ 000's)	2011/12 (£ 000's)	2012/13 (£ 000's)	2013/14 (£ 000's)
Schemes	10,907	4,359	0	0	0
Programmes	24,140	16,807	10,862	8,385	8,690
Total Spend	**35,047**	**21,166**	**10,862**	**8,385**	**8,690**
Available Funding	**(35,047)**	**(21,404)**	**(11,837)**	**(9,765)**	**(10,070)**
(Surplus) / Shortfall in Funding	**0**	**(238)**	**(975)**	**(1,380)**	**(1,380)**

92) The significant degree of development around the City has provided the Council with opportunities to bring forward land for development (commercial and / or housing), with resultant additional capital receipts. However, the effects of the economic downturn on the national economy has resulted in a significant slow-down in development, and this has served to depress the level of land values. Although the local economy has, initially, been more buoyant than the national one, we are now seeing this effect within the City. This raises questions about the timing of any planned disposals.

93) The current pressures on the Capital Plan are evident from the lack of any uncommitted funding available in 2009/10 and the relatively low level of just £238k for 2010/11. This will significantly restrict the potential for new capital schemes in the short-term, although over the medium-term the capital position is still relatively positive.

94) Current Programmes which are reaching the end of their approved remits, and the capital Hold List, will be reviewed as part of the budget process; in addition to the consideration of new bids arising.

Financial Strategy

95) In addition to the assessment of requirement to spend described above, the projections have been constructed to include £500k per annum of Priority Policy Fund (PPF) within the General Fund from 2011/12, although one of the measures agreed in the February 2009 BSR was to remove the provisions of any funding for PPF bids in 2010/11. For the Housing Revenue Account, projections have been made including PPF of £40k for 2010/11, returning to £75k per annum ongoing.

96) The General Fund PPF provides an effective means of enabling the redistribution of resources between committee cash limits, in recognition of priorities identified through the MTOs and public budget consultation.

97) For the HRA, updated inflation assumptions and changes in the interest rates used within the subsidy system, coupled with additional spending pressures, result in the need to identify savings of £173k in management costs to produce a balanced budget for 2010/11. This is in addition to the assumed reduction in repairs expenditure in line with anticipated stock reductions, whether through right to buy, market disposal or scheme remodelling.

98) The need to identify savings in the HRA could be partially offset (reduced to £133k) if the HRA PPF were removed for 2010/11, but this would negate the potential to invest in any new initiatives.

99) For the General Fund there is a requirement for savings totalling £0.985m in 2010/11, based on no provision for PPF funding, with the current round of Service Reviews (though not yet complete) indicating that around £210k could be realised.

100) A similar process generates the projected savings requirements for future years. As noted above, the aim of this MTS has been to enable a position where a savings level for the next 3-years is identified that will allow the future level of savings to be reduced to a more manageable level

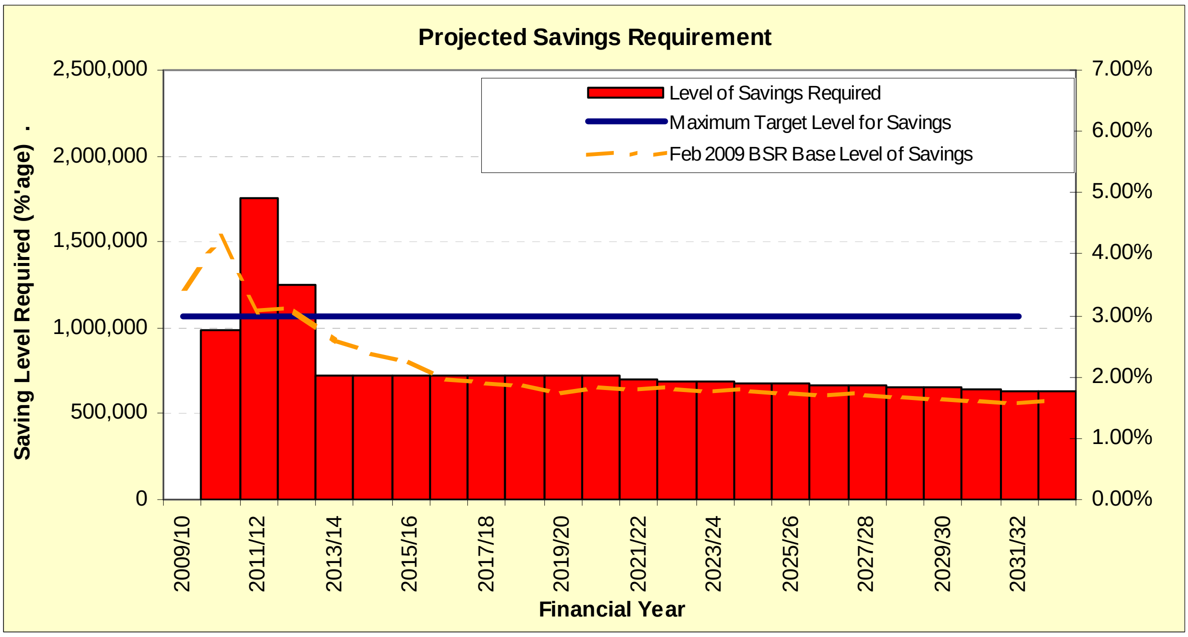
101) In doing this the actual profile of savings to be achieved over the 3-year period has been designed to reflect the fact that, in practice, this will involve a number of material changes to services which may take time to fully implement; as well as the fact that there will be limited time available to achieve significant changes for 2010/11.

102) The resulting projections are based on savings of £3.985m over a 3-year period to 2012/13. This is based on the achievement of £985k in 2010/11 (as detailed above), £1.75m in 2011/12 and £1.25m in 2012/13.

103) Given the importance of delivering these savings, and reflecting the degree of change implied and the need to ensure smooth transition for services and users, a provision has been made to facilitate these changes and meet pump-priming costs. This is achieved through making contributions to the Efficiency Fund of £75k in2010/11, £475k in 2011/12 and £200k in 2012/13.

104) After this 3-year period, savings requirements are reduced to a level of £725k p.a. from 2013/14 to 2020/21. For 2021/22 the requirement falls to £700k p.a. and continues to fall until reaching a level of £615k at the end of the 25-year projection period.

105) The profile of savings requirements, and the comparison with the levels projected in the February 2009 BSR are shown graphically below :



106) It should be noted that the ongoing level of £725k includes a sum of £500k to provide funding for a Priority Policy Fund, so only £225k p.a. is 'required' in order to produce a balanced budget.

107) On this basis the approach adopted in the MTS is deemed to achieve a balance of prudence and deliverability. The position will be reviewed as part of the February 2010 BSR.

108) The compilation of the September 2009 MTS has, thus, served to confirm a set of key parameters which are both appropriate and achievable in the context of the Council's overall objectives. These are :

General Fund

- Council Tax to increase at 2.5% in 2010/11, 3.5% in 2011/12 and 4.5% from 2012/13 onward
- Savings target of 2.58%
- No PPF for 2010/11, but a provision of £500k per year from 2011/12
- A revenue contribution to capital spending of £0.98m in 2010/11, £1.03m in 2011/12 and then £1.38m per annum ongoing
- Reserves target level of £5m in the medium term, with a £1.5m working balance requirement

Housing Revenue Account

- Rent to increase in line with Government Rent Guideline
- Savings target of 3.0% for 2010/11 and 2011/12, increasing to 3.9% in future years
- PPF at £40,000 for 2010/11, returning to £75,000 ongoing.

- Reserves target level of £3m over the medium-term, with a £1m working balance requirement

109) The proposed level of Council Tax increase has been set in the context of the cost pressures being faced by the Council, but also to reflect the impact of the economic downturn on households within the City over the next two years. The proposals are expected to result in the City's Council Tax remaining amongst the lowest levels for a District area in the country.

110) The uneven impact of unavoidable costs, in particular the increased employers pension contributions, and the requirement to temporarily fund the cost of a number of major developments (until associated savings can pay back the initial investment) has been demonstrated to be manageable from the reserves held by the Council.

111) For both the General Fund and HRA, reserves will be in line with the target levels within the medium-term 10-year projection period.

112) Risk analysis has also been undertaken to identify the impact of potential changes in a number of the key variables, and to identify measures that have been taken to mitigate against the highest areas of risk, with the key findings contained within the MTS.

Budget Process

113) The main budget process for 2010/11 is very similar to that which has been successfully developed over the last few years. However, there will be a greater emphasis on considering multi-year measures and changes, reflecting the need for a more strategic response to the medium-term pressures the Council faces as a result of the economic downturn.

114) Reflecting this the focus will be on the achievement of savings totalling £3.985m over the 3-year period from 2010/11 to 2012/13 inclusive. The longer time-frame will allow a comprehensive examination of the allocation of resources against the Councils MTOs, ensuring that services can be protected whilst financial stability is maintained.

115) In reviewing the budget process for 2009/10 it has been determined that there will be an additional meeting of the Executive, to be held on 14 September 2009. This change allows the Executive to determine the basis of the final MTS to be recommended directly to Council. This links to changes in the timings of the Council's scrutiny committee cycles with the return to a complete June/ July cycle (i.e. with Strategy & Resources and Council meetings added – previously in September), whilst the November / December cycle has been brought forward to October

Budget Consultation

116) For a number of years the Council's budget process has included consultation with the citizens of Cambridge to find out which services were most important to residents and what they thought spending and savings priorities should be for the coming budget year.

117) We have used a mixture of surveys and workshops to build up trend data on the views of residents about spending and saving priorities and we have found that views have been quite consistent over time.

118) This year we commissioned cello mruk research to run 2 consultation workshops with residents. These were held on 13 and 14 July 2009, lasted 3 hours and were attended by 15 (workshop 1) and 16 (workshop 2) residents. The full report detailing these workshops and the outcome from them is available on the Council's web site and is summarised in the full version of the MTS.

119) A further citizens survey is planned for autumn 2009. This survey will be run using a postal methodology and the aim will be to achieve 1,100 responses. Previous citizens surveys have used a face-to-face methodology and so any comparison of the results will need to done with care. However, the postal survey will be much cheaper and will give us robust quantitative data about residents perceptions of the Council and the services we provide. It will also enable us to compare the 'instinctive reactions' of residents responding to the questionnaire with the more informed and deliberative views of residents from the 2 workshops.

120) Results from the citizens survey will be available at the end of November 2009.

Summary & Conclusions

121) The MTS has reviewed the key elements of the existing strategy, confirming that these are still both appropriate and realistic over the medium-term. In doing so, a framework has been determined for detailed budget work to develop the Council's 2010/11 Budget.

122) Financial modelling has determined a sustainable approach, which still enables the inclusion of £40k of PPF for the HRA in 2010/11, although none within the General Fund, with £75k and £500k for the HRA and General Fund respectively in future years. This is designed to facilitate ongoing progress towards the Council's MTOs, despite the significant cost pressures faced by the Council.

123) Work on the financial projections for the MTS has been accompanied by risk analysis work, and the recommended strategy reflects this in terms of the setting of the target level of reserves. This incorporates a review of the Council's corporate risk and assurance database, as well as detailed work specific to the MTS.

124) A summary of the key risks and associated controls and mitigations are shown in Appendix P. This has been enhanced by a review of key events (shown in Appendix X), and a sensitivity analysis (shown in Appendix W).

125) The strategy includes a process to consider the priorities which can best be addressed through application of the capital and revenue resources available to the Council within both the General Fund and Housing Revenue Account.

Medium Term Strategy

1. Purpose and Scope

Purpose

1.1 The Medium Term Strategy (MTS) forms a key part of the Council's annual Planning and Decision-Making Process, as illustrated in Appendix A.

1.2 The purpose of this MTS document is to set out, and consider the implications of, the Medium Term Objectives (MTOs) and priorities which the Council has approved as part of the Annual Statement process as the next steps in achieving the MTOs.

1.3 In the context of these objectives, the document then outlines the Council's overall financial position.

1.4 This is a key part of ensuring an effective process moving from :

1.5 The Council has a long-standing commitment to medium-term financial planning (commenced in 1997/98), which serves to ensure that the financial consequences of its actions are sustainable.

1.6 A key feature of the MTS is the incorporation of risk assessment and management, which serve to support the identification of the affordability and sustainability of the Council's plans. In order to ensure that this is appropriately handled over the medium and longer-term, within the financial projections, the following modelling periods have been adopted :

Table 1 : Financial Projection Periods

Documents	Period	Purpose / Use
MTS & budget	5 years	Detailed budget & Council Tax setting
Longer-term projections	25 years	Demonstrate long-term effects & thus sustainability

1.7 The adoption of a 5-year forecast period within the MTS means that : -

- An appropriate level of detail can be achieved for the first year;
- The first three years demonstrate the full-year effects of spending decisions;
- The five-year view demonstrates the sustainability of the targeted level of spending.

1.8 The full 25-year model is not shown within the MTS, but is fundamental in determining the long-term sustainability of the financial planning; particularly in terms of the effects of changes in demographics and Government funding.

1.9 This document is intended to be used as a working reference document for the first stage of the process for setting budgets for the 2010/11 financial year. The resultant strategy will be reviewed in setting final budgets in February 2010 to determine whether it is still appropriate, or whether changes in circumstances require any amendments. This is contained within the Council's Budget-Setting Report (BSR).

Scope

1.10 This document is designed to provide an integrated view of the whole of the Council's finances and outlook. It covers both revenue and capital spending by the Council, highlighting the inter-relationships between the two, and the resultant implications. It also considers all of the financial accounts, or Funds, operated by the Council.

1.11 The Council has no requirement to submit Capital Strategy or Asset Management Plans to Central Government, having achieved 'Good' ratings for previous submissions, and 'Excellent' under the Comprehensive Performance Assessment (CPA). However, the aim is to maintain the key elements of these documents within the MTS, as good practice, for internal purposes.

Layout

1.12 This document has been divided into a number of parts, for ease of reference.

1.13 In Part A, information is provided on the Council's defined priorities; determining the policy context for financial planning.

1.14 In Part B, an overview is provided of general factors, which will affect both the revenue and capital aspects of the General Fund (GF) and the Housing Revenue Account (HRA). The overview of the General Fund includes the trading accounts operated by City Services.

1.15 Part C and Part D consider the forecasts and implications for revenue and capital spending respectively.

1.16 Part E outlines the overall financial strategy and processes, which are proposed as a result of the preceding analysis. This section also considers future prospects.

Process and Timing

1.17 In bringing together all of the information required to develop an appropriate financial strategy it is essential that effective consultation with all key stakeholders is undertaken.

1.18 A key part of the budget process is the identification of :

- Items which, for exceptional reasons, require immediate action or approval (which may include net changes to existing budgets)
- Items which provide context for decisions on the strategy or process, which may influence :
    - any 'unavoidable' items of expenditure or new income opportunities, such as specific grants
    - the level at which any Priority Policy Fund (PPF) is set

- the level at which Portfolio Cash Limits are set
- the level of the corporate savings target
- the level of uncommitted capital funding required
- any requirement for initial inter-portfolio re-allocations.

1.19 As a starting-point, the work on the September 2009 MTS is based on the key medium and long-term parameters which had been identified as part of the September 2008 MTS and February 2009 Budget-Setting Report. These are :

- A base position of the 2009/10 budget inflated to 2010/11 prices and adjusted for known / approved changes

for the General Fund :

- A Priority Policy Fund (PPF) of £500,000 per annum from 2011/12, but none in 2010/11
- A revenue contribution to capital spending of £0.98m in 2010/11, £1.03m in 2011/12 and then £1.38m per annum ongoing
- A Council Tax increase of 4.5% p.a.
- An increase in Government Grant of 0.5% p.a.
- A reduction requirement level (in calculating Cash Limits) not exceeding 3.0%
- A minimum working balance for Reserves of £1.5m, with a medium-term target level of £5m

for the HRA :

- Rent increases in line with Government Rent Guidelines
- A Priority Policy Fund (PPF) of £75,000 per annum
- A reduction requirement, to meet revenue targets and create policy space, of 3.0%
- A minimum working balance for Reserves of £1m, with a medium-term target level of £3m

1.20 All of the items raised in consultation with departments, and Members, have been considered and the implications incorporated, as deemed appropriate, as part of the construction of the September 2009 MTS.

1.21 This document will be updated for any changes approved during its consideration at the 14 September 2009 meeting of the Executive. The final version of this document will be submitted for approval and adoption by full Council at its meeting on 22 October 2009.

1.22 The plan and timetable for the completion of this document forms part of the overall Budget Preparation Timetable, which is shown in outline in Appendix B.

Document Version Control

1.23 This report is intended to be a working document, which will be updated as additional information and decisions become available. Where updates are relatively minor in nature updates of the relevant pages will be distributed, rather than re-printing the whole document.

1.24 Details of the versions which have been published, and which are planned are shown on the inside of the front cover to this document.

Part A

Policy Context &

Priorities

2. Policy Context

2.1 The Council approved its Annual Statement for 2009/10, based on its current Medium Term Objectives (MTOs), at its meeting on 21 May 2009. The statement contains aspirations for the current financial year and some that will continue into future years. As such, it represents key contextual information for the development of the financial strategy and budget, for 2010/11 and future years.

ANNUAL STATEMENT 2009/10

2.2 Through the Annual Statement the Council sets out the strong sense of the city it wants Cambridge to be.

2.3 The vision for the Council, states that :

OUR VISION

…. is of a compact, dynamic, sustainable City with a thriving historic core surrounded by attractive neighbourhoods and green spaces, and where the community as a whole and every person in it matters.

There will be strong leadership on environmental issues, and diverse local communities will enjoy a high quality of life in safe, accessible neighbourhoods supported by affordable housing, integrated transport, and good access to leisure and community facilities.

Cambridge will continue to foster a strong local economy together with its development as a centre of excellence and a world leader in the fields of higher education and research.

2.4 The purpose of the MTO’s is to help the Council achieve our vision. Foremost amongst our priorities is climate change and its potential impact on our city, our nation and our world. The importance of this as an issue has not been diminished by the current economic recession. At a local level the Council has a part to play in identifying how the city of Cambridge contributes to global warming and, in taking action with our citizens and our partners, to minimise this impact where we can.

2.5 Providing services of a high standard has a big impact on the quality of life experienced by the people of Cambridge. The Council will continue to focus on improving performance in areas that we know are important to our citizens and work to find further efficiencies that enable us to make the best use of our resources.

2.6 The unprecedented uncertainty about the national economy, the collapse in investment markets, the continuing fragility of the banking sector and the inevitable impacts of this on availability of public finances have already affected the Council’s resources and plans. The Council will be reviewing its structures and services to ensure that it is as fit as possible to meet these budgetary challenges and to secure, in so far as is possible, a stable long term financial framework.

2.7 One of the more visible impacts of the recession has been the dramatic slow down in house-building. The need for new housing has not diminished and the Council will seek to maximise what opportunities there are, and to ensure that it is well positioned to take forward development when economic conditions improve.

MEDIUM TERM OBJECTIVES

2.8 The Council's current set of MTOs was adopted at its meeting on 20 July 2006. These are :

Promote Cambridge as a sustainable city, in particular by reducing carbon emissions and the amount of waste going into landfill in the City and sub-region

- reducing the Council's carbon footprint
- reducing the City's carbon footprint
- improving recycling and waste reduction
- promoting sustainable transport

Ensure that residents and other service users have an entirely positive experience of dealing with the Council

- improving service quality and efficiency
- involving residents and service users
- improving access and equality

Maintain a healthy, safe and enjoyable city for all, with thriving and viable neighbourhoods

- keeping Cambridge safe
- supporting children and young people
- improving our neighbourhoods

Lead the growth of Cambridge to achieve attractive, sustainable new neighbourhoods, including affordable housing, close to a good range of facilities and supported by transport networks so that people can opt not to use the car

- developing our policy framework
- taking forward new developments on the Cambridge fringe sites
- maximising resources

2.9 A series of actions are identified with each MTO to describe how the Council will take forward achievements in each of the MTO areas. These are included in the Annual Statement, detail of which is shown in Appendix C.

2.10 Whilst the Council's current Medium Term Objectives are still a valid framework for articulating its longer- term objectives other factors, such as the current economic climate, have become more relevant in the shorter term. As a result the Council will be reviewing the MTOs during 2009/10 with a view to adopting a revised set of objectives for 2010/11 onwards.

PRIORITIES FOR 2010/11

2.11 The Council's Medium Term Objectives identify the priorities that will be important in setting next year's budget. Bids and savings proposals will be judged according to whether they contribute to achieving those objectives or whether they would adversely affect their achievement. The proposed review of the MTOs for 2010/11 will take into account the new and more immediate pressures for the city arising from current economic conditions, as well as continuing to promote the realisation of our longer-term vision for the city.

2.12 Priority will be given to bids which offer the greatest contribution to improving the Council's performance, particularly in relation to its climate change objectives, supporting people and businesses during the recession, improving performance in those service areas that our citizens tell us are important to them, helping the Council to make best use of its resources. Savings proposals that adversely affect performance in these areas, will be assigned a very low priority.

2.13 Bids will be expected to have explored options for the procurement of any enhanced service concerned, including partnership working with other sectors or other public bodies. Partnership working which leads to saving proposals will be encouraged.

2.14 Bids which result in increased costs of existing services, will receive particular attention. Such bids will only be taken forward where off-setting efficiency savings are not possible in that service.

2.15 In order to reflect the high profile of its commitment to addressing the issues associated with climate change and carbon reduction, the Council set up an earmarked reserve of £250,000 in 2008/09, carried forward funds from which will continue to be available to fund initiatives and developments which make the most effective contribution to this agenda. Further details of this are given in Section 9.

MONITORING ACHIEVEMENTS

2.16 In order to more objectively measure progress against the Medium Term Objectives a list of Performance Indicators (PIs) has been developed against each of the new MTOs. These indicators currently include National Indicators, some former Best Value PIs, Local PIs and Quality of Life indicators.

2.17 Regular monitoring procedures are in place, so that progress can be reviewed and any remedial action required identified and implemented. The PIs for each of the MTOs are detailed in Appendix D.

2.18 Monitoring information on the revised MTO PIs has been collected from April 2008. Data for the 2008/09 year-end is included in Appendix D.

CAMBRIDGE LOCAL STRATEGIC PARTNERSHIP (LSP) & COMMUNITY STRATEGY

2.19 The Cambridge Sustainable Community Strategy for 2008 to 2010 was developed with our partners in the Cambridge Local Strategic Partnership (LSP). The strategy sets out 3 key themes for Cambridge and the priorities for taking them forward.

2.20 The LSP wants Cambridge to be a sustainable and accessible City that has:

- a positive approach to tackling climate change – so that local people and organisations can make an active contribution to reducing its causes and mitigating its impacts

- sustainable communities that are thriving, environmentally sensitive and affordable places in which to live – where the growth of the City does not jeopardise the interests of current or future generations

- communities that are strong, healthy active safe and inclusive – where the well-being of people is improved and inequalities reduced, so that people feel a sense of belonging and can fully participate in community life and share in the City's success.

2.21 The Sustainable Community Strategy's key themes were used (along with themes from the other 4 District level Sustainable Community Strategies in Cambridgeshire) to develop the Cambridgeshire Local Area Agreement (LAA).

2.22 This means we have a clear alignment of priorities between County and District level. A key role of the Cambridge LSP is to ensure that the LAA action plan, as it relates to the City, is being delivered. The LSP does this by holding partners and partnerships to account and by commissioning projects that will help to achieve our priorities.

2.23 The LSP does not duplicate successful partnership working that already exists. Instead it looks at issues where the LSP can make a difference and support the work of other partnerships. In 2009 the LSP set up a sub group to take forward work around community cohesion. As part of this work Cambridge Ethnic Community Forum has been commissioned to provide advocacy and information support for refugees and asylum seekers in the City.

LOCAL AREA AGREEMENTS (LAA)

2.24 The LAA for Cambridgeshire, which came into effect from June 2008, was 'refreshed' in March 2009 following negotiations with the Regional Government Office.

2.25 The LAA has 5 themes:

- **Growth** – accommodating growth, creating flagship communities and ensuring the benefits of growth and infrastructure are enjoyed by all communities.

- **Economic Prosperity** – supporting the special role of Cambridgeshire as a centre of knowledge and innovation, especially in low carbon technologies.

- **Environmental Sustainability** – meeting the challenges of climate change while maintaining a high quality environment.

- **Equality and Inclusion** – supporting vulnerable groups and enabling them to participate fully in community life and encouraging healthier and more sustainable lifestyles.

- **Strong Communities** – engaging citizens in service planning and improvement and ensuring our communities enjoy good quality of life and health, with low crime, unemployment, discrimination and inequalities.

2.26 The LAA spells out what the local partners will aim to achieve within these 5 themes by setting challenging improvement targets against 50 National Indicators. Partners, including the City Council, are prioritising resources and working together to deliver these targets.

2.27 The improvement targets are now an important part of our core business and are integrated into our current service planning processes. They will also be integrated into 2010/11 service plans.

2.28 Cambridgeshire Together, the LAA Board, will receive reward grant according to how well we perform with our partners against the agreed targets. However, there will be a minimum level of performance which LAA partners will need to achieve by 2011 before any reward is payable. The detail of how the scheme will work in practice is still not clear and there will need to be discussion locally as to how any reward grant should be used and allocated. The government has made around £340m available nationally to fund the scheme. The IDeA estimates this is equivalent to an average of £2.2m for each LAA.

2.29 Over the last 12 months Cambridgeshire Together has reviewed the structures needed to drive and support delivery of the LAA and implemented a new thematic and strategic partnership structure based around the 5 themes within the LAA. The 6 partnerships (the Equality and Inclusion theme has been split between a Children and Young People's partnership and an "Adult Equality and Inclusion – Health and Wellbeing" partnership) are responsible for delivery of the targets that relate to their theme.

2.30 The City Council has also reviewed the way it engages with partnerships. An Executive Member from the City Council sits on each of the thematic strategic partnerships and the Leader sits on the Cambridgeshire Together Board. The Executive Councillors will each present an annual report from their partnership to the appropriate City Council scrutiny committee showing performance against the targets and the contribution the City Council has made.

LOCAL PUBLIC SERVICE AGREEMENTS (LPSA)

2.31 Cambridgeshire's LPSA formed part of the first LAA agreement. The LPSA contained 'stretch targets' that partners in the county negotiated with Government across 12 topic areas. These targets had to be delivered by March 2007. Partners needed to achieve at least 60% of each 'stretch target' in order to be awarded reward grant. Across the County we achieved a total of £9m 'one-off' reward grant.

2.32 Cambridgeshire Together used £915,000 to help support the concessionary fares bus scheme and is using £525,000 for capacity building of the LAA over a three year period. LSPs were asked to decide how the remaining reward grant (approximately £1.5m per LSP) should be used to deliver projects over the period January 2009 to April 2012. Collectively, partners agreed to spend some of the grant on countywide projects that will help achieve the targets in the new LAA. The rest is being spent on local projects, commissioned by each of the 5 District LSPs.

2.33 The Cambridge City LSP has commissioned a package of projects that will help deliver the City's Sustainable Community Strategy by:

- Mitigating the effects of the recession on the City
- Strengthening community cohesion within the City
- Strengthening voluntary sector capacity within the City
- Improving the health of Cambridge residents
- Protecting the local environment and reducing the effects of climate change

2.34 This package is being co-ordinated on behalf of the LSP by officers in Strategy and Partnerships who are monitoring delivery. Most of the projects are already underway or due to commence later in 2009. All projects have to be completed by April 2012. The table at Appendix E lists all the projects funded by Cambridge City LSP.

THE GROWTH AGENDA: OVERVIEW & STRATEGY

2.35 Cambridge faces major housing and population growth over the next decade and beyond. New communities are planned on the city's southern, north-western and eastern fringes, along with new homes on smaller 'infill' sites across the city, regeneration around Cambridge station and employment-led development in North Chesterton. This section looks at the Council's policies and strategies for delivering new homes and communities and achieving sustainable growth, with more details about the demographic factors and longer-term implications for Council services included in Section 5.

2.36 The Council's commitment to sustainable growth is set out in its medium-term objectives, its Local Plan and other policies and strategies (eg, on affordable housing, climate change, open spaces, and sustainable design & construction). Sustainable growth is needed to meet the high demand for housing and for the city's continuing economic prosperity.

2.37 The Council has also signed up to the Cambridge Sustainable Community Strategy, the Cambridgeshire Quality Charter for Growth (with its 4Cs of Community, Connectivity, Climate and Character) and the Cambridgeshire Together shared vision and Local Area Agreement. These reflect the aim that growth should benefit all residents and the whole city, with the new communities becoming an integral part of Cambridge. Recurring themes throughout these policies and strategies on growth emphasise the importance of:

- high quality, sustainable design;
- decent, affordable housing;
- thriving communities with good local facilities;
- open spaces, conservation and biodiversity; and
- promoting alternatives to dependence on car travel.

2.38 The Cambridge Local Plan, adopted in July 2006, plans for the growth of the city by 12,500 homes between 1999 and 2016, reflecting the City's Growth Area status. Almost all of its policies have been saved with the agreement of government, and will remain in force until replaced by a suite of plans which will make up our Local Development Framework. The first such replacement plan is the Cambridge East Area Action Plan, adopted by Council in February 2008, which allocates land in the city and in South Cambridgeshire for development over the next 20 years for around 12,000 homes, split between the two districts. We also anticipate adopting an Area Action Plan for North West Cambridge in September 2009. This is another joint plan with South Cambridgeshire and provides for the long-term growth of Cambridge University and approximately 3,000 homes.

2.39 The City also faces official requirements and targets for growth. In May 2008, the government's Regional Spatial Strategy (RSS) for the East of England raised the target for the increase in dwellings in the city to 19,000 new homes between 2001 and 2021. The East of England Regional Assembly is now carrying out a review to replace the current Regional Spatial Strategy (due to be completed by the end of 2011).

2.40 The Council is concerned to ensure that the new RSS to 2031 fully takes into account the growth already committed in Cambridge, the need to protect the amenity of the city and its Green Belt setting, and the difficulties of delivering acceptable transport solutions in Cambridge. (Following the Cambridgeshire Transport Commission's recommendations in July 2009, the decision to be made by Cambridgeshire County Council in October 2009 - with regard to the Transport Innovation Fund bid for the Cambridge area - will be very significant for Cambridge over the medium to long term).

2.41 The City Council works with other organisations to plan and deliver sustainable growth. Five years ago, the local authorities set up Cambridgeshire Horizons to co-ordinate the delivery of growth to the highest possible standards. An Integrated Development Programme is being prepared to identify the county's strategic infrastructure needs, alongside proposals for a Variable Rate Tariff as a means of meeting the costs.

2.42 Joint committees have been set up between the City Council, County Council and South Cambridgeshire DC to address duties that span administrative boundaries. There is a Joint Development Control Committee for the Cambridge fringes and a Joint Transport Forum. In July 2009, a new joint plan-making authority (Section 29 Committee) was created for North West Cambridge, Cambridge East and Cambridge Northern Fringe East.

2.43 Much of the funding for the growth agenda comes from central government. The level of future funding available will depend on government policy following the next General Election and will be set in the context of expected public sector spending constraints.

2.44 In July 2009, the Government announced its intention to reduce its 2010/11 Housing Growth Fund (HGF) capital funding for Cambridgeshire by £6 million (from £13.77 million to £7.72 million). This will be subject to formal consultation in autumn 2009. The local authorities and Cambridgeshire Horizons have already expressed their dismay about these proposals, which could jeopardise the deliverability of much-needed infrastructure improvements and some major housing developments.

REVIEW OF THE CITY / SOUTH CAMBS ADMINISTRATIVE BOUNDARY

2.45 A joint submission by the City and South Cambridgeshire District Councils to the Boundary Committee for a review of the City / SCDC boundary was made in January 2009.

2.46 The submission proposed changes to the boundary which, if implemented, will bring existing and planned urban developments on the City fringes within the City Council's administrative area. This could bring significant benefits in terms of rationalising and simplifying service provision. By 2025, if growth is implemented as planned, this will result in 11,000 more properties *in addition* to the growth planned within existing City boundaries.

2.47 The latest indication from the Boundary Committee is that they are unlikely to be in a position to start to consider the submission until 2011. On this basis, and assuming the Boundary Committee agrees to our proposal, the earliest implementation date is likely to be April 2013. However, we need to carry out early work to ensure that we are clear about the implications for the Council and that we are ready to implement the changes once the Boundary Committee's decision is published.

2.48 This is a big project that has considerable risks for the Council if not managed properly. The project needs strong leadership at both CMT and Member level and detailed input from many key members of staff. It is important that appropriate staff plan time to engage and participate fully with the project.

2.49 The aim is to have an overview of key risks, costs, resource implications etc. by July 2010 to inform the 2011/12 MTS. More detailed project work will need to follow as the Boundary Committee's timetable becomes clearer.

HOUSING

Current Government Housing Policy

2.50 The Housing Green Paper 'Homes for the future: more affordable, more sustainable' by Communities and Local Government (CLG), July 2007, contained the Government's ambitions to deliver 3m new homes by 2020 and for all new homes to be zero carbon by 2016. The Housing and Regeneration Act, July 2008, subsequently created the Homes and Communities Agency (HCA) as the main agency through which public funding will be channelled for housing. At the same time the Tenant Services Authority has been set up to regulate social housing providers including stock-retaining local authorities.

2.51 Since the publication of the Green Paper the housing sector has been hit dramatically by the tightening of international financial liquidity ('credit crunch') with consequential impact of, for example, a slowdown in new house-building and the predicted eventual knock-on effect of the slowdown in the provision of new Affordable Housing through section 106 planning agreements. One of the first tasks of the HCA has therefore been to administer 'new' capital investment made available by the Government as part of its strategy to mitigate the effects of the credit crunch and subsequent economic Recession.

2.52 The three main areas of impact of current Government Housing Policy for the City Council in this context are:

- Working with partner agencies to facilitate the continuation of the development of stalled section 106 planning sites.
- Developing service responses to various Government initiatives aimed at preventing people losing their homes during the Recession.
- Reviewing the consequences of the heralded end of the Housing Revenue Account Subsidy System and proposals to allow Council's to build new Council Housing. These are covered in later sections of the document.

Gypsies and Travellers

2.53 The Single Issue Review of the Regional Spatial Strategy (RSS) in respect of Gypsies and Travellers Policy was concluded in 2009. The Review allocates 15 permanent pitches for Cambridge City to 2011, with a compound increase of 3% per year following 2011. This therefore requires the City to provide another 13 pitches by 2021 resulting in a total of 28 pitches. This provision will be taken forward as part of the Local Development Framework.

2.54 A criteria-based policy will be developed as part of the Core Strategy and specific sites for Gypsy and Traveller provision to be allocated through the Site Specific Policies Development Plan Document. Site assessment criteria will also be prepared and agreed in order to assist in identifying potential locations for sites within the City. Capital funding is available to provide new sites through the Homes and Communities Agency but this is subject to a bidding process.

HRA Business Planning

2.55 Following the sign-off of the 2004/05 Business Plan as ‘fit for purpose’ by the Regional Office, as an excellent authority, there is no longer a requirement to formally submit an annual Business Plan. The government still require regular updates on the progress being made to complete the tasks included in the associated action plan, a key indicator being the progress made towards achieving the Government’s target of ensuring all council dwellings meet the Decent Homes standard by 2010.

2.56 From an internal perspective, however, the financial modelling element of business planning for the Housing Revenue Account informs a major part of the financial decision making process.

2.57 The Business Plan Statistical Appendix and Housing Strategy Statistical Appendix returns continue to be submitted to the Government in July of each year.

3. Public Consultation on Spending Priorities

3.1 For a number of years the Council's budget process has included consultation with the citizens of Cambridge to find out which services were most important to residents and what they thought spending and savings priorities should be for the coming budget year.

3.2 We have used a mixture of surveys and workshops to build up trend data on the views of residents about spending and saving priorities and we have found that views have been quite consistent over time.

3.3 This year we commissioned cello mruk research to run 2 consultation workshops with residents. These were held on 13 and 14 July 2009, lasted 3 hours and were attended by 15 (workshop 1) and 16 (workshop 2) residents. The full report detailing these workshops and the outcome from them is available on the Council's web site and is summarised below.

3.4 Residents were given an introduction about the kinds of services provided by the City and County Councils, how much the City Council's services cost and where we get the money from. They were then given information sheets about the main services provided by the City Council and the Council's Medium Term Objectives. They were asked to consider how they would prioritise:

- the MTOs and whether an objective to minimise the impact of the recession on the City should be included.
- the statutory services provided by the City Council
- the discretionary services provided by the City Council

3.5 Each workshop was split into 3 smaller groups and these groups tried to reach a consensus on each of the questions.

3.6 In summary, residents:

- Found it very difficult to prioritise between the MTOs. They said this was because the MTOs are rather general in nature and it was hard not to agree with all of them. However, there was general agreement that the ***Maintain a healthy, safe and enjoyable city for all, with thriving and viable neighbourhoods*** MTO was the highest priority because it related to everyone and issues such as people's health and people's safety were the most important factors to a high quality of life.
- Overall, participants did not prioritise an objective to 'make sure the recession has minimum impact on the City' over any of the 4 existing MTOs. This was not seen as an issue affecting everyone and was seen as less of an issue in Cambridge than other parts of the country. People also thought this would be a relatively short term issue.

3.7 Participants also considered that the existing MTO 'Making sure residents and other service users have an entirely positive experience of dealing with the Council', whilst important, was of less importance than the other 3 MTOs. However, they related this MTO more to the "customer service" experience (e.g. speed of answering the phone, time taken to be seen at the customer service centre etc.) than the quality of service.

3.8 There was clear agreement amongst the groups that the statutory services that are most important and those that should be provided to the highest standard are refuse, recycling, environmental health services and street cleaning and cleaning of public places. Reasons given for these services being most important were linked to hygiene, cleanliness, the general look of the city and the view that the services were important for everyone's quality of life.

3.9 Participants found it much harder to agree on the statutory services that are less important and that could be provided to a minimum standard. The one area where there was most consensus was democratic services. Although no information was given to the groups about Councillor's allowances or the number of committee meetings, there was a general perception that Councillors spend far too long in meetings and "get paid far too much".

3.10 The main discretionary service that groups said was important and should be provided to the highest possible standard was parks and open spaces. Participants felt that fine parks were part of the City's identity and should be protected at all costs.

3.11 Community Safety was regarded as an important service as many participants had concerns about safety in the city. Three of the groups mentioned Community Development Services and wanted to see activities that would directly impact on the community and improve cohesion. A number of attendees linked this service to young people and said there was a need for more youth centres and activities for young people in the city.

3.12 Again, participants found it much harder to agree on the discretionary services that are less important. The groups were asked to imagine that the Council had to stop providing 2 services and to say what they should be. The only consensus was that tourism services should not be paid for by the Council. Participants said that the running of tourist information centre did not directly benefit residents in the city and it was suggested that other tourist attractions could provide this facility.

3.13 A further citizens survey is planned for autumn 2009. This survey will be run using a postal methodology and the aim will be to achieve 1,100 responses. Previous citizens surveys have used a face to face methodology and so any comparison of the results will need to done with care. However, the postal survey will be much cheaper and will give us robust quantitative data about residents perceptions of the Council and the services we provide. It will also enable us to compare the 'instinctive reactions' of residents responding to the questionnaire with the more informed and deliberative views of residents from the 2 workshops.

3.14 Results from the citizens survey will be available at the end of November 2009.

Part B

General Factors

4. Overall Economic Climate and Implications

National Economic Strategy

4.1 The Government's stated central economic objective remains “to build a strong economy and a fair society, where there is opportunity and security for all”. Budget 2009, *Building Britain’s Future*, published in April 2009, presented updated assessments and forecasts of the economy and public finances and reported on how, in the face of the steep and global downturn, the Government was working to achieve this ultimate goal.

4.2 The Budget set out the actions the Government is taking to support households and businesses through the current downturn, while implementing a strategy to support strong and sustainable recovery. The Budget report describes the next steps the Government is taking to make further progress in its aims of:

- **maintaining macroeconomic stability**, through supporting the economic recovery and building a strong economy for the future, while ensuring sound public finances;
- **ensuring financial stability**, by introducing the Government’s view of the longer-term action required to renew financial markets for the future;
- **supporting business**, with targeted measures to help business’ short-term cash flow, and improve competitiveness;
- **helping people fairly**, with further Government action to support employment, to help savers and families with childcare, to support pensioners, and help homeowners;
- **improving public services**, with continued investment in front-line public services alongside a stronger drive on value for money; and
- **building a low-carbon recovery**, with action to address the global challenge of climate change.

4.3 The Budget announced a number of targeted measures to support the economy whilst continuing sustained fiscal consolidation from 2010/11, when it forecast that the economy would start to recover and support a reduction in borrowing. These included:

- Support for employment, including the offer of a guaranteed job training or work placement for all 18-24 year olds who reach 12 months unemployed;
- Support for business, including increasing capital allowances for new investment to 40% for one year and establishing a £750 million Strategic Investment Fund to supp[ort advances industrial projects of strategic importance;
- Support for individuals, for example through increasing ISA annual investment limits and additional winter fuel payments;
- Support for homeowners and homebuyers, including a £600 million package of measures to build more homes and an extension of the stamp duty holiday for houses costing up to £175,000 until the end of the year; and
- Support for the environment, including setting ‘carbon budgets’ and measures to encourage energy efficiency and low-carbon growth.

4.4 A number of the measures announced related directly to local government and public sector finances, including:

- New funding for councils and partners to create up to 150,000 new jobs and 50,000 traineeships for young people in the care sector;
- £100 million (in 2009-10 and 2010-11) of new money for councils to build new energy efficient housing (although sufficient only for 1-2,000 homes over two years);
- £125 million for cavity wall insulation and combined heat and power in existing council housing;
- an increase in the capital disregard for housing and council tax benefits;
- an increase in the standard rate of landfill tax by £8 a year in April 2011, April 2012 and April 2013, rising from £48 to £72;
- an increase over the 3% CSR07 efficiency target for local government from £4.9 billion to £5.5 billion, with councils expected to find 4% efficiency savings in 2010-11;
- confirmation that the Formula Grant settlement will remain as announced in the CSR07 three-year settlement (with the additional savings requirement for 2010-11 being retained by local authorities for re-investment in services);
- beyond CSR07, the government will seek additional £9 billion per annum savings across the public sector by 2013-14 (although it is not clear what local authorities' share of these savings will be);

4.5 Since publication of Budget 2009 the economic outlook has not shown the degree of improvement forecast. The combination of increasing unemployment, low interest rates on savings, a continued shortage of credit and the severe downturn in the housing market are continuing to undermine economic confidence.

4.6 In addition to the direct impact on the Council's financial position from dramatically reduced investment interest, reduced rates of growth in the taxbase and general and pay inflation (albeit at low levels) running ahead of grant settlements, the economic climate is likely to bring additional pressures on some services and more indirect financial implications. Key issues are:

- Can we contain the impact of inflation or will efficiency savings be wiped out by price changes?
- What will be the effect on the capital programme of the slow down in the construction industry?
- What will be the impact on capital receipts if the market is flat and land and property prices are falling?
- Will there be added pressures on services such as homelessness, housing benefits and / or reduced income from fees and charges for leisure, recreation and other demand-led services?

- Will we be as successful in collecting local taxes, rents, fees & charges as we have been in recent years?

4.7 The financial modelling which underpins the recommended budget strategy for 2010/11 draws on the latest forecasts for general inflation, pay, fuel prices, interest rates etc, and the associated risk assessment includes consideration of the issues outlined above.

Public Sector Finances

4.8 The Chancellor of the Exchequer's national Budget includes assessments and forecasts of the economy and public finances, providing important information for medium and long-term financial planning.

4.9 Global economic developments are having a profound effect on the fiscal positions of most countries, with debt likely to rise significantly in all advanced economies.

4.10 The forecast for public sector net debt, including unrealised losses from financial sector interventions, showed a rise from 59% of GDP in 2009/10 to 79% in 2013/14. This compares with the previous ceiling of 40%.

4.11 With respect to public finances, Budget 2009 recognised the profound effect that global economic developments will have on the fiscal positions of most countries, with debt likely to rise significantly in all advanced economies.

4.12 The projections in Budget 2009 show that :

- Public sector net borrowing (PSNB) is projected to peak at 12.4% of GDP in 2009/10, as the economic downturn significantly reduces tax receipts, particularly from the financial sector. PSNB then declines to 5.5% of GDP by 2013/14 as the economy recovers and the Government takes action to ensure the sustainability of public finances

- Public secor net debt (PSND), including unrealised losses from financial sector interventions, increases over the period to 2013/14. It then stabilises at around 79% of GDP by the end of the forecast period

4.13 Public sector net debt is the key measure for assessing progress against the Government's sustainable investment rule. This requires that public sector net debt, as a proportion of GDP will be held, over the economic cycle, at a stable and prudent level.

4.14 Public sector net debt was 38.3% of GDP at the end of June 2008, compared with 37.3% at the end of June 2007. Debt peaked at 43.8% of GDP in 1997, its highest level since the mid-1980s. The ratio then fell steadily as public sector finances improved, reaching a low of 29.8% in March 2002. Since then it has risen considerably driven by the economic downturn.

4.15 Reflecting the principle of transparency, Budget 2009's fiscal forecasts include a provisional estimate for the high end of a range for the net impact of unrealised losses on financial sector interventions, equal to 3.5% of GDP.

4.16 The action taken by the Government since October 2008 has been successful in preventing the collapse of the financial system and ensuring that no retail depositors in UK banks or building societies lost money. These interventions have supported the wider economy, and they are helping individuals and businesses. The Government is committed to doing whatever it takes to maintain financial stability through its objectives to ensure stability and restore confidence in the financial system, protect retail depositors' money and safeguard the interests of taxpayers.

4.17 Budget 2009 set new assumptions for spending growth in the period from 2011/12 onwards, which are designed to ensure continued investment and improvements in front-line public services whilst ensuring sustainable public finances in the medium term :

- Public sector net investment will move to 1.25% of GDP by 2013/14, with proceeds from additional asset and property sales available to supplement capital budgets

- Current spending will grow by an average of 0.7% a year in real terms between 2011/12 and 2013/14, with additional efficiency savings allowing the Government to focus resources on front-line public service priorities. With lower inflation, public spending will continue to be higher in real terms than as set out in the 2008 Pre-Budget Report

4.18 Although Budget 2009 refers to the period to be covered by the next national Spending Review it fails to clarify exactly when this will now take place.

Retail Price Inflation

4.19 Retail price inflation is measured and reported on several different basis of calculation. The main variants are :

- Headline Retail Price Index (RPI) which reflects all factors in the economy

- RPIX which excludes mortgage interest payments (and is favoured by the Treasury)

- RPIY which excludes taxation as well as mortgage interest payments (favoured by the Bank of England)

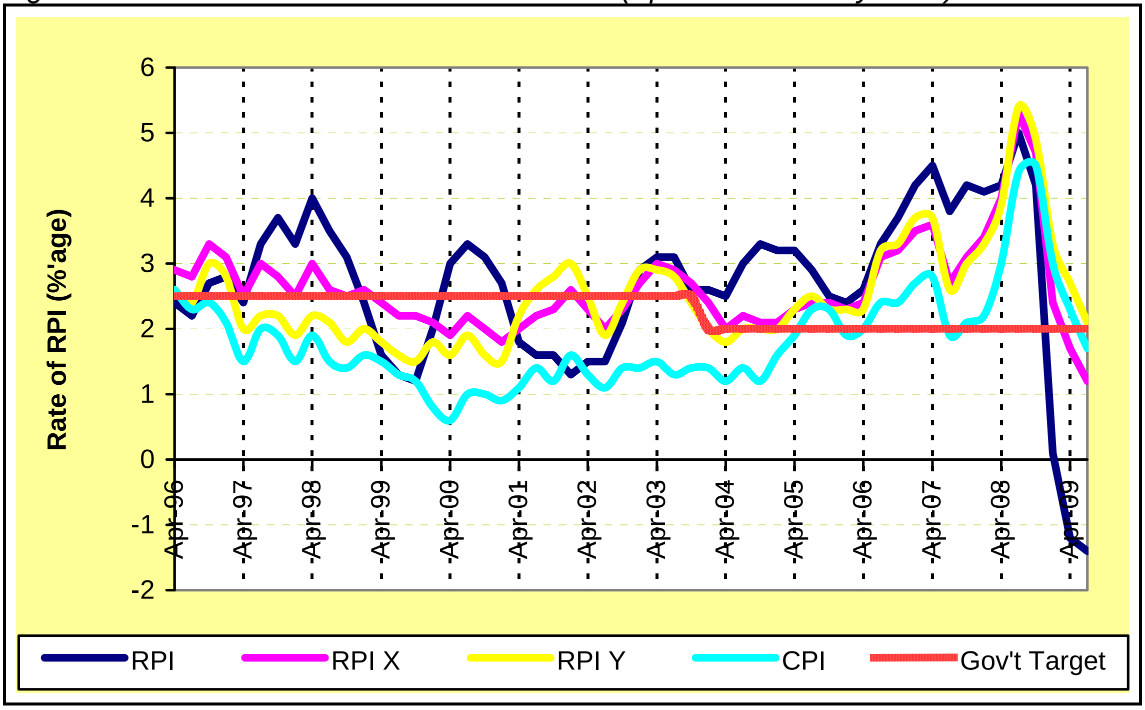
- Consumer Prices Index (CPI), which is used by countries within the Euro zone economy.

4.20 In 2003 the operational target for monetary policy was switched from being based on the RPIX to a target based on the CPI. Budget 2008 reaffirmed the target of 2.0% for the 12 month increase in CPI for the years 2009 and 2010. The forecast for 2008 CPI was given as 2.5%.

4.21 This measure has two main differences from RPIX, these being the coverage of goods and services included and the aggregation methodology. Although these may not seem important, the implications for the conduct of monetary policy are significant.

4.22 The graph below illustrates the changes in each of the RPI measures, and in CPI, over the period since April 1996.

Figure 1 : Movements in the Retail Price Index (April 1996 to July 2009)



4.23 From the point that the framework was introduced through to March 2008, the rate of RPIX fluctuated in a relatively narrow range from 1.5% to 4.0%, with an average close to the Government's target level of 2.5%. Over the same period the rate of CPI ranged from 0.5% to 3.1% (compared with the target level of 2.0%).

4.24 This represented the longest period of sustained low inflation in the UK since the 1960's. Low, stable inflation has been a key factor in allowing the Monetary Policy Committee (MPC) to maintain interest rates at relatively stable low levels.

4.25 From April 2008 there were significant increases in the level of both RPIX and CPI, with the former reaching a high of 5.5% in September 2008 and the latter 5.2% in the same month. Since that point both rates have fallen significantly.

4.26 The trend over the last 6 months is shown in the table below.

Table 2 : Recent Inflation Rate Trends – February 2009 to July 2009

Month	RPI	RPIX	RPIY	CPI
February 2009	0.0 %	2.5 %	3.5 %	3.1 %
March 2009	-0.4 %	2.2 %	3.1 %	2.9 %
April 2009	-1.2 %	1.7 %	2.7 %	2.3 %
May 2009	-1.1 %	1.6 %	2.6 %	2.2 %
June 2009	-1.6 %	1.0 %	1.9 %	1.8 %
July 2009	- 1.4%	1.2 %	2.1 %	1.7 %

4.27 The largest downward pressure on CPI came from food and non-alcoholic beverages, where prices fell this year but rose a year ago. There were specific pressures from meat and vegetables, with a small offsetting downward effect from bread and cereals. There were also large upward pressures from restaurants and hotels where prices rose by less than a year ago, particularly relating to take-away items and accommodation services. The only large upward pressure came from recreation and culture, in particular from games, toys and hobbies.

4.28 The rate of CPI had been above the Government's target level of 2.0% from May 2006 to May 2009, with the sole exception of the period July to September 2007. However it has subsequently fallen below this level, and is judged likely to move further below target over the coming months. If money growth and the growth of nominal spending remain weak, or the adverse effect of the recession on supply is at the lower end of the MPS's expectations, then inflation might weaken still further, and remain below target for an extended period.

4.29 The factors affecting the change in the RPI were similar, but also included an upward pressure from housing, with the main effect being from house depreciation (which is excluded from CPI).

4.30 The level of RPI is of particular concern as this is, historically, the measure against which many wage settlements are benchmarked. The fact that RPI has now fallen to a negative value has fuelled the debate about future pay deals and the pressure for settlements to be reduced to reflect the wider economic pressures.

4.31 As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate is now significantly above the average for the European Union as a whole (at 1.8% compared with 0.6%). This is a considerable change from a year ago when the Euro rate was above that for the UK.

4.32 The level of inflation will be affected by the various effects resulting from the phasing-in of measures contained within Budget 2009. This is estimated at a 0.25% increase in CPI (or 0.28% increase in RPI), compared with a 0.25% increase in CPI (or 0.29% increase in RPI) from Budget 2008. In addition to this direct effect, there will also be the impact of the effects of measures from previous Budgets dropping out of the 12-month comparison.

4.33 It must, of course, be noted that the delay of the increase in road fuel duty to 1 December 2008 (in line with the change to the main VAT rate) lessened the actual effect.

4.34 The following table shows the projected timing of effects, assuming that all changes announced are (or have been) passed on to consumers in full, and immediately. In practice, this is not likely to be the case for items such as tobacco and alcohol duty changes, which will begin to affect the index as existing stocks are depleted.

Table 3 : The Effect of Budget 2009 Measures on Inflation Levels

Timing	Factor	Effect on Inflation CPI (%)	Effect on Inflation RPI (%)
22 April 2009	Tobacco duties increase	+ 0.03	+ 0.03
23 April 2009	Alcohol duties increase	+ 0.03	+ 0.03
1 April 2009	Road Fuel duty increases	+ 0.08	+ 0.08
1 May 2009	Vehicle Excise Duty increase	n/a	+ 0.02
1 Sept. 2009	Road Fuel duty increases	+ 0.09	+ 0.10
1 Nov. 2009	Air Passenger Duty	+ 0.02	+ 0.02
Total effect of Budget measures		**+ 0.25**	**+ 0.28**

4.35 In its August 2009 Inflation Report the Monetary Policy Committee of the Bank of England noted that the immediate prospect was for CPI inflation to fall substantially below the 2% target. It was felt that output appears to be stabilising and the substantial stimulus from the easing in monetary and fiscal policy and the past depreciation in sterling should support a slow recovery in economic activity. However, there are indications that the margin of spare capacity in the economy is likely to grow for some while, bearing down on inflation.

4.36 This analysis led the MPC to judge that to keep CPI inflation on target it should maintain Bank Base Rate at 0.5% and increase the size of the programme of asset purchases financed by the issue of central bank reserves to a total of £175b.

4.37 A key factor for the Council's financial strategy is whether to follow the Government's move to the use of CPI as a key indicator. As the critical factor for the purpose of the MTS is to identify an indicator to form the basis for inflating general items in base budgets to obtain a real-terms standstill position, the decision must reflect which indicator most appropriately reflects the costs in question. This would appear to remain RPIX, and this has been used in the calculations within the MTS.

4.38 As noted above, there remains considerable uncertainty about the projections for inflation rates; with limited projection information currently available from market analysts. Based on the information available an inflation rate of 1% (based on the June 2009 RPIX rate) has been assumed at this stage, for the 2010/11 Budget cycle. This is assumed to increase to 2.5% for 2011/12 before moving back up to a level of 4% in 2012/13.

Interest Rates

4.39 Interest rates are of particular importance to the Council as the Council has a significant investment portfolio, whilst having no external borrowing.

4.40 The MPC last cut Bank Rate in March 2009, to an all-time low level of 0.50%. This ended a run of cuts started, in October 2008, as a measure to try and stimulate the economy in order to counter concerns over recession and deflation. With little scope for any further Bank Rate reductions, and inflation seemingly under control, the MPC has turned its attention to assisting the economy through the Bank of England's "quantitative easing (QE)" programme. Although there are signs that this has improved liquidity in the financial markets, its impact on the wider economy remains uncertain.

4.41 The next meetings of the MPC, and publications of Inflation Reports, are:

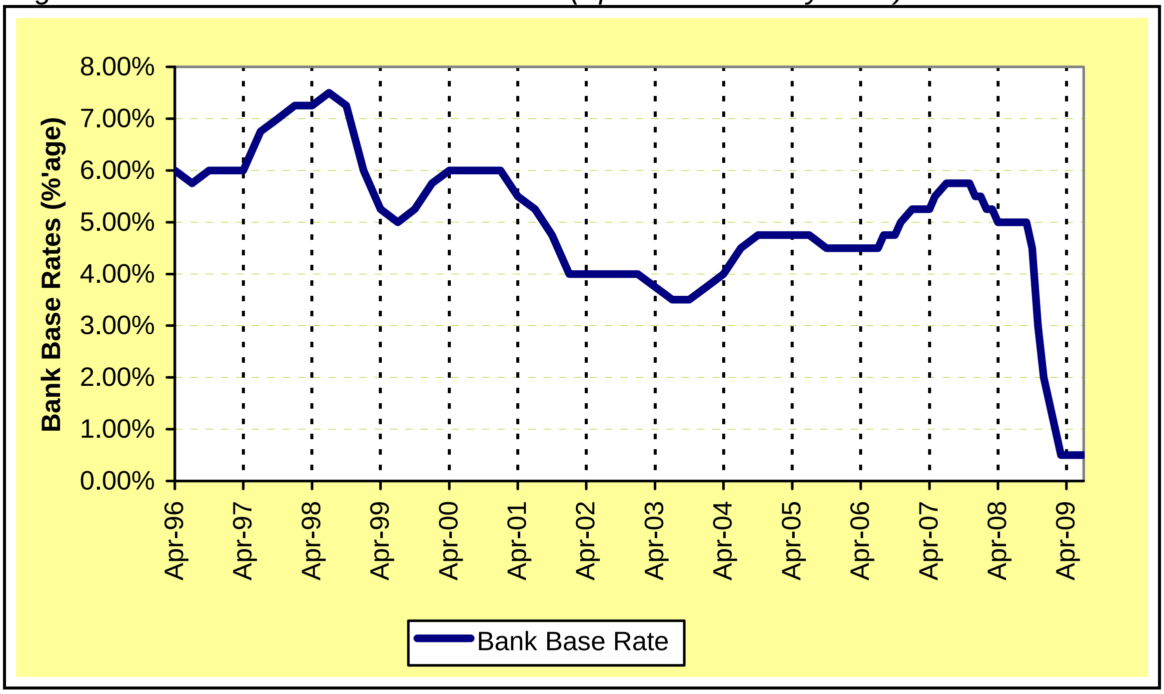
Table 4 : Monetary Policy Committee (MPC) – Key dates to December 2009

MPC Meeting Dates	Publication of Minutes	Inflation Report Date
5 & 6 August 2009	19 August 2009	12 August 2009
9 & 10 September 2009	23 September 2009	
7 & 8 October 2009	21 October 2009	
4 & 5 November 2009	18 November 2009	11 November 2009
9 & 10 December 2009	23 December 2009	

These will give further indications on the medium-term prospects.

4.42 For illustration, figure 2 shows the movements in Bank Rate over the last 13 years.

Figure 2 : Movements in Bank Base Rate (April 1996 to July 2009)



4.43 Interestingly, the movement in longer term interest rates (as evidenced by long-term Public Works Loan Board (PWLB) rates), between the start and end of the last financial year (2008/09), shows very little movement. For example, the PWLB 45-50 year rate started and ended the year at 4.43% and 4.58% respectively and the 25-30 year rate 4.62% and 4.28%.

4.44 The Council's treasury advisers, SECTOR Treasury Services Limited, have produced (July 2009) this forecast for PWLB rates (showing Bank Rate for comparison):

Table 5 : Bank and PWLB Rate Forecast – September 2009 to June 2012

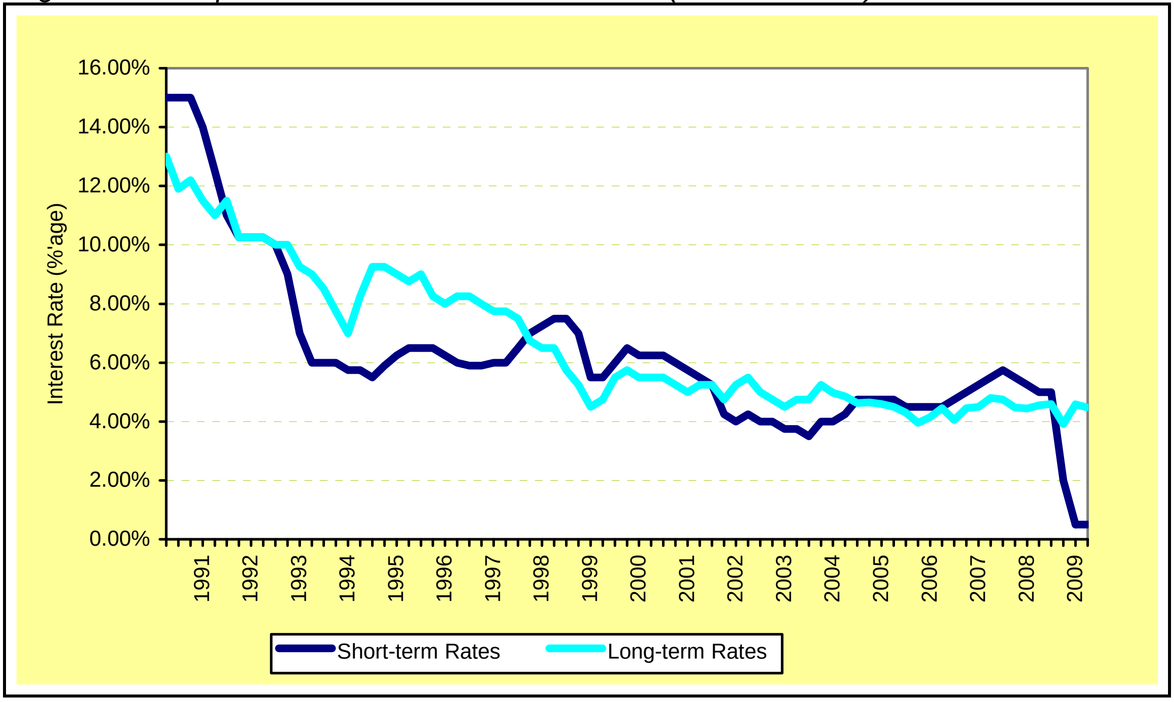
	Sep 2009	Dec 2009	Mar 2010	Jun 2010	Sep 2010	Dec 2010	Mar 2011	Jun 2011	Sep 2011	Dec 2011	Mar 2012	Jun 2012
	%	%	%	%	%	%	%	%	%	%	%	%
Bank rate	0.50	0.50	0.50	1.00	1.50	2.00	2.50	3.00	3.75	4.25	4.50	4.75
5yr PWLB rate	2.70	2.75	2.85	3.10	3.30	3.45	3.75	4.00	4.40	4.70	4.85	5.00
10yr PWLB rate	3.65	3.70	3.70	3.80	3.95	4.15	4.40	4.65	4.85	5.00	5.05	5.20
25yr PWLB rate	4.40	4.40	4.50	4.50	4.55	4.70	4.80	4.95	4.95	5.10	5.20	5.30
50yr PWLB rate	4.55	4.55	4.60	4.65	4.75	4.85	4.95	5.05	5.10	5.25	5.25	5.35

4.45 The above indicates that the Bank Rate will remain at an historical low level until mid-way through 2010, by which time the economy is expected to have improved. For the same reason, PWLB rates are expected to increase over time.

4.46 Market rate trend analysis shows a cyclical effect where every 4 or so years the short-term rate line will move from being above to below the long-term rate. This has occurred consistently over the last 30 years or so. Trend analysis does not, however, suggest at what rate such crossovers will occur.

4.47 Latest evidence would appear to confirm this 4-year rule. The short-term rate went below the long-term rate in June 2001, and stayed there until September 2004 – a period of 3 ¾ years. It remained above the long-term rate until December 2008 – a period of 4 ¼ years.

Figure 3 : Comparison of Trend in Interest Rates (1991 to 2009)



4.48 The sensitivity of the General Fund to changes in interest rates shows that a change in interest rates of +/- 1% would have an estimated impact of approximately £497,680 in 2009/10 on investment receipts, falling to £362,470 for 2010/11.

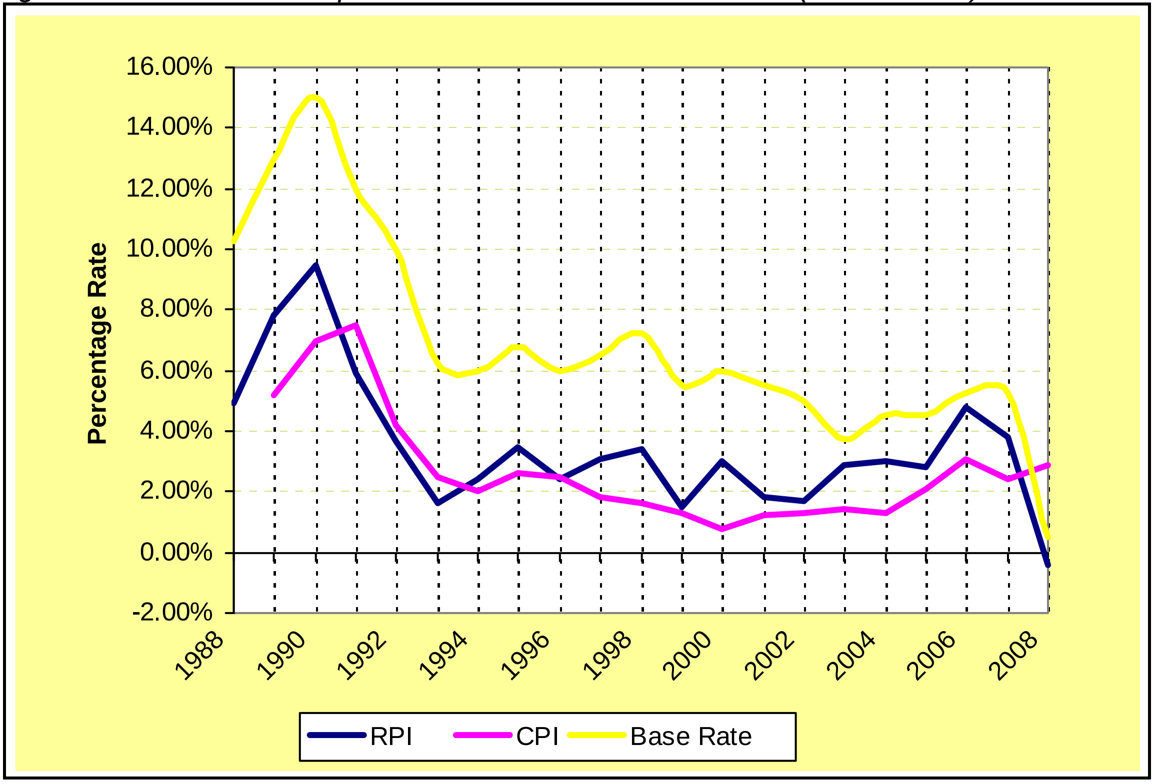
The Relationship Between Inflation and Bank Rate

4.49 Changes in the Bank Rate remains the key method for attempting to control the effects of inflation within the national economy. This suggests that the two will, in practice, be directly linked and that for forecasting purposes they must be viewed in conjunction.

4.50 Current inflationary pressures have continued to reduce. Indeed, RPI (as at July 2009) is now in negative territory at -1.4%, following the historically low level of -1.6% in June; and with CPI is below the Government's target of 2% at 1.8%. Bank Rate has correspondingly been reduced from a high of 5.25% at the start of April 2008 to just 0.50% at present, another historic low.

4.51 Analysis of the trends in RPI, CPI and Base Rates over time, as shown in the table below, demonstrates the nature of this relationship.

Figure 4 : The Relationship Between Base Rate and Inflation (CPI and RPI)



Pay Awards

4.52 Although the City Council has locally determined pay bandings, the year-on-year increase to pay points within the bands (Cost of Living Award) is aligned to pay award increases agreed nationally by the National Joint Council (NJC) for Local Government Services and Joint Negotiating Committees for Chief Officers and Chief Executives.

4.53 The Employer's 2008/09 NJC pay award offer was rejected by some Unions, who following a ballot of their members took strike action in Summer 2008. The pay award negotiations did not progress and were subsequently taken to arbitration with ACAS at the request of the Unions. Ahead of the arbitration outcome, the Employers agreed to pay their final offer (2.45%) in November 2008 (backdated to April 2008). The arbitration determined a pay award of 2.75% was appropriate, an additional 0.3% in March 2009.

4.54 As at August 2009, the 2009/10 pay award has not been settled. The Employers made a first and final offer of 0.5% on all spinal column points in April 2008. The Unions rejected the offer and it was withdrawn on 1 June. On 22 July 2009 the Employers made a new offer of 1% for the majority of NJC staff, with some additional bottom loading and other non-pay measures in the package. The Unions are considering this offer. No pay awards offer for JNC staff has been tabled.

4.55 Nationally, the picture with regards pay increases is uncertain. The ongoing economic situation, coupled with expectation of cuts to public funding, has led to calls for 'severe pay restraint' from the Head of the Audit Commission in July 2009. However, both Alistair Darling and David Cameron ruled out blanket pay freezes and reopening multi-year pay deals (negotiated in 2008 to help control inflation and maintain better long-term stability). However, most parties have acknowledged that pay deals will be "much tighter".

4.56 The Local Government Services NJC did not agree a multi-year pay deal, and all the indications are that nationally Local Government finances will be even tighter in 2010/11, suggesting many Local Authorities would struggle to meet the cost of a large pay award. The outcome of the 2009/2010 pay award negotiations will also affect the Employers and Unions approach to 2010/11.

4.57 A key factor in negotiations will be the rate of inflation. The Unions historically preferred inflation measure the Retail Price Index (RPI) rose to a high of 5.0% in July and September 2008, but has since fallen month on month to -1.6% in June 2009. The other main inflation indicator, the consumer price index (CPI), fell to 1.8 per cent in June, the lowest level since September 2007. Predictions for both these indicators into 2009/10 vary somewhat between economists, but all expect them to remain relatively low.

4.58 Although there have been widespread media reports of private sector organisations freezing or cutting wages and calls for the public sector to follow suit, the latest statistical indications are that median pay settlements were still positive at 1.3% in May 2009 (down from 2.5% in March and 2.9% in February), with the majority of employers paying between 1% and 4% (Industrial Relations Services, July 2009).

4.59 Given the uncertain economic conditions, and assuming some level of improvement in the economy by April 2010, the current pay offer, and the 2008/09 pay award (2.75%), it is difficult to give any definite indication for a pay award level. It would be prudent for the purposes of budget planning to assume negotiations will follow similar principles to those adopted for the 2009/10 pay award. Based on this, an assumption of a 1.0% award for April 2010 is being adopted as the basis for the projections in the MTS.

4.60 A change of +/- 1% in the level of pay award for 2010/11 would have the following impact on each of the Council's service areas:

Table 6 : The Effects of a 1% Change in Employee Costs in 2010/11

Service Area	**Effect of 1% Change in Employee Costs**	
	(£'s)	**(£'s)**
General Fund	226,820	285,860
Housing Revenue Account	51,020	110,070
City Services	118,090	*[re-allocated above]*
TOTAL	**395,930**	**395,930**

4.61 The pay arrangements for the City Council include performance related progression, which has been in place since 2005. Experience has shown this process costs remain broadly in line with the 2.2% allowance made within budgets. However, a greater number of individuals were found to have reached the top of their grade in 2009, resulting in slightly reduced increase due to lack of headroom.

4.62 Also included in the MTS projections, as in previous years, is a 3% deduction from employee gross pay budgets for employee turnover.

4.63 It should also be noted that the Employers have continued to pursue a package of measures, alongside a basic pay award to involve reviewing and modernising ‘green book’ arrangements. Indications are that some of these may form part of the 2010/11 pay deal, to include a rise in the minimum Local Government holiday allowance to 22 days. The Council already meets this minimum, so this unlikely to have a cost implication, but other measures may result in direct and / or indirect savings or costs, as yet unknown.

5. Demographic Factors

5.1 Demographic factors are important as they affect the Council's planning in a number of ways :

- changes in total population affect the Council's entitlement to government grant under the current grant distribution formula
- changes in the number of households affect the taxbase for Council Tax purposes, and hence the total amount which will be raised from this source
- the characteristics of both population and households can help identify specific implications for the type and nature of many services provided by the Council; and
- all of the above factors affect the level of demand for, and use of, services provided by the Council.

5.2 Overall, the scale of growth projected for Cambridge presents a huge challenge for the City Council and its partners. The Regional Spatial Strategy (RSS) for the East of England, published in May 2008, set a target for the increase in dwellings in the city between 2001 and 2021 of at least 19,000 new homes (that is, over 40% more). The 2007 mid-year population estimates from Cambridgeshire County Council's Research Group also forecast that Cambridge will grow from 109,800 residents in 2001 to 151,300 residents in 2021 – an increase of almost 38%.

5.3 Clearly, demographic projections come with a 'health warning', particularly in relation to housing and population growth. External factors will have a bearing on the implementation of development, both in terms of its phasing and location. Whilst recognising that changing market conditions may affect demand for investment in the development of council services in the short term, however, it is important that the City Council keeps a strategic focus on the long-term service planning required for the effective long-term delivery of sustainable communities.

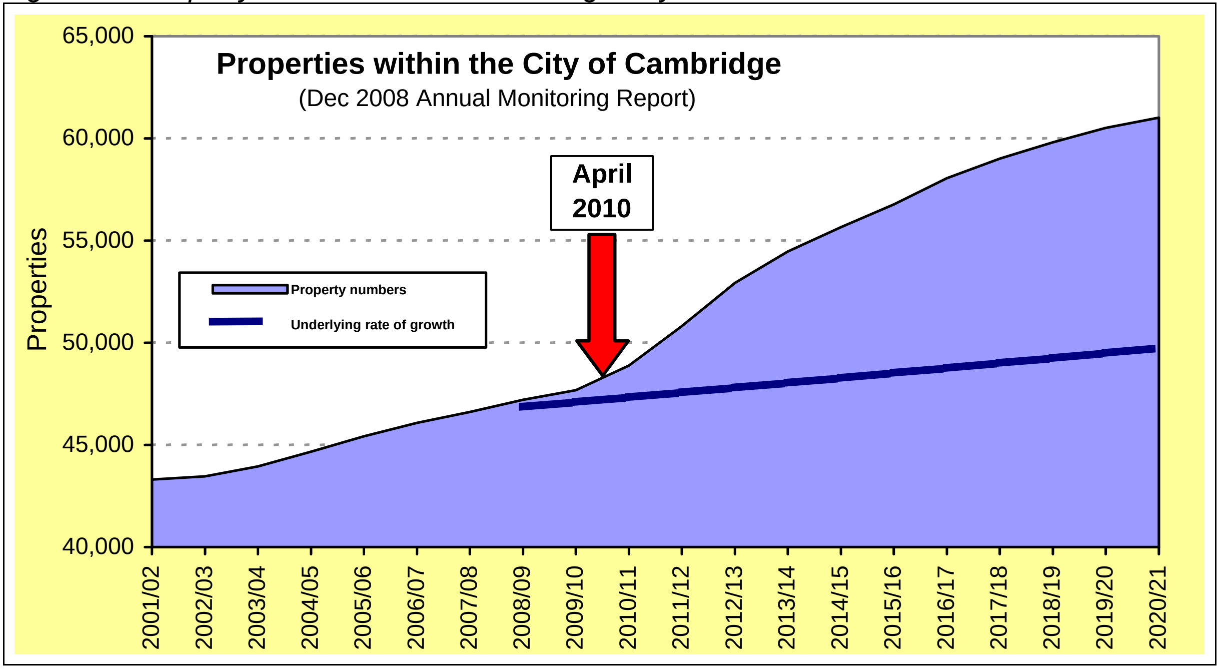
Housing growth

5.4 There are plans for around 4,000 new homes on Cambridge's southern fringe, around 6,000 new homes and 2,000 units of student accommodation on Cambridge's north west fringe and between 10,000-12,000 new homes at Cambridge East. (NB. These figures include new homes on the fringes sites that are in South Cambridgeshire).

5.5 The buoyancy of the Cambridge economy and strong house prices have until recently combined to stimulate a high rate of growth in house-building in the city. The current recession is now affecting the sale of houses and house-building activity. The City Council's Annual Monitoring Report (AMR) 2008 found that the construction of some developments may be delayed by 12 to 24 months and take longer than planned.

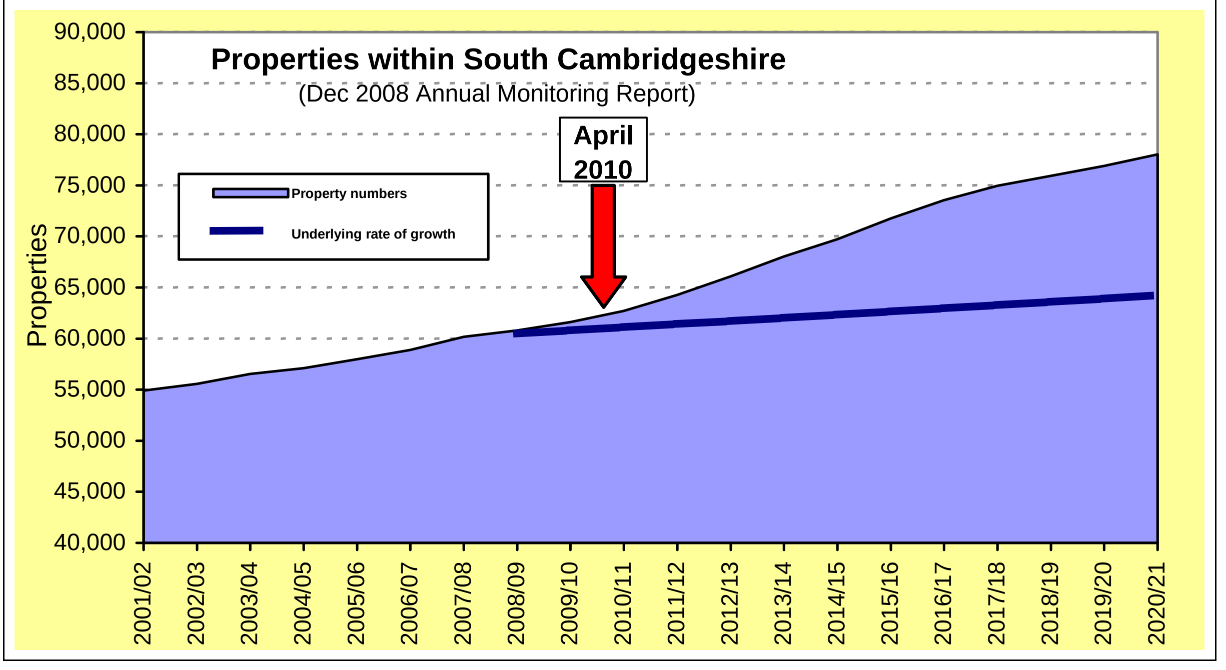
5.6 Housing completions are expected to pick up again in a few years' time, however. This Council's AMR 2008 forecasts that 14,150 homes will be built in Cambridge between 2008 and 2021. Around two thirds of these new homes are likely to form part of the Cambridge fringes sites, while the other third are likely to be on smaller 'infill' sites across the city.

Figure 5 : Property Numbers within Cambridge City



5.7 It is also worth taking note of planned housing growth in the surrounding area. The East of England Plan expects 23,500 new homes within South Cambridgeshire between 2001 and 2021.

Figure 6 : Property Numbers within South Cambridgeshire DC Area



Population growth

5.8 Total population is one of the key factors in determining both the level of Formula Grant (FG) that the Government gives the Council and the share of the National Non-Domestic Rates (NNDR) Pool which the Council receives. What is important in both cases is not just the rate of growth or decline in the city's population level in isolation, but the change relative to the national trend.

5.9 Table 6 below illustrates the forecast movements in population level for the city from 2001 through to 2031, as calculated by Cambridgeshire County Council's Research Group. These forecasts are "**policy based**" dwelling led forecasts. They include revisions to reflect the full 2001 census results and the planned house-building and growth agenda as laid out in Local Plans, and the Regional Spatial Strategy for this area. Meanwhile the Office for National Statistics (ONS) produce the official national estimates, these are demographic "**trend based**" forecasts and do not take into account any local policy considerations. The ONS estimates are updated biannually and the latest available are still the 2006 figures published last year.

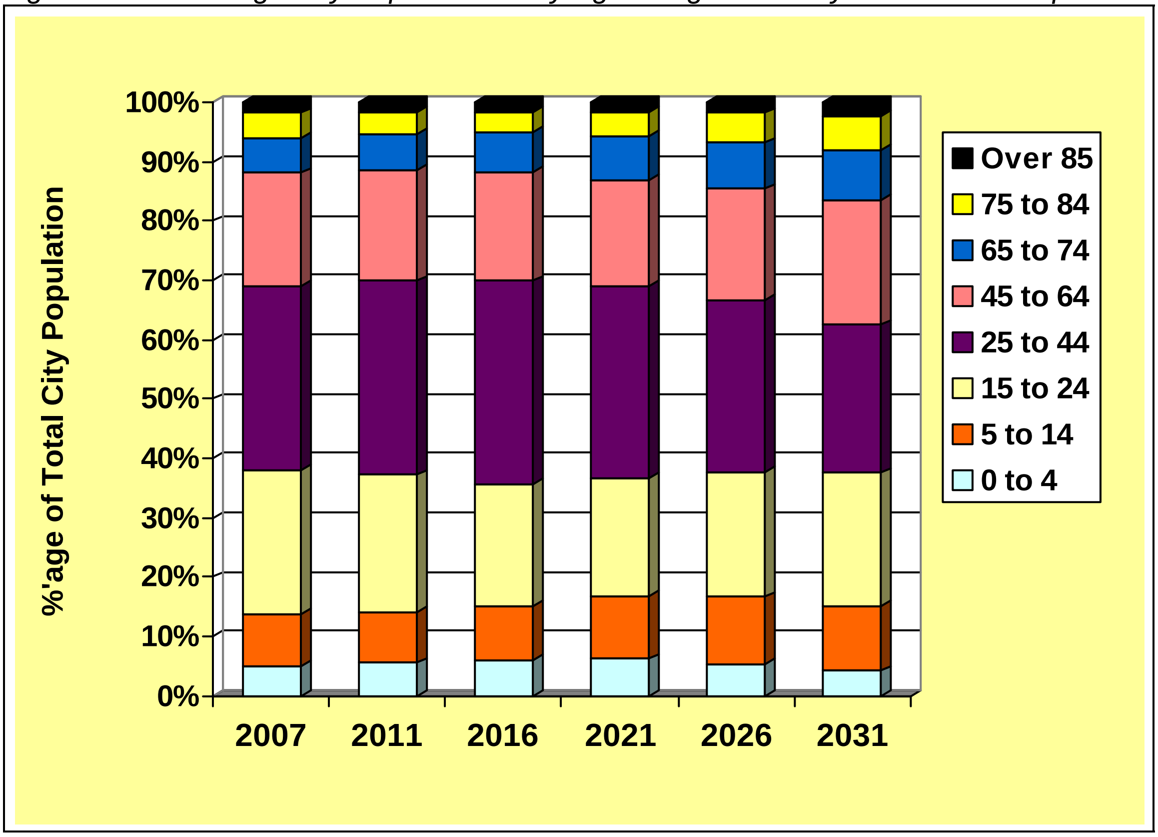
Table 7 : Cambridge City Population Projections 2001/2031

Year	Population (as measured by)			
	Office of National Statistics 2006 trend based	% Change (year-on-year)	County Research Group 2007 policy based	% Change (year-on-year)
2001			109,800	
2002			110,000	0.18%
2003			109,900	(0.09%)
2004			110,300	0.36%
2005			111,000	0.63%
2006	117,900		113,700	2.43%
2007	120,000	1.78%	115,200	1.32%
2008	122,700	2.25%	117,700	2.17%
2009	125,100	1.96%	121,300	3.06%
2010	127,200	1.68%	125,900	3.79%
2011	129,000	1.42%	131,600	4.53%
2012	130,600	1.24%	136,400	3.65%
2013	132,000	1.07%	140,400	2.93%
2014	133,200	0.91%	143,600	2.28%
2015	134,400	0.90%	146,000	1.67%
2016	135,600	0.89%	147,600	1.10%
2017	136,700	0.81%	148,800	0.81%

Year	Population (as measured by)			
	Office of National Statistics 2006 trend based	% Change (year-on-year)	County Research Group 2007 policy based	% Change (year-on-year)
2018	137,800	0.80%	149,800	0.67%
2019	138,800	0.73%	150,500	0.47%
2020	139,700	0.65%	151,000	0.33%
2021	140,700	0.72%	151,300	0.20%
2022	141,700	0.71%	152,300	0.66%
2023	142,800	0.78%	153,200	0.59%
2024	143,900	0.77%	154,000	0.52%
2025	145,100	0.83%	154.800	0.52%
2026	146,300	0.83%	155,400	0.39%
2027	147,500	0.82%	156,000	0.39%
2028	148,700	0.81%	156,500	0.32%
2029	149,900	0.81%	156,900	0.26%
2030	151,000	0.73%	157,200	0.19%
2031	152,100	0.73%	167,500	0.19%

5.10 Changes over time in factors such as age profiles, unemployment levels and geographic spread can also affect the relative demand for Council services. Projections of the population trends analysed by age group, from 2001 to 2031, are illustrated in the graph below. The detailed analysis in Appendix F highlights increases particularly in pre school age groups to 2021, and 5-14 age groups and the elderly over 65 over the period to 2031.

Figure 7 : Cambridge City Population % by Age Range – County Research Group 2007



5.11 Anecdotal evidence from previous major growth sites elsewhere indicates that young families tend to make up a high proportion of the residents of new developments. Flexibility needs to be built into the design and use of community facilities: New Towns that faced high demand for schools 40-50 years ago are now encountering an increasing need for residential units and sheltered housing for ageing parents.

5.12 The 2001 Census showed that 19% of the city's population was born outside the UK, which was the highest proportion in Cambridgeshire. This high proportion reflects Cambridge's global prominence in education, research and hi-tech industries and the profound influence of the movement of students into and out of the city.

5.13 Registrations for National Insurance numbers suggest that Cambridge is a popular destination for migrant workers. A recent survey on the demographic impact of international migration by the County Research Group (May 2008) revealed that between 4,500 and 10,500 additional migrant workers may now be living in the city compared to 2001. A 'most likely' scenario, based on assumptions about patterns of migration from different continents would suggest that around 6,600 migrant workers may have become part of the city's resident population since 2001. This suggests that the proportion of the city's population that was born abroad may have risen from 19% in 2001 to 24% in 2006. Given its relatively small size, Cambridge has one of the highest volumes of internal and international migration per 1,000 population in the country. This in turn raises key issues for the provision of public services.

Implications of housing and population growth for City Council services

5.14 The urban expansion of Cambridge will increase demand for a range of City Council services. Other factors, such as the effects of the economic downturn (which could increase the proportion of city residents who may be entitled to claim benefit) and possible changes in government policy could add to growing service pressures.

5.15 An example of new government policy requirements is the Flood and Water Management Bill, which could be passed into law in autumn 2009. This is likely to require all new developments to utilise sustainable drainage systems that will then need to be adopted and maintained. This could have implications for future S106 agreements. It remains to be seen how far new County Council roles and responsibilities may be delegated to the City Council.

5.16 It is also important to take account of population growth around Cambridge. The County Research Group has forecast that the population served by South Cambridgeshire District Council is set to increase by around 39,200 residents between 2001 and 2021 (based on its 2007 mid-year population estimates). This will have an impact on Cambridge and services provided by the City Council, as the city is a focal point for shopping and arts, culture and leisure facilities. These additional cost pressures will not be adequately reflected in the Council's entitlement to Government grant.

5.17 Housing and population growth will also present significant extra demands for other services (e.g., schools, transport, GP surgeries) for which partner organisations are responsible. The extent to which these needs and expectations can be met will have a significant bearing on the quality of life of Cambridge residents.

5.18 As preparations for the growth of Cambridge progress from the planning stage to the delivery and implementation stage, additional resources are likely to be needed within some City Council services (e.g., within Community Services) that are staffed to meet current operational service needs. This need relates not just to workload arising from the major growth sites on the fringes of Cambridge, but also to meeting significant additional service implications generated by 'infill' developments across the city.

5.19 The increase in homes in Cambridge could result in more refuse and recycling collections, more streets to clean and more council tax accounts. A bigger population is likely to mean more people living in social housing, increased trips into the city and local centres (not least by public transport, by bike and on foot) and greater demand for community, sports and leisure facilities and as well as arts and entertainment provision. The Council can also expect increasing numbers of planning applications and requests for building control and environmental health services. New community facilities and green open spaces will need to be maintained. Those costs that are likely to be met initially from developer contributions will become the Council's responsibility at the end of the period covered by Section 106 agreements.

5.20 For some services, the increase in customers is likely to trigger the need for more staff to deal with growing workloads and maintain existing service standards. Meanwhile, as part of the Customer Access Strategy project, the Customer Service Centre is designed to be able to deal with an 8% increase in demand at the initial point of contact over a 10-year period to 2016.

5.21 At the same time, the percentage increases in Cambridge's population do not necessarily mean that Council resources could or should go up by the same extent, particularly in the context of expected public sector spending constraints. The Council will need to re-think its approach to service delivery by exploring opportunities for different and more effective ways of doing things. This might include, for example:

- making increased use of existing vehicles and equipment within their capacity (eg, double shifts) rather than ordering more vehicles;
- considering options for more joint service delivery with neighbouring councils to achieve greater economies of scale; and
- reducing office accommodation costs through greater use of home-working.

5.22 Housing and population growth will take place over many years (decades). Even so, preparations for providing services to a growing customer base need to be made well in advance of new residents moving into new homes, not least to allow time to procure new equipment and commission new service contracts. These preparations could present considerable additional budget pressures for the Council. Spending on these preparations will need to take place ahead of significant increases in Council income from new households paying council tax and from government grant (which is based on population figures that tend to be a couple of years or so out-of-date).

5.23 The Council will continue to develop its understanding of the service implications arising from population growth. Heads of service are expected to include actions on the preparations that their services will make as part of their 2010/11 service plans.

Unemployment

5.24 Unemployment rates[1] are important, as they influence many of the Council's services either directly or indirectly, as well as being an influence on Council policies.

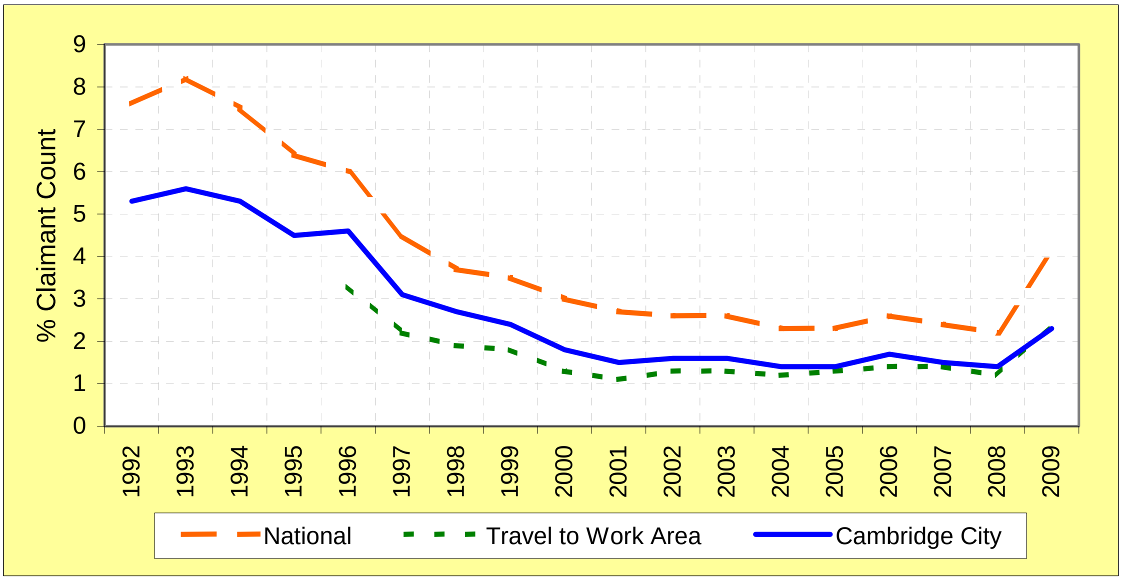
5.25 1993 saw a dramatic rise in unemployment in the City, which rose to 6% between January to March. From that point the claimant count rate in the City steadily decreased to hover around 1.4% (January 2008 to November 2008). Since November 2008 claimant counts have been steadily increasing and as at May 2009 reached 2.3% This is the highest count since September 1999.

5.26 Since 1998 the gap between City and national (Great Britain) levels had remained relatively constant (in the range 0.8% to 1.2%), however in May 2009 the gap had increased to 1.8%. The gap between the City and Travel to Work Area has increased over the past year from 0.4% in May 2008 to 0.6% in May 2009.

5.27 The trend in comparative unemployment rates is shown below.

[1] Claimant Count data from Office of National Statistics

Figure 8 : Unemployment Rates – Cambridge, Travel to Work Area and National



Mapping Disadvantage

5.28 Every two years since 2000 the Council has commissioned work to analyse its Housing Benefit and Council Tax records. The research maps the location of different groups of people living on low income across the city. Data is accessed through the Department of Work and Pensions and it is anonamised to protect the identity of any individual / family.

5.29 Prior to 2000 Members only had their local knowledge of their ward to guide them. Whilst there was general awareness of the wards containing the highest levels of deprivation, smaller pockets of disadvantaged communities within the wealthier wards often remained unidentified.

5.30 The most recent findings from the mapping disadvantage work, using June 2008 data, showed that one person in nine lived in a household claiming either Housing Benefit or Council Tax Benefit. This rate increased to one in five for pensioner households and households with dependent children.

5.31 The total benefit population (this includes the partners and dependents of the person receiving benefits) was 12,419 or 11% of the population of Cambridge. In 2006 the benefit population was 12,564.

5.32 Abbey ward had the largest benefit population at 1,861. In contrast, Newnham ward had a benefit population of just 114. In Abbey and Kings Hedges wards 34% of their pensioners lived in households which received benefits.

5.33 The research findings have been circulated widely to managers within the Council who have used them to improve services, and to organisations in the community and voluntary sector to help them better understand their clients and bid for more resources using a robust and current evidence base.

5.34 The mapping disadvantage work is currently being repeated using June 2009 data. The results will enable us to see how the recession has impacted on the income of different groups of people across the City. The results will be reported through Strategy and Resources Scrutiny Committee on 12 October 2009.

6. Treasury Management

6.1 Treasury Management within the Council is regulated by the 2004 ODPM guidance on Local Government Investments and CIPFA's "Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes."

6.2 This is an area of activity which covers the management of the Council's cash flows, its banking, money market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

Current Treasury Management Strategy

6.3 The Council's Treasury Management Strategy was considered by Strategy Scrutiny Committee at its meeting on 19 January 2009, and adopted by Council on 18 February 2009. A copy of the Strategy is attached at Appendix G.

6.4 The Strategy includes treasury limits for the period 2009/10 to 2011/12, which are set in the context of the affordability of borrowing - as required under the statutory duty contained within Section 3 of the Local Government Act 2003.

6.5 The Strategy also includes the Prudential Indicators, which the authority is required to consider before determining its budget and treasury management arrangements for a new financial year.

6.6 The Strategy is based upon not entering into any new external borrowing, except for 2010/11 when a provisional sum of £1.1m has been included in order to meet a temporary shortfall in resources.

6.7 During the last financial year the Council operated within the treasury limits set out in the Treasury Management Strategy.

Debt-Free Status

6.8 The City Council is currently debt-free having been in a position to redeem its outstanding debt on 31 March 2003 and so take advantage of transitional arrangements which reduced, over a period of three years, the proportion of Housing capital receipts subject to new pooling arrangements. Other benefits afforded by going debt free included:

- Greater freedom to spend remaining set aside amounts in its Provision for Credit Liabilities Account (PCL) on capital expenditure during 2003/04.
- The opportunity to invest sums for longer periods (up to five years).
- Revenue benefits to the General Fund through the redemption of fixed rate borrowing, at interest rates above those which the Council could achieve through investing its set-aside receipts.

6.9 Although the Council is able to undertake Prudential Borrowing under the new Prudential Framework, which came into force with effect from 1 April 2004, the circumstances have not, to date, arisen where it has been required or to the Council's financial benefit. Nevertheless, this position is kept under review as prudential borrowing could be used to advantage to enable 'invest to save' schemes.

6.11 Recent relaxing of rules around the treatment of HRA new build properties, resulting in the ability to manage these outside of the current HRA subsidy system has seen Cambridge City Council successful in securing HCA (Homes and Communities Agency) grant funding to build 7, of the 8 applied for, new units of affordable housing. In addition to the grant funding secured for these units, to complete all 8 new build units, investment of an additional £727,000 will be required, funded using a mix of use of existing capital resources and undertaking new prudential borrowing.

Minimum Revenue Provision (MRP)

6.12 At the end of March 2008 the Government simplified the rules surrounding the requirement to set aside, from revenue account, a sum, known as the “minimum revenue provision”, to repay General Fund (GF) capital debt (i.e. GF capital expenditure financed by borrowing or credit arrangements).

6.13 Prior to these changes, the method of calculating MRP was prescribed in legislation and equated, each year, to 4% of outstanding GF capital debt. The calculation is now governed by statutory guidance, rather than through regulation, and places a duty on the Council to make an amount of MRP that it considers to be “prudent”.

6.14 The Secretary of State recommends that each Council should establish a MRP policy before the start of each financial year and submit this to full council for approval. This policy should indicate how it is proposed to discharge the duty to make a prudent MRP in the forthcoming financial year.

6.15 Cambridge City Council, being debt free, does not, currently, have to provide for a MRP and hence no MRP policy has been submitted. However, the situation will be reviewed if, or when, General Fund borrowing becomes appropriate. A more detailed account of the changes and ways in which the Council can provide for a “prudent” MRP can be found at Appendix G.

Amendments to the Approved Lending (Counterparties) List

6.16 The Council manages its investments in-house and is restricted to placing investments with the institutions (counterparties) listed in the approved lending list, which forms a key part of the Council’s Treasury Strategy.

6.17 The list is constantly reviewed in order to ensure that the institutions included meet the criteria required. As a result changes are required periodically to the list. No changes are being recommended to Council at this time, and the approved Counterparties list is included in Appendix H (shown as highlighted counterparty names).

6.18 In light of the continuing difficulties in effectively placing funds, and the low levels of return on offer, a paper outlining potential changes (including possible use of Money Market Funds) is being drafted separately for consideration.

Treasury Management Activity During 2008/09

6.19 In accordance with the Council’s adopted (February 2003) “Treasury Management in the Public Services - Code of Practice and Cross Sectoral Guidance Notes”, a report covering the treasury management activities undertaken during 2008/09 needs to be produced. The Annual Treasury Management report is included in Appendix I. Highlights from the report are included below.

6.20 The Council manages its investments in-house and invests with institutions listed in the authority's approved Counterparties list. During the year, the number of counterparties was significantly reduced as concerns grew over their credit worthiness following the collapse of the Icelandic banks. In December 2008, Council suspended any new lending to overseas counterparties or their UK subsidiaries and placed a limit on the total that may be invested with counterparties within the same company group. It was also agreed that the Council's treasury management and investment strategy would be reviewed, on at least a monthly basis, by the Director of Finance in conjunction with the Leader and the Executive Councillor for Customer Services and Resources.

6.21 The value of surplus funds invested during 2008/09 was £1,394.78m, and the value of investments that were repaid during the year was £1,401.48m, resulting in a net decrease in investments of £6.70m during the year.

6.22 The table below shows comparative investment outturn since 2004/05 :

Table 8 : Comparative Investment Outturn from 2004/05 to 2008/09

Financial Year	Average Investments	Rate of Return	Benchmark Return
2004/05	£64.32m	4.66%	4.52%
2005/06	£74.93m	4.69%	4.53%
2006/07	£80.64m	4.81%	4.82%
2007/08	£80.88m	5.86%	5.80%
2008/09	£69.80m	5.65%	4.49%

Icelandic Investments

6.10 Cambridge City Council is one of at least 123 local authorities directly affected by the collapse of Icelandic banking institutions during 2008/09. The Council had a total of £9 million in short term investments (i.e. those with maturity periods of up to one year) with two of the affected banks (Landsbanki Islands hf and Heritable Bank Plc).

6.11 The Council continues to work with the Local Government Association (LGA) and the legal advisors they have engaged, on behalf of the affected authorities, to seek maximum recovery of the amounts owed.

6.12 The security of these investments is uncertain but it is likely that the Council will be not recover all of its investments, together with accrued interest owed. At this stage the extent of financial loss cannot be finally determined but an estimate of the level of impairment of these investments has been made, taking account of the latest information available from the LGA, respective administrators and based on advice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Accounting Panel. The latest information and advice is as follows:

Heritable Bank Plc

6.13 The City Council had a total of £4 million deposited with Heritable Bank Plc. which was placed in administration on 7 October 2008.

6.14 The administrators Ernst and Young LLP issued a progress report to creditors on 17 April 2009 which indicated that total payments could be either 70% or 80% of creditors claims depending on the strategy followed. The higher value based on winding up the administration in 2012 rather than 2010; 2012 being the preferred option of local authority representatives on the creditors committee.

6.15 The LAAP considered it to be appropriate for local authorities to recognise an impairment, in their draft 2008/09 statutory accounts, based on an 80% recovery and to assume the following repayment dates and percentages:

July 2009	-	15%
July 2010	-	30%
July 2011	-	15%
July 2012	-	10%
July 2013	-	10%

6.16 Since the Administrators April report, an interim dividend of 16.13 pence in the pound was received by the Council in July 2009. A subsequent progress report, dated 13 August 2009, has confirmed that the Administrators' projection of a base case return to unsecured creditors of 70 to 80 pence in the pound is unchanged and that they are aiming to declare a second dividend of at least 10 pence in the pound before the end of the calendar year.

Landsbanki Islands hf

6.17 The City Council had a total of £5 million deposited with Landsbanki Islands hf. Following steps taken by the Icelandic Government in early October 2008 the management of the affairs of what has become Old Landsbanki was placed in the hands of a Resolution Committee.

6.18 Old Landsbanki affairs are being administered under Icelandic law. A legal opinion obtained by the local Government Association indicated that deposits made by local authorities (including interest up to 14 November 2008) will rank as priority claims. If this is indeed the case, authorities are likely to recover a significant proportion of their deposits.

6.19 The latest information in relation to Landsbanki's affairs, relayed by the LGA in July 2009, is that assuming local authorities are treated as preferential depositor creditors, it is expected that they would recover around 83 pence in the pound. This is less than the estimated recovery range of 90% to 100%, which was originally made subject to confirmation of the value of a bond from the new Landsbanki and certain other considerations by the International Monetary Fund.

6.20 For the purposes of preparing their draft 2008/09 statutory accounts, Authorities were required to assess their best estimate of impairment within the above 90% to 100% range. However, in the absence of any further information on which to formulate an opinion, the LAAP suggested that authorities should take the mid-point and assume that the recoverable amount of 95% paid in approximately equal amounts as follows:

6.21 In the absence of any indications of the likely timing of repayments, the LAAP advised authorities to assume repayment would be in approximately equal proportions in:

March 2010
December 2010
December 2011
December 2012

6.22 Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

6.23 Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, should the current legal opinion be incorrect and preferential creditor status is not achieved then the recoverable amount might be only 33p in the £.

Impairment Charge to the General Fund

6.24 The Council has taken advantage of the Capital Finance Regulations, issued in March 2009, to defer the impact on the General Fund of the impairment of these investments. However, under the regulations as they currently stand, the Council must transfer the balance of the impairment (held temporarily on the Financial Instruments Adjustment Account) to the General Fund no later than 31 March 2011.

6.25 This requirement, together with the impact on the Council's receipts from investments have been taken into account in the financial modelling undertaken as part of the Medium Term Strategy formulation. The assessment of impairment of the principal sums invested has been based on the latest indications of recovery of 80 pence in the pound for Heritable Bank Plc investments and 83 pence in the pound for Landsbanki Islands hf investments.

Part C

Revenue

7. External Funding Projections - Revenue

General

7.1 The availability of external funding is a key factor for revenue projections on both the General Fund and Housing Revenue Account. Whilst City Services, the Council's main in-house contracting unit, do not receive direct funding from Central Government, it is affected indirectly by external funding to the General Fund and HRA as this influences the levels of work placed with them.

7.2 Details of the Local Government Finance settlement for 2008/09, announced in January 2008, also included provisional figures for 2009/10 and 2010/11, reflecting the move, as part of Comprehensive Spending Review 2007 (CSR2007) to give three years of grant allocations to Local Government. As reported in the Budget Setting Report, the 2009/10 Final Settlement announcement made in January 2009, made no changes to the Council's Formula Grant entitlement for 2009/10 or to the provisional amount for 2010/11. Subsequently, Budget 2009, announced on 22 April 2009, confirmed that formula grant and Police Grant settlements for 2010/11 would remain as announced in the three-year settlement.

7.3 Subsidy determinations for the HRA continue to cover a single year only, pending the final outcome of the major review undertaken of the HRA subsidy regime and the resulting proposals, which are currently the subject of a consultation process. The 'final' subsidy determination for 2009/10 was announced in early 2009. However, this was subsequently replaced by a Final Amending HRA Subsidy Determination, which allowed local authorities to reduce their planned rent increases for tenants in light of the economic downturn. Further detail on external funding for the HRA are given later in this section.

Government Spending Reviews

7.4 Spending Reviews set firm and fixed 3-year spending plans (controlled through Departmental Expenditure Limits) and, through Public Service Agreements, define the key improvements that the public can expect from those resources across all Government departments.

7.5 The concept was launched in June 1997, by the incoming Government, with a full Comprehensive Spending Review (CSR1998), and was intended to continue with Spending Reviews every two years; each review covering a 3-year period with a one-year overlap for continuity.

7.6 With the start of the latest Spending Review period coming a decade after the first CSR, the Government announced its intention to undertake a second full CSR. To facilitate this, the Spending Review scheduled for 2006 was deferred for a year, becoming CSR2007. This was achieved by holding Government departments to the allocations for 2007/08 which had already been announced as part of SR2004.

7.7 CSR2007 was designed to :

- take a zero-based approach to assessing the effectiveness of Departments' existing spending in delivering the outputs to which they are committed
- examine the long-term trends and challenges that will shape the next decade and assess how public services will need to respond

- look at how the public expenditure framework can best embed and extend ongoing efficiency improvements and support long-term investments needed to meet these challenges.

7.8 In seeking to meet the long-term challenges faced by the country, the Government was seeking to achieve innovative policy responses, co-ordination of activity across departmental boundaries and sustained investment in key areas.

7.9 The CSR was informed by the analysis and conclusions of a series of detailed reviews on specific cross-cutting issues. These included :

- Children and Young People Review
- Eddington Transport Study - reviewing the long-term impact of transport decisions on economic productivity, stability and growth
- Barker Review of Land Use Planning – looking at how planning policy can better deliver economic growth and prosperity alongside other sustainable development goals
- Review of the Economics of Climate Change (led by Sir Nicholas Stern) – examining the consequences of climate change in both developed and developing countries, and the specific implications for the UK
- Sir Michael Lyons' Inquiry – into the funding, role and function of local government
- Sub-national economic development and regeneration review

7.10 The outcome of CSR2007, covering the period 2008/09 to 2010/11, was announced in October 2007, along with the Pre-Budget Report.

7.11 The next Spending Review period is due to cover 2011/12 to 2013/14, inclusive. Spending assumptions for this period have been revised downward to 0.7% real terms growth (from 1.1%) as part of Budget 2009. However, the Budget remained silent on when the next Spending Review will actually take place, fuelling the view that it will be delayed as a result of the difficulties of forward assessment during the current economic conditions.

7.12 The timing of announcements of external funding were :-

Table 9 : Timing of Government Funding Announcements for 2008/09 to 2010/11

Fund	**Timing of Announcement**	
	Provisional	**Final**
General Fund	6 December 2007	24 January 2008
Housing Revenue Account *(2009/10 only)*	30 October 2008	18 December 2008

7.13 As in previous years a key factor will be the timing of the announcement of 2010/11 HRA Subsidy and final confirmation of the provisional figures for Formula Grant compared to key meeting and publication dates within the Council's timetable. In most years this has resulted in the need to produce updates for reports.

7.14 Briefing papers will be prepared on the levels of support, and the implications for the Council's financial planning, once announcements are received. It is hoped that this information will be available in time for the publication of the Executive's budget and service plan proposals.

Formula Grant Distribution

7.15 The current system for the distribution of Formula Grant is based on an assessment of the relative needs of authorities, an assessment of their relative resources, a central allocation and a floor damping scheme.

7.16 The Final Settlement figures for 2009/10 were published on 21January 2009 and made no changes in the Council's formula grant entitlement, for either 2009/10 or 2010/11 from those previously indicated in January 2008.

7.17 The announcement confirmed:

- Increases in Aggregate External Finance (AEF) of 4.2% for 2009/10 and 4.4% for 2010/11.
- Increases in Formula Grant (Revenue Support Grant plus share of National Non-Domestic rate Pool) of 2.8% for 2009/10 and 2.6% for 2010/11.

7.18 However, Shire District authorities fared particularly poorly from the Settlement with overall increases (on a like-for-like basis) of just 1.4% for each of the final two years of the Settlement period.

7.19 For the City Council the direct financial implications of the Settlement, in terms of external financial support, were :

Table 10 : General Fund : Total Formula Grant 2008/09 to 2010/11

<table>
<tr><th></th><th>2008/09
Final
(£ 's)</th><th>2009/10
Final
(£ 's)</th><th>2010/11
Provisional
(£ 's)</th></tr>
<tr><td>Share of National NNDR Pool</td><td>10,810,065</td><td rowspan="2">11,978,470</td><td rowspan="2">11,996,606</td></tr>
<tr><td>Revenue Support Grant - Basic</td><td>1,151,323</td></tr>
<tr><td>- Floor adj.</td><td>353,526</td><td>398,019</td><td>441,765</td></tr>
<tr><td>Total External Support (TES)</td><td>12,314,914</td><td>12,376,489</td><td>12,438,371</td></tr>
<tr><td>Change on previous year (cash basis) - £'s</td><td>193,135</td><td>61,575</td><td>61,882</td></tr>
<tr><td>- %'age</td><td>1.59%</td><td>0.50%</td><td>0.50%</td></tr>
</table>

7.20 An important element of the grant settlement continues to be the Floor damping arrangements and the level of Floor adjustment grant which is included. This is the amount of additional grant which is payable in order to bring the Council's overall level of entitlement up to the minimum level of year-on-year increase.

7.21 The settlement announcement included the continuation of Floor damping arrangements for 2009/10 and 2010/11, ensuring that shire district authorities would receive a minimum increase of 0.5% in each of these years (on a like-for like basis).

7.22 However, the floor adjustment element of the Council's formula grant represents the level of risk to the Council in future Settlements, as this mechanism for damping the effects of reduction in grant entitlement, as a result of changes to the distribution formulae or data, could be phased-out or withdrawn in future settlements.

Floor Adjustment Grant

7.23 The following table illustrates the levels of Floor adjustment grant which the Council has received since 2003/04 when its entitlement was significantly reduced as a result of the fall in population determined through Census 2001.

Table 11 : Grant Protection from the 'Floor'

Financial Year	Total External Support (£'s)	Increase at 'Floor' *[c.f. Prior Year Adjusted]* (%)	Level of Protection through 'Floors' included in FG (£'s)	Protection as a percentage of Formula Grant (%)
2003/04	11,217,610	3.0%	1,950,309	17.39%
2004/05	10,725,430	3.0%	1,807,310	16.85%
2005/06	11,026,479	2.5%	1,304,364	11.83%
2006/07	11,840,035	3.0%	387,138	3.27%
2007/08	12,121,779	2.7%	262,019	2.16%
2008/09	12,314,914	1.0%	353,526	2.87%
2009/10 (*)	12,376,489	0.5%	398,019	3.22%
2010/11 (*)	12,438,371	0.5%	441,765	3.55%

7.24 The level of Floor protection reduced significantly from the sum of £1.95m in 2003/04 down to £262,019 in 2007/08. However, from 2008/09 onward the level has risen each year representing increased risk to the Council.

7.25 The Settlement announcement of Floors for Shire Districts of just 0.5% for 2009/10 and 2010/11 respectively, represented a level of increase in grant significantly below the projected levels of inflation.

7.26 For forward planning purposes, the September 2008 MTS was based on an assumption of a 0.5% floor continuing.

7.27 As illustrated in the table above, the amount of protection and the proportion of total grant represented by the Floor adjustment grant is increasing year-on-year. This is particularly significant in the context of the sub-regional growth agenda, in that until the Council's entitlement moves above floor level, increases in population (or inclusion of other 'positive' data changes) will not result in a direct cash increase in grant, merely serving to reduce the gap to the Floor.

7.28 Although the level of Floor protection up to 2010/11 is relatively limited (at just 3.55% of Formula Grant, this could be far higher if the Council were (again) to suffer a reduction in the population figures used to determine grant entitlement.

7.29 Estimates, presented in Section 5, demonstrate the divergence between ONS and County Council Research Group estimates of resident population for the City and the accuracy of estimates used by Government for future grant settlement purposes continues to pose a risk to the Council in terms of financial planning.

7.30 The Government has recently restated its intention is to update data only at the beginning of each 3-year Settlement period and, whilst this provides greater forward certainty, it could also result in significant time-lags where there are unforeseen changes in data and/or delays in updating to more accurate data. This is also a particular issue in the context of the growth agenda.

7.31 These issues are covered as part of the risk assessment work undertaken in association with the MTS and budget, and developments in this area are being closely monitored.

Specific Service Changes

7.32 Although the Government does not specifically identify amounts which have been added to (or removed from) an individual authority's Formula Grant entitlement as a result of changes in service responsibilities, it is possible to make an estimate of the effects from analysis of the component elements of the TES calculation.

7.33 This approach has previously been undertaken to identify additional funding relating to new requirements, such as the introduction of the national concessionary fares scheme with effect from April 2006. In such cases, the Council has, in the first instance, taken the approach of earmarking such funding for the relevant service.

7.34 More recently, however, the Government has favoured the award of specific grants in relation to new or enhanced services rather than incorporating funding within formula grant. This approach has, in part at least, been dictated following the move to multi-year settlements.

Specific Grants

7.35 The City Council has been notified or is anticipating that it will receive the following specific grants in the period 2009/10 to 2011/12 :

Table 12 : Specific Grants 2009/10 to 2011/12

Specific Grants / Area Based Grants	**2009/10 (£'s)**	**2010/11 (£'s)**	**2011/12 (£'s)**
Preventing Violent Extremism (PVE) Grant	0	131,000 (provisional)	tba
Migrants Impact Fund (County-wide allocation)	578,207	472,106 (provisional)	0
National Concessionary Fares Special Grant	660,430	678,669 (provisional)	tba
Climate Change Planning Policy	22,500	22,500 (provisional)	tba
Housing and Planning Delivery Grant (HPDG) - Planning Element - Housing Element Total HPDG	tba	tba	?
Housing Growth Fund – Cambridge Green Necklace Project/s	226,350 (provisional)	25,150 (provisional)	tba
Housing & Council Tax Benefit Administration	790,669	752,680 (estimate)	tba
Housing Benefits – Local Housing Allowance (balance of 2007/08 implementation grant)	41,184	0	0
Housing & Council Tax Benefit – Employment & Support Allowance	17,012	0	0
Additional Housing & Council Tax Benefit Administration – to fund additional staffing resources required in light of the economic climate	112,250	tba	0
Repossession Prevention Funding - one off grant to support prevention of housing repossessions and evictions	38,000	0	0
Homelessness Revenue Grant	401,050	400,000	tba
Homes & Communities Agency	0	295,000	0

7.36 The provisional PVE grant is to be used to carry out work with those communities who are most at risk from developing extremist views. Officers will be working with partners and Go-East to develop proposals with communities that will take the work forward.

7.37 Following a joint submission which comprised a package of projects by Cambridgeshire Together and the 5 District LSPs, £1.05m of Migrants Impact Fund (MIF) grant has been awarded to Cambridgeshire. £472,106 of this fund is for 2010/11 and is provisional. This award is 30% of the total MIF grant available for the Eastern Region.

7.38 The award relates to 7 projects, some of which the projects are specific to Fenland where there is a high migrant population. The City will benefit jointly from others. The City Council led one of the successful project proposals that aims to reduce overcrowding, exploitation and health and safety issues in Private Rented Accommodation. This project has been awarded £75,000 in 2009/10 and £65,000 (provisional) in 2010/11. The focus for the project will be disseminating advice to private sector landlords with Homes in Multiple Occupation (HMOs) in Cambridge City, South Cambs, East Cambs and Fenland.

7.39 We anticipate that the County Council will administer the grant but at the time of writing this we were awaiting details from Go-East.

7.40 The main Concessionary Fares grant allocation is a specific grant from the Department for Transport, intended (and claimed by Government) to meet the additional costs of the England-wide scheme which came into operation on 1 April 2008. The national scheme guarantees free off-peak travel anywhere in England for people aged 60 and over and eligible disabled people who are resident in England.

7.41 Under the scheme, the costs of concessionary travel are charged to the local authority in which a journey starts. Government support for the costs of the previous scheme is contained within Formula Grant. Section 8 details the significant shortfall in funding for the new scheme costs and the resultant overall cost to City taxpayers of concessionary fares, which now represents over 23% of the total amount raised through Council Tax.

7.42 The provisional HPDG allocations for 2009/10 have not yet been announced. Last year they were announced on 16 July 2008, with the City receiving £1,003,721 – in the top 10 highest amounts across the country. There now remains only one more year of HPDG committed by Government (2010/2011) and as yet there is no indication of how or if it will be replaced beyond that year.

7.43 The Housing Growth Fund (Cambridge Green Necklace Projects) grant is for the implementation of revenue and/or capital schemes for the protection and creation of biodiversity habitats in the Southern Fringe growth area.

7.44 The funding shown in the above table was allocated by Horizons for years 2 and 3 of works at Byrons Pool. Following the Government's proposal to reduce the Housing Growth Fund capital allocation by almost £7 million, these allocations will need to be reassessed to ensure that spending over the two-year period is focussed on the highest priorities. The Horizons Board will be reviewing the allocation of funding at their meeting on 24 September 2009.

7.45 Local Housing Allowance (LHA) is central to the Government's reform of Housing Benefit and is intended to provide for a more transparent system by basing payments on a flat rate of rental charge, which takes into account household size and composition as well as the area in which the claimant resides.

7.46 The LHA was implemented from April 2008 and a specific grant of £107,831, was received in 2007/08 to support its implementation. This was a one-off grant but the unspent balance has been carried over into 2009/10 to support continuing training, etc.

7.47 As in previous years, these specific grants, although not all formally required to be ring-fenced, have been earmarked to fund the costs of and development of the associated services.

Future Grant Prospects

7.48 There has been little detailed information about prospects for Formula Grant, with the delays to the national Spending Review work. The general view is that there will be significant pressure on the public sector, irrespective of the result of the forthcoming General Election.

7.49 Projections vary significantly as to the level of impact on actual grant levels, but the expectation is of material reductions. Given that areas such as health and education are likely to be given the greatest protection it is likely that District Councils will be amongst the hardest hit. Removal of the Floor protection in 2010/11 would involve £442k or a 3.6% reduction. A 10% overall reduction would mean a £1.244m fall in grant.

7.50 Consultation on proposed changes to the administration of the national Concessionary Fares scheme is ongoing, and there is still no clarity on the funding implications. The Council, along with other like-affected authorities, is continuing to press for assurance that the ongoing scheme will not have any revenue cost to the authority. If this is achieved we could 'save' the current residual cost of around £1.5m. Changes are most likely to come with the new Spending Review from 2011/12, although we continue to press for some redress of funding pressures for 2010/11, and are seeking to renegotiate the reimbursement rate with the operators.

7.51 The current MTS projections are based on the assumption that the net effect on the level of Government Grant received will be broadly neutral. This assumption will need to be reviewed as better information becomes available, but should be on the downside of likely outcomes.

Capping

7.52 The Government has powers to cap excessive council tax increases and has taken capping action against 35 authorities since 2004/05. This includes 2 authorities in respect of their 2009/10 budgets. The capping principles applied for 2009/10 were that authorities' requirements were excessive if they set:

- firstly, a budget requirement increase of more than 4%
- and also a Band D Council Tax increase of more than 5%

7.53 Derbyshire Police Authority has been required to set a lower Council Tax for 2009/10, resulting in a requirement for re-billing. Action is also being taken against Derbyshire Police Authority to restrict its scope for Council Tax increases in future years.

7.54 The Settlement statement included the explicit expectation that the average Council Tax increases in England would be substantially below 5% and reiterated the commitment of earlier years "We will not to hesitate to use capping powers as necessary to protect council tax payers from excessive increases".

7.55 The current grant methodology introduced 'Alternative Notional Amounts' which are designed to provide a means to achieve like-for-like comparisons between budget requirements in each year. This is one of the factors to be considered by the Government in determining whether to exercise its capping powers.

7.56 In light of the impact of the economic downturn, and the fall in the average level of Council Tax increase in 2009/10, it is very difficult to predict what level of increase Government may determine to be excessive for 2010/11.

Council Tax Assumptions

7.57 Under the previous formula grant distribution process, the use of an Assumed National Council Tax (ANCT) factor, by type of authority, was used as the basis for setting the target level for the increase in the actual Council Tax within the City.

7.58 The current grant distribution methodology removed this factor, and instead includes a Relative Resource Amount (RRA), designed to reflect the relative differences in the amount of local income which individual councils have the ability to raise. This is then used to reduce the council's grant entitlement.

7.59 This assessment is based on each council's taxbase, which is then used to establish a minimum potential level of local income nationally. Negative RRAs are then calculated from positions above the minimum, relative to taxbase per head of population. The RRA is applied to councils in groups, depending on the services that they provide.

7.60 The change between the 2009/10 RRA and provisional RRA for 2010/11 for the City Council shows an increase of 4.02%.

Local Authority Business Growth Incentive Scheme (LABGI)

7.61 On 15 July 2009, the Government announced proposed funding and provisional allocations for the reformed Local Authority Business Growth Incentive Scheme 2.

7.62 Following a consultation last autumn, the revised LABGI scheme will mean that councils who, working with sub-regional partners, achieve business growth in their area, will qualify for a share of the reward fund. No funding was allocated for the 2008-09 financial year.

7.63 The reformed scheme will distribute £100m amongst local authorities (£50m for each of 2009/10 and 2010/11), as opposed to the £150m proposed in the Comprehensive Spending Review 2007.

7.64 LABGI will measure business growth through the business rates delivered by each sub-region on a rolling three-year basis. Grants will now be allocated to 55 sub-regions, then distributed to local authorities according to population size. In two tier areas rewards will be split equally between district and county councils.

7.65 The council has been included in the Greater Cambridgeshire sub-region which includes Cambridge, East Cambridgeshire, Fenland, Huntingdonshire and South Cambridgeshire. Cambridge City Council's funding from regional distribution for 2009/10, announced on 25 September 2009, is £80,328.

7.66 During the 2005/06 to 2007/08 timespan of the original scheme, Cambridge City Council received £4.1m out of the national £934m distribution.

7.67 As this funding was 'one-off' and non-ringfenced, the City Council used the funds to support capital spending relating to the Lion Yard and Guildhall schemes - reinvesting in business growth.

7.68 It is proposed that LABGI distributions continue to be used as a source of funding to support one-off or time-limited projects. As a result, it is recommended that the additional funding for 2009/10 is added to the provision for the Council's costs in respect of Phase 2 of works at Lion Yard (Capital Plan scheme SC221c).

National Non-Domestic Rates (NNDR)

7.69 These are based on rate poundages set on a national basis by the government. The Council collects the monies due as agents of the government and pays them into a National Pool. The sums actually received by the Council from this Pool are based on a redistribution of the total available nationally, allocated based on a per head of population calculation.

7.70 The amount received from the National Pool is included in the calculation of the Formula Grant.

7.71 Compared with the total of £83.7m to be collected by the Council from City businesses and paid into the pool in 2009/10, only £10.1m will be received back by the City Council - roughly 12%.

7.72 There is some scope for raising additional resources through Business Rates over and above the shares of NNDR distributed via Formula Grant. The Local Government Act 2003 included an initiative providing for a system of Business Improvement Districts (BIDS). Effectively this is a supplementary local rate based on the concept of Partnership Arrangements between local authorities and local businesses, which would allow the business rate to be varied either for the whole of the local authority's area or in specified areas.

7.73 Proposals for a BID scheme, which must specify the area to be covered, the amount to be raised, what it would be spent on and the partnership arrangements for implementing it, could be initiated by either the local authority or businesses. This would result in a 'contract' between the two partners for additional, or improved, services in return for the additional rate. This would be subject to voting in a referendum, requiring a majority of businesses to be in favour for the whole area to be required to pay. If a majority opposed the proposals no additional local rate would be levied.

7.74 The sort of issues which could form the basis for such arrangements include :

- Improving public spaces
- Reducing crime and the fear of crime
- Improving public transport
- Business support and job creation
- Increased community involvement.

7.75 BIDs could offer local businesses advantages in terms of control in addressing key issues of concern, subject to co-ordination with local authorities and other relevant agencies. BIDs were introduced with effect from 1 April 2005, but, to date, the Council has not been approached regarding any proposals.

Tax Increment Financing

7.76 Given the significant implications of the economic downturn for the Growth Agenda, the Council has been working with its partners to explore alternative funding routes which could be used to facilitate early progress on key developments.

7.77 Budget 2009 specifically highlighted the Government's wish to review innovative financing mechanisms to support local investment and growth. It specifically noted that they would explore the ability to borrow against the increased taxbase that might arise from improved infrastructure. As a result of this, the Department for Communities and Local Government (CLG) wrote to authorities seeking possible pilot projects in May 2009.

7.78 The concept of borrowing against future income streams began in the United States, but has recently been gaining support within the UK. It is, by its very nature, well-suited to situations such as those presented within the Growth Agenda.

7.79 A joint submission was made by the City, County Council and Cambridgeshire Horizons 0n 29 June 2009, based on a £25m project to deliver an integrated and sustainable transport solution within the Station Area of the City; and associated transport corridor. This is a scheme which offers speedy delivery, with low risk and relatively high returns.

7.80 This is being seen very much as a 'proof of concept' project, which could provide a funding route which would be used to progress other projects within the Growth Area.

HRA Rent Restructuring

7.81 In April 2009, an average rent increase of 6.59% was initially applied to the Council's Housing Stock. This was the eighth annual increase as part of the Government's rent restructuring programme, introduced in April 2002 to bring Local Authority and Registered Social Landlords (RSL's) rents for similar dwellings into line. The programme was originally anticipated to span a ten year period, with rents calculated based on property prices from January 1999.

7.82 A national review of the new system took place, with recommendations implemented from April 2006. This recognised the need for both Local Authority's and RSL's to adopt the same annual uplift factors to obtain convergence, and also updated fixed values for average local authority rents and property values within the formulae. This resulted in an increase in target rents for Local Authority housing stock with far fewer properties able to reach convergence by 2011/12.

7.83 Following government prescribed limits on average rents increases of 5%, for 2006/07 and 2007/08, April 2008 saw an extension of 5 years in the original 10-year convergence period, taking intended convergence to 2016/17. An average rent increase of 6.45% was applied.

7.84 Throughout these changes individual annual rent rises have continued to be limited to a figure of inflation plus half a percent plus £2 per week.

7.85 On Friday 6th March 2009, the Housing Minister Margaret Beckett announced new financial support to help Councils cut their 2009/10 planned rent increases for tenants in the current economic climate. This announcement was closely followed by the issue of both a Draft and Final Amending HRA Subsidy Determination, ensuring the necessary legislative changes to allow guideline rents for Local Authorities to be reduced retrospectively for 2009/10.

7.86 The Council opted to take advantage of this change in guideline rent, resulting in the ability to reduce the average rent increase for the housing stock to 3.26% for 2009/10, with tenants being compensated for this change back to 6th April 2009.

7.87 Based on the assumptions made in the HRA Subsidy Determination for 2009/10, intended convergence of target (formula) rents and actual rents is extended to 2023/24, with just 1% of the housing stock failing to reach target rent by this point. The subsequent reduction in rent levels for 2009/10 will result in fewer properties reaching target by the end of the current period.

7.88 Based upon the detail provided in the Draft and Final HRA Subsidy determination for 2009/10, the point of convergence will fluctuate to accommodate changes in the level of inflation. For MTS modelling purposes convergence is assumed to be in 2016/17, but this could well change by December 2009 when the HRA Subsidy Determination for 2010/11 is finalised.

Housing Revenue Account (HRA) Subsidy

7.89 The current Housing Subsidy system is the mechanism by which entitlement to Government support for Council-owned housing is assessed, based on calculations derived from a 'notional' Housing Revenue Account for each authority. This calculation is based on a number of key rules and assumptions about a standard level of service and the associated need to spend. The future of this system is under review currently, but for financial modelling purposes, continuation of the existing system has been assumed.

7.90 Components of the existing system include the Major Repairs Allowance (MRA), which is used to fund increased major repairs and improvements to the housing stock, Management Allowance and Maintenance Allowance, which are the notional need to spend on managing and maintaining our housing stock on an annual basis. The formula for allocating allowances between authorities was reviewed in 2003/04, and there has been a gradual move between the actual and target allowances paid since this point in time. Details of these allowances are shown in the table below.

7.91 Another key element of the subsidy calculation is the Government's assumptions on rent increases, and resulting rental income, which are based on achieving target rents in all HRA dwellings over a fluctuating period of years.

7.92 High notional rent levels, compared with a lower notional need to spend on our housing stock, results in a negative entitlement to HRA Subsidy for Cambridge City Council.

7.93 Projections for the level of HRA subsidy are shown in the table below, with the Housing and MRA elements shown, as well as the net amount payable to the CLG as negative HRA Subsidy. The debt redemption premium charged to the HRA is also recovered via the housing subsidy system. Assumptions in HRA Subsidy are made based upon continuation of the existing HRA Subsidy system, which is of course subject to major review, as explained in the following section of the MTS.

Table 13 : HRA Subsidy Projection (Current System) - 2009/10 to 2013/14

Factor	**HRA Subsidy (£ 000's)**				
	2009/10	**2010/11**	**2011/12**	**2012/13**	**2013/14**
Management & Maintenance Allowances	(11,279)	(11,269)	(11,451)	(11,794)	(12,044)
Charges for Capital	(797)	(799)	(599)	(556)	(257)
MRA	(5,048)	(5,063)	(5,131)	(5,271)	(5,368)
Other	5	1	1	1	0
Guideline Rent	28,284	28,649	30,064	32,156	34,057
Net Subsidy [payable to Government]	11,165	11,519	12,884	14,536	16,388

7.94 The level of subsidy payable for 2009/10 has been amended to reflect the impact of the CLG changes to guideline rents, which enabled the rent increase for tenants locally, for 2009/10, to be lowered from 6.59% to 3.26% on average. The level of rental income anticipated for the year has also been amended to reflect passing on this rent reduction to tenants.

Housing Revenue Account (HRA) Review of Council House Finance

7.95 In December 2007 the Housing Minister announced a wide-ranging and comprehensive review of the National Housing Revenue Account Subsidy System. The reasons for the review include;

- The Decent Homes Programme is coming to an end.
- The HRA subsidy system has become increasingly complicated and difficult to understand.
- The system has also become increasingly difficult to justify with local authorities like the City Council contributing huge sums each year from their HRA's to the national HRA (approx £11m in 2009/10).
- Nationally, the HRA Fund is moving into surplus.

7.96 The review has culminated in a Consultation Paper entitled Reform of Council House Finance with responses requested by 27 October 2009. Prior to 2007 the City Council participated in a pilot project to test the replacement of the current HRA subsidy system with a system that is more 'self-financing', devolving greater control from central to local government. The City Council is therefore well placed to respond to the current Consultation document.

7.97 In addition to the work undertaken by six pilot authorities in relation to 'self-financing' for the HRA, the CLG commissioned work to review the HRA ring fence, to assess the costs and standards in respect of managing and maintaining Council Housing, to investigate the options surrounding redistribution of debt and to consider the treatment of the future use of capital receipts.

7.98 The intention of the review is to provide a system which facilitates longer term financial planning at a local level, with authorities being able to business plan effectively, whilst ensuring that council house rents are re-invested in council housing in the locality.

7.99 The Consultation Paper indicates clearly that the Government would wish to abolish the HRA subsidy system and move to a ‘self-financing’ model, which sees local authorities retain all future rental streams in return for a one-off cost relating to the redistribution of the total national HRA debt.

7.100 It is also proposed that future surpluses in respect of the local HRA could be used to help finance the building of new council house stock, thus replacing some of the stock lost to the right to buy process over a number of years.

7.101 The key findings of the review to-date are;

- The allowances used in the current system in respect of the cost of housing management; housing maintenance; and major repairs are unrealistically low.
- The definitions of what are HRA costs and what are General Fund costs need clarifying.

7.102 The Review and subsequent Consultation Paper also raise a number of technical questions around the funding of lifts and communal areas and a proposal to establish sinking funds in respect of leasehold properties for example. However, the key question is whether it is reasonable for local authorities to take on a proportion of the national HRA debt and if so, what assumptions will be made about the 30 year ‘self-financing’ HRA Business Plan to assess the allocation of the debt.

7.103 Although the final outcome of the review is unclear at this stage, it is anticipated that the current HRA system will be replaced, either through negotiation or as a result of changes in primary legislation. If the latter is required, the earliest any new system will be implemented is likely to be 2012/13.

7.104 For 2010/11 assumptions are made in respect of the financial planning for the Housing Revenue Account in line with continuation of the existing HRA Subsidy system, while the final outcome of the review of Council Housing Finance is awaited.

Housing Revenue Account (HRA) New Build

7.105 In April 2009 the government announced £100 million of funding for local authorities to build 900 new council homes, providing a mix of £50 million grant funding and £50 million of loans made available through prudential borrowing.

7.106 In an announcement in June 2009, the level of funding was increased to £350 million, which included a fourfold increase in the number of new council homes anticipated to be delivered.

7.107 The funding will be administered by the Homes and Communities Agency, with two deadlines for submission of funding bids of 31st July and 31st October 2009.

7.108 New council homes delivered via this funding need to meet enhanced levels of energy efficiency and need to be fully delivered by March 2011.

7.109 As part of the funding announcement, it was confirmed that local authorities were in a position to build new council housing outside of the existing subsidy system, retaining all rental income to fund management and maintenance costs, major repairs and the costs of any borrowing required. It was also confirmed that any future capital receipts in the event of sale of these units under the right to buy system would be fully retained by the local authority allowing reinvestment.

7.110 Following Committee consideration and Executive Councillor approval the City Council submitted a bid for funding for eight new homes, with success in respect of seven of these. The new build programme will be financed using a mix of grant funding, existing capital resources and prudential borrowing.

8. Revenue Spending Pressures and Opportunities

8.1 This section deals with the known significant pressures on revenue spending which each of the Funds face from 2010/11. Where known and unavoidable factors are identified they have been built into the revenue projections in Section 9, and are summarised in Appendix J.

8.2 This section also highlights bids which have come forward from Executive Councillors / Scrutiny Committees during the last cycle, together with actions taken under urgency powers since that cycle.

8.3 In addition, a list of remaining material areas of uncertainty is included in Appendix K. This highlights factors which could potentially impact on revenue spending but which are effectively unquantifiable at this stage. These should be taken into account when setting the cash limit targets, and in particular, the level of reserves to be maintained.

GENERAL (APPLYING TO MORE THAN ONE FUND)

Employers Pension Fund Contributions

8.4 The City Council is part of the Cambridgeshire Pensions Fund, which is administered by the County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary.

8.5 The most recent triennial revaluation of the Fund was based on the position as at 31 March 2007, the results of which were formally published on 31 March 2008.

8.6 The valuation found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date. The funding level was 86.4% (compared to 79.4% at 31 March 2004) and there was a shortfall of £219m.

8.7 Contribution rates are calculated on an individual basis for each participating employer. For the City Council element of the Fund, the funding level was assessed at 85.5% (compared with 79.5% in 2004). The Fund actuary is aiming for this deficit to be recovered over a 20 year period, giving a target contribution rate for the City Council (for this three-year valuation period) of 18.6%. This consists of:

- a 14.1% future service rate which should cover the liabilities scheme members build up in the future, plus
- a 4.4% past service deficit contribution to cover the shortfall in the fund.

8.8 The resulting contribution rates for the Council, compared with those of the 2004 Fund valuation are shown in the table below, together with the financial implications for both the General Fund and Housing Revenue Account. As can be seen, although still facing significant year on year increases in employer contributions, the 2007 valuation contribution rates are slightly lower than those anticipated in the 2004 valuation.

8.9 The table also highlights the initial provision that was included as part of the February 2009 Budget-Setting Report against the outcome of the 2010 valuation. At this time, and in the context of the significant economic downturn, it was decided to include a provision of an increase of 0.75% in the employers contribution rate for each of the final 2 years of the 5-year forecast period in order to reflect the impact that significantly reduced external investment income would have on the value of the Fund's assets.

Table 14 : Employers Pension Fund Contribution Rates

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
2004 Valuation Rates	16.5%	18.3%	20.2%			
2007 Valuation Rates	15.9%	17.2%	18.6%	18.6%	18.6%	18.6%
Provision for 2010 Valuation				19.35%	20.10%	20.10%
Increase / (Decrease)	(0.6%)	(1.1%)	(1.6%)	0.75%	1.50%	1.50%
Budget Impact (in year)						
	(£'s)	**(£'s)**	**(£'s)**	**(£'s)**	**(£'s)**	**(£'s)**
- GF	(146,580)	(268,730)	(390,880)	164,250	328,500	328,500
- HRA	(46,380)	(85,030)	(123,680)	63,820	127,640	127,640
Total	**(192,960)**	**(353,760)**	**(514,560)**	**228,070**	**456,140**	**456,140**

8.10 Since the Budget-Setting Report the pressures faced by the Fund from the economic downturn have not improved. In addition, a consultation paper has been issued regarding possible changes to the Local Government Pension Scheme entitled 'LGPS delivering affordability, viability and fairness'. Whilst it is not clear what the outcome of this will be, at this stage, it could have significant implications in terms of the costs borne by the employers. The closing date for the consultation is 30 September 2009, though the timescales beyond that are still not clear.

8.11 Whilst there has still been no detailed advice from the Fund's actuary on the prospects for the 2010 valuation it is deemed prudent at this stage to include the extension of the provision of a 0.75% increase in the contribution rate each year for a period of 6 years. This reflects the period over which the increase was spread in the last valuation.

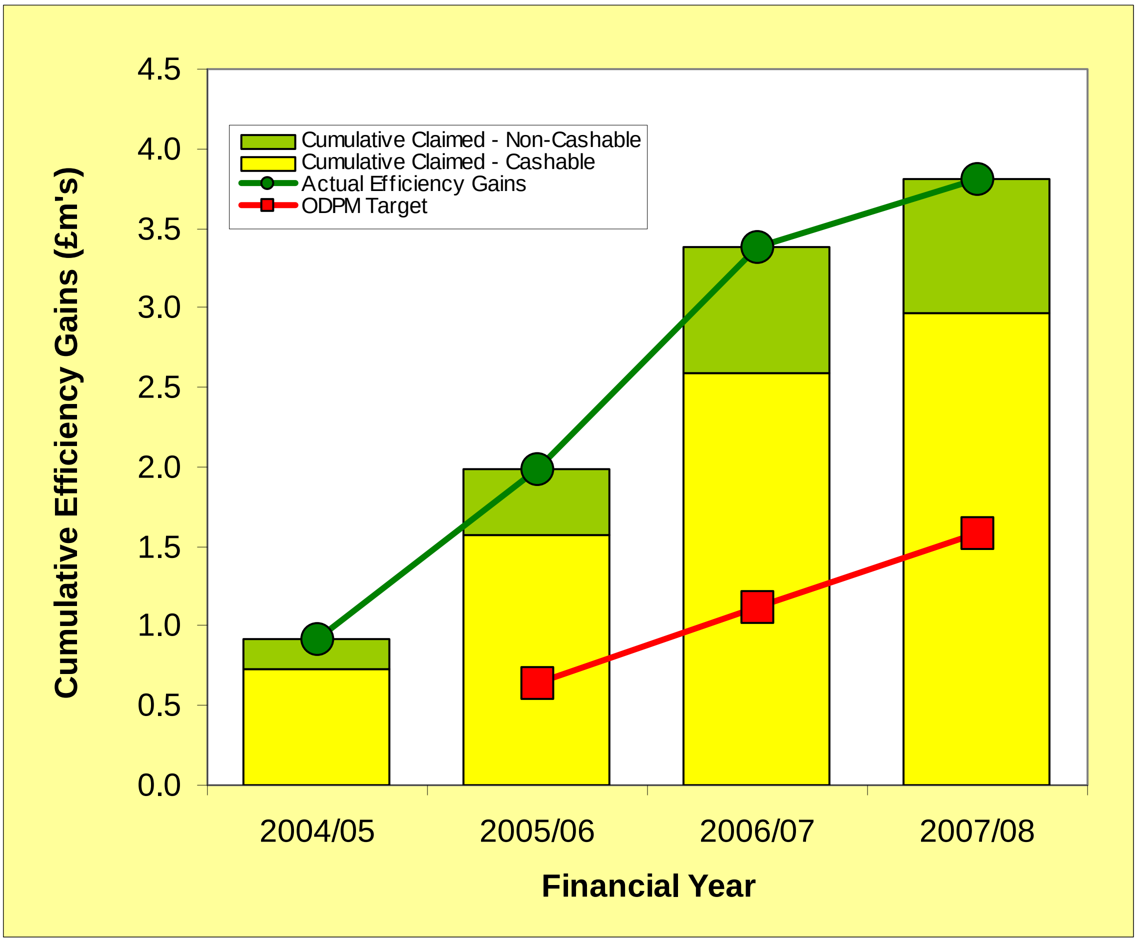
8.12 The result of this will be an increase in the rate of 4.5% by 2016/17, resulting in a total pressure of £985,500 on the General Fund and £382,920 on the HRA. These costs have been built into the projections in this document.

8.13 Since April 2005, the Council has also been required to make a capitalised payment to cover the effect on the Fund of any early retirements. The effect is calculated and reported to Members at the point that the decision is made, and is paid to the Fund over a 5-year period. This reflects accepted best practice, and serves to provide clear focus on the financial implications of early retirement decisions.

Efficiency and Value for Money (VfM)

8.14 The Council has, for many years, sought to identify efficiency opportunities as being the most effective means to free-up resources to enable the provision of new or enhanced services. The Council would expect to continue to strive to identify all such opportunities as part of its annual budget and review processes. Cambridge City Council achieved cumulative cashable and non-cashable savings of £3.8m against a target of £1.6m during the period of SR2004 to March 2008.

Figure 9 : Annual Efficiency Gains – Performance Against DCLG Targets



8.15 National Indicator (NI) 179 Value for Money Gains has replaced Gershon efficiency statements as the measure of annual savings. The new indicator is reported twice annually, a forecast in October and actuals in July.

8.16 The amount submitted as new, ongoing 2008/09 cash savings is £463,149, which after adding the surplus cashable savings from Gershon of £1,343,543 after inflation, gave a total savings submission for 2008/09 of £1,806,692. The target for 2008-2011 at 3% [compound] plus 1%[2] is £4.4m. Our cash target for the next two years is therefore £2.6m.

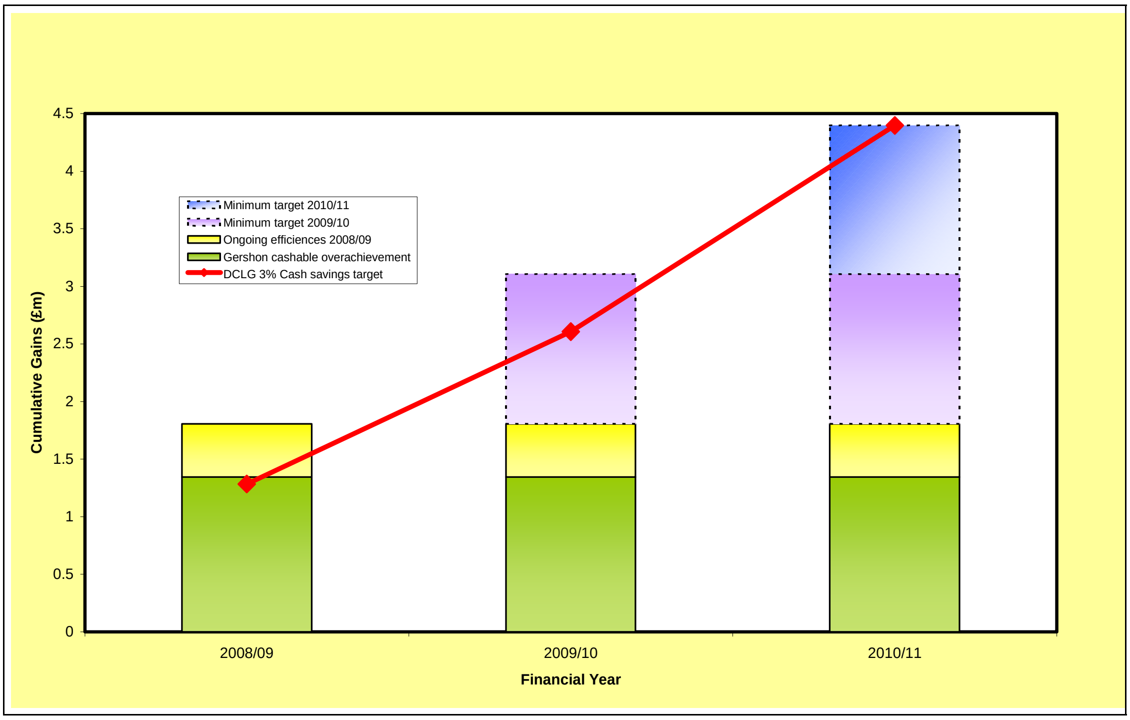
[2] A further 1% cash target for 2010/11 was added by the Chancellor in the Budget 2009

8.17 The savings target is based on our 'baseline' expenditure as calculated by DCLG from our Revenue and Capital Returns. The current baseline expenditure is £42,803,000.

8.18 The targets for NI179 are more onerous than Gershon in that we must make 3% cash savings per annum over 3 years (now 9.3% compound plus 1.0%). Each savings initiative has to have an impact in three successive years to be considered as having a 'Value for Money cash releasing impact'. One off savings do not contribute at all to this indicator, the thrust of the programme is to encourage transformation.

8.19 Regional Improvement & Efficiency Partnerships (formed from the merger of Regional Centres of Excellence and Improvement Partnerships) will assist councils looking to draw on their broad knowledge of efficiency and improvement. The RIEPs will also promote partnerships and projects in their regions to identify new opportunities for efficiency and good practice for delivering them. The DCLG has provided an extra £5.9m to our region's RIEP, Improvement East, to help realise further efficiency gains.

Figure 10 : NI179 Annual Efficiency Gains – Targets and Performance



Customer Access Strategy

8.20 The implementation of the Customer Access Strategy, is resulting in radical changes to the way the Council delivers its customer facing services, providing more joined up services for council customers, more efficiently. It has involved the creation of a corporate customer service centre dealing with reception visits and telephone calls services for services across the council.

8.21 Funding for the set-up costs of this project was approved on the basis of a long-term payback model. It also provides the basis for helping to achieve other efficiencies in the Council's "back office" operation.

8.22 The initial costs of the change are being met from the use of reserves (based on appropriate shares from the GF and HRA), and this will be paid back from savings made under the new arrangements. The project costings also allow for the repayment of external interest receipts lost as a result of the temporary use of reserves, in order to fully reflect the cost of funding the project in this way and ensure no long-term detriment to either Fund.

8.23 Once the initial investment has been repaid (currently estimated to be in the seventh year of operation) the project will realise significant savings for both the GF and HRA, and these have been incorporated in budget projections for the relevant years.

8.24 Since the original approval of the scheme in July 2006, work on the implementation has progressed well and in April 2008 the Customer Service Centre opened. It is now providing telephone, reception and advice services for a wide range of services including City Services, Revenues and Benefits, Housing advice, Choice Based Lettings, cashier services and access to on-line services. The final tranches of services should be operating from the new Customer Services Centre by December 2009.

8.25 The re-phasing of both capital and revenue implementation budgets has been approved, as required, as part of previous years Medium Term Strategy documents and year-end outturn reporting.

Electronic Document and Records Management (EDRM)

8.26 In conjunction with the implementation of the Customer Access Strategy, the Council is also implementing an EDRM system to support the Customer Service Centre and its Customer Relationship Management (CRM) – without Document Image Processing (DIP), the depth of service into the back office would be compromised and it is unlikely that the target of 80% of contacts dealt with on first contact would be met.

8.27 Additional benefits accruing as a result of implementation of the EDRM system include:

- Reduction in time spent filing and searching for information
- Improved cross-working between departments, through the ability to share and retrieve information in electronic form
- Space savings due to paper file reduction
- Improved disaster recovery
- Speedier compliance with Data Protection and Freedom of Information legislation and other legal obligations
- Enabling remote and mobile working by giving mobile, flexible and home workers access to the information they need

8.28 The implementation is on a corporate basis so as to enhance the customer service provision and to ensure that efficiencies are maximised in all processes in both the front and back offices.

8.29 The system is now in live use for its first users, and work to complete the remainder of the programme continues.

Information Technology Strategy

8.30 The major work over the coming year will be completion of the EDRMS and Customer Access roll-outs, both of which are already funded. The Council is mid way through a piece of work to implement pilot flexible working for staff and this is due to complete in 2009/10.

8.31 Towards the end of 2009/10 we will investigate options for Office 2000 upgrades, together with GroupWise and Netware. This is likely to lead to either an upgrade to a later version of Office or a move to an open source solution in 2010. Provision is made in Corporate Software R&R and PR20 ICT Infrastructure for potential upgrades.

8.32 The ICT facilities management contract currently held by Serco expires in 2011, unless extended. The impact on contract costs from any retendering exercise will obviously depend on the scope of what is tendered, and the market conditions at the time. Options will be reviewed in early 2010.

Procurement

8.33 Once again the Service has been heavily committed to major projects involving departments across the Council and, in many cases, neighbouring authorities. Recent initiatives have included contracts for the provision of:

- Legal Services (the establishment of 5 specialist panels) to deliver services as required over a period of 5 years. The contract has been let in such a way as to permit use by any of the authorities within the Region;
- Services to inspect and maintain gas installations in the Council's housing stock. This contract was undertaken in collaboration with South Cambridgeshire District Council and has resulted in cost efficiencies and enhanced services for tenants and leaseholders;
- Occupational health services, in collaboration with Cambridgeshire County Council;
- Bailiff services in collaboration with the County Council;
- Mobile Phone services resulting in cost savings and service enhancements
- Repair and refurbishment of Grafton Centre East Car Park

8.34 Projects coming up or underway include the ones for the provision of bulking up and Materials Recycling Facility services for the Council's new co-mingled collection (in collaboration with Fenland District Council and Huntingdonshire District Council); the purchase and installation of new cremators and mercury abatement equipment at the Crematorium; a contract for the provision of asbestos removal services (in collaboration with the County Council again); and a contract for the appointment of a panel of companies to undertake the design, supply and installation of play areas across the City.

8.35 An overview of the Council's major contracts, and their end dates, are shown in Appendix L. This indicates the points at which the opportunity arises to review the specification of the services and influence the resources required to provide them.

8.36 Increasingly our contracts are let in such a way as to make them available to other authorities in the regions, with the intention of reducing waste on unnecessary tendering processes and maximising the value from the market. Frequently this is as a result of collaboration. However, even where there is no opportunity for collaboration, our contracts aim to consolidate Council spend and engage the market in such a way that maximises value for money.

8.37 The service has contributed to the generation of significant cashable savings in a number of areas (for example gas maintenance services and mobile phone services) and will continue to identify procurement options for projects aimed at maximising the return from the market place and continuing the targeted use that we make of framework contracts offered by ESPO, the OGC and other procurement consortia as appropriate.

8.38 The programme of growth on the fringes of the City has generated a considerable volume of work for the Service – most particularly this year, the procurement implications of some of the requirements contained within S106 Agreements to be entered into with the developers of the main sites. Growth has also given us the opportunity to work closely with affected neighbouring authorities. The demand on procurement input for growth-related projects will continue over the foreseeable future and provide interesting opportunities for further innovative methods of working with fellow authorities and the examination of the potential for shared services where this is advantageous to the authority.

8.39 The appointment of an additional FTE in the service in January 09 (increasing the number from one FTE to two) has made a significant difference to the scale and breadth of services that can be offered. Work is now underway to implement a comprehensive but simple to use Procurement Toolkit and to provide a set of training courses around this to improve the procurement skills of the many officers undertaking this important function across the authority.

8.40 Other initiatives that will provide greater contract/spend data management are also now planned. These initiatives will enable more effective identification of the potential for corporate contracts and the timely renewal of recurring contracts.

8.41 2009 will also see the publication of a new Procurement Strategy and a refresh of the Contract Procedure Rules as part of the overall review of the Council's Constitution.

Growth – Revenue Costs of Implementation

8.42 The availability of revenue funding for projects and feasibility studies that support the delivery of growth is also becoming tighter. Bids to the county-wide HGF revenue account for a joint infrastructure study with South Cambridgeshire District Council and an analysis of the transport implications arising from the North West Cambridge retail study are due to be considered in September 2009. If this funding is not forthcoming, however, the Council may need to draw on its own resources (up to £135,000).

8.43 About a dozen Council officers directly involved in preparing for the delivery of growth (e.g. planners, urban designers and other specialists) are funded up until the end of 2010/11 by Cambridgeshire Horizons using government grant (c.£500,000 in 2009/10). Many of these posts (and some Council-funded ones as well) are based on fixed-term contracts that run until March 2011. It remains to be seen how much government grant will be available to Cambridgeshire Horizons from 2011/12 onwards and how much of this funding will be passed on to support growth-related jobs at the councils. At any rate, the City Council will need to consider its future levels of staffing to support the work on growth. Other staffing implications arising from the future provision of services to growth sites are addressed in Section 5.

8.44 The Council also needs to allow for the contingency that, if any planning appeals are made against proposed major developments, it could face substantial costs (possibly in the region of £200,000 per appeal) in upholding local planning policies. This is a 'live' issue as the developers of the Clay Farm and Glebe Farm sites (on the southern fringe) lodged an appeal in May 2009. Options for freeing up existing funding to meet the costs associated with the defence of the current appeal are being explored, but it is still possible that the Council may need to make a further call on its own resources.

Growth - Resource Implication Modelling

8.45 The Council has developed an approach to dealing with the costs associated with Growth which is based on identifying resultant cost items and the additional income that is generated by Growth, e,g, from additional Council Tax.

8.46 Bids for additional service requirements can then be considered in the context of the additional funding that is available, minimising any effect on other service provision.

8.47 As part of the MTS, a review of the Council's taxbase projections has been undertaken. This has been designed to identify the level of growth that is anticipated in excess of the standard level of 0.5% per annum, which has been assumed in the base model. The review has taken account of the significant slowdown in the housing market and anticipated reductions in new housing completions over the coming years.

8.48 This work has identified the following amounts of Council Tax yield which relate directly to the increase in projected properties. In line with the approach to resource modelling for Growth that was agreed as part of the July 2006 MTS, it is recommended that these sums are earmarked to fund growth-related costs.

8.49 A bid for funding for an additional Chamberlain refuse collection round was assessed as relating to growth and approved for funding from this source as part of the February 2009 Budget-Setting Report.

8.50 The balance of funding available is shown below.

Table 15 : Growth-related Council Tax Yield

	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)
Balance Available for Growth b/fwd	72,310	116,400	169,160	409,150	910,730
Additional Council Tax yield relating to Growth	111,640	192,760	379,990	641,580	881,620
less: Bid for Chamberlain round, X1888 (see Appendices E and Y)	(67,550)	(140,000)	(140,000)	(140,000)	(140,000)
Net available for Growth	**116,400**	**169,160**	**409,150**	**910,730**	**1,652,350**

8.51 Work is continuing, in conjunction with the Cambridge Urban Growth Group (CUGG), to produce updated projections of the anticipated growth in property numbers over the medium and longer-term.

Value For Money and Strategic Service Reviews

8.52 To ensure Council's provide value for money they are required to review their services where:

- There is a need to improve performance on a shared or local priority;
- Authorities are unclear whether a service is still needed or whether its contribution is as effective as it could be;
- There is a clear and proven case for a new service or a different way of providing an existing service;
- There is evidence that the costs of a service are significantly out of line with comparable services elsewhere;
- There is a clear opportunity to work with other authorities to deliver common services, through for example, new technology.

8.53 The Council remains committed to ensuring that services represent value for money to the citizens of Cambridge, and reviews provide one means of achieving this.

8.54 The corporate planning and decision-making cycle for 2008/09 (as shown in Appendix A) includes a process for Strategic Service Reviews.

8.55 These reviews are designed to cover requirements which cannot be met within the normal budget timetable, and can be undertaken using a range of methods; including independent consultant reviews, internal reviews, selective outsourcing, market testing, joint authority / peer reviews. The annual cycle highlights the key stages at which review outcomes fit into the wider annual cycle.

8.56 A number of potential 'triggers' have been identified which may indicate service areas to be considered for reviews. These include:

- Contracts Register - external contracts and internal 'agreements'
- End of agreed 'life' for Capital Programmes
- Performance Management
  - Service Plans
  - MTO PIs
  - Local / Service PIs
- Audit Report
  - Internal Audit
  - External Audit
- Inspection Report
  - Service inspection
  - CPA / VFM / UoR
- Public consultation outcomes
  - corporate
  - budget
  - service specific
- Budget process (prior year)
- New service, or those subject to significant change
- Risk Register
- Specific Request (Member or officer)

8.57 Over the last year the Council has undergone significant change with re-structuring to bring our customer facing services together within the Customer Service Centre. This process will be completed over the next few months, bringing further improvements to the service we provide to our customers together with on-going efficiency savings.

8.58 Cambridge is set to grow in population by around 40% by 2021 and the need to prioritise resources carefully to deliver the new housing and infrastructure and provide the services that these people will need is clearly recognised.

8.59 Whilst we need to plan for this population growth, it is clear that the next few years will see significant pressure on local government funding as central government seeks to reduce the unprecedented level of national borrowing that it built up to mitigate the effects of the recession.

8.60 In early 2008 Members agreed a 2-year programme of reviews with the stated aim of identifying significant on-going revenue savings for the Council. The service reviews carried out in 2008/09 generated significant savings. The programme of service reviews being carried out in 2009/10 is listed below.

Table 16 : Strategic Service Reviews

<table>
<tr><th colspan="2">Service Reviews 2009/10</th></tr>
<tr><td colspan="2">Human Resources</td></tr>
<tr><td colspan="2">Procurement – areas where services / goods could be procured more efficiently</td></tr>
<tr><td colspan="2">Property & Building Services</td></tr>
<tr><td>Further Review of Car Parks</td><td rowspan="3">These 3 reviews are being taken forward together</td></tr>
<tr><td>Further Review of CCTV</td></tr>
<tr><td>Shopmobility</td></tr>
<tr><td colspan="2">Exit Strategy for LAPE – review overheads to minimise impact. No savings expected.</td></tr>
<tr><td colspan="2">Equalities Work (across the Council) – Small saving anticipated from interpretation budget</td></tr>
<tr><td colspan="2">Marketing (across the Council)</td></tr>
<tr><td colspan="2">Legal Services (second phase) – assessment of future client demands on the service. No further savings expected.</td></tr>
<tr><td colspan="2">Review of Policy Advice (across the Council)</td></tr>
<tr><td colspan="2">Officer Structures for ‘Strategy/Operational’ splits</td></tr>
<tr><td colspan="2">Corn Exchange – Initial report went to Community Services Scrutiny in June</td></tr>
<tr><td colspan="2">Consultants Budgets (across the Council)</td></tr>
</table>

Note: A planned review of Internal Audit has been postponed until 2010/11 when the head of service returns from maternity leave.

8.61 At the time of preparation of this MTS most of the 2009/10 service reviews had not been completed. Progress to date indicates that minimum net on-going savings of £197,000 will be found from 2010/11. Although some more savings are anticipated as the reviews are concluded later this year, it is clear that the service reviews alone will not generate the current savings requirement for 2010/11.

8.62 It should be noted that these figures are subject to the reporting, and approval, of final outcomes, but they will be considered as context for the level of savings requirements proposed in section 13. Final outcomes from the Reviews in the current year will be reported as part of the 2010/11 budget process, with specific reports to scrutiny committees as required.

8.63 Whilst the table above lists the areas for review which have already been identified for 2010/11, detailed work on the 2010/11 Budget may identify additional areas to be added to the programme.

8.64 Given the proposal in this MTS to undertake a programme of savings work in order to deliver a target over a 3-year period, the existing process for Service Reviews will provide a valuable vehicle for managing work which will take longer than one budget cycle to complete and implement.

Carbon Reduction and Climate Change

8.65 The policy framework for tackling the causes and consequences of climate change continues to grow in the United Kingdom with the Climate Change Act becoming law in November 2008. Local authorities are expected to play a leading role in implementing this policy framework which will have financial implications in a number of areas.

8.66 Three specific measures which will affect Cambridge City Council corporately are:

- the Carbon Reduction Commitment (CRC)

- the new national climate change indicators included within the Cambridgeshire Local Area Agreement, and

- the new Cambridge City Climate Change Strategy & Action Plan.

8.67 In September 2009 the Environment Agency will request information from organisations to confirm whether they will be required to participate in the Carbon Reduction Commitment (CRC). The first compliance year for participants begins in April 2010 with purchasing and trading of carbon allowances from April 2011. An initial assessment of electricity consumption for the financial year 2008-09 indicates that Cambridge City Council may fall below the 6,000 MWh threshold of half-hourly metered electricity required for participation, and the Property Team who manage the Council's energy supply will confirm this assessment.

8.68 Should the Council be required to participate in the CRC, initial estimates indicate that carbon allowances with a value of £77,880 would need to be bought in April 2011. This money would be recycled to participating organisations in October 2011 with an adjustment of up to +/-10% to reflect actual performance with respect to a league table. The Council may therefore gain or lose up to £7,788 depending on its carbon management performance relative to other participating organisations in the scheme.

8.69 The Cambridgeshire Local Area Agreement (LAA) covering the period 2008-11 includes several national indicators related to climate change, including the reduction of all carbon dioxide emissions from the local area (NI186) by 11% by March 2011 from a 2005 baseline, and improving measures to manage climate change risks to the local area (NI188). Councils in Cambridgeshire and other public sector organisations will aim to deliver these targets through the Cambridgeshire Environmental Sustainability Partnership, which is due to replace the Climate Change Partnership in autumn 2009.

8.70 The Cambridge Climate Change Strategy & Action Plan meets the commitment made by Cambridge City Council in signing the Nottingham Declaration on Climate Change in September 2006 as well as its Medium Term Objective to "Promote Cambridge as a sustainable city, in particular by reducing carbon dioxide emissions and the amount of waste going into landfill in the city and the sub-region". This strategy and action plan details how Cambridge City Council can take action to address the causes and consequences of climate change in the city, including fulfilling the Council's commitment to the aforementioned Cambridgeshire Environmental Sustainability Partnership.

8.71 To contribute to this programme of action on climate change, an appraisal of budget bids and savings will be completed to ensure their alignment with Council climate change objectives, and a Climate Change Fund has been established to support measures to reduce the carbon footprint and manage the climate change risks of the City Council, detailed in Section 9.

GENERAL FUND PRESSURES & OPPORTUNITIES

Priority Policies

8.72 The current Annual Statement outlines a number of areas of commitment to develop service delivery. At this stage detailed costings of all of the measures involved are not available to inform the process of setting cash limits for each spending committee. Therefore, in order to ensure that the cash limit process can continue to work effectively at portfolio and committee level the ‘Priority Policy Fund’ (PPF) approach will continue in 2010/11

8.73 The Council’s financial strategy in recent years has been to include an annual sum of £500k to provide funding for developments which can demonstrate significant contribution to the Medium Term Objectives.

8.74 This represents a balance between the benefits of flexibility to prioritise between all service areas through the PPF, and the need to keep a realistic level of savings target.

8.75 The Fund is administered by the Executive Councillor for Strategy who will consider the applications and deal with prioritisation using the new Medium Term Objectives as a remit. It will also be important to maintain an overview to ensure that bids represent a higher priority for the Council than any reductions made within committees as part of the savings process.

8.76 As part of the measures to meet the pressures of the economic downturn in the February 2009 Budget-Setting Report it was determined that the provision for PPF funding in 2010/11 should be removed. However, provision has been retained within the projections for a sum of £500k per year from 2011/12 onward.

Council Tax Benefits / Rent Allowances and Rent Rebates

8.77 There are a number of areas of uncertainty appertaining to the administration of Housing and Council Tax Benefit that will affect the Council over the next few years. With growing unemployment levels and a downturn in business, we are anticipating witnessing an increase in those needing to claim Housing and Council Tax Benefit, as well as a reduction in peoples’ ability to pay their Council Tax. These may have an adverse effect on our collection rates especially in 2009 and 2010.

8.78 A preliminary review of the budget position for Housing and Council Tax benefits has been undertaken and indicates that the budgets need to be increased by £43,800 in 2009/10, increasing annually to £115,040 by 2013/14. The forecast increase in costs is primarily due to the ongoing reduction of 5% in the Department of Work & Pensions (DWP) Administration subsidy grant, together with a net shortfall on non-HRA rent rebate spending recoverable from subsidy.

8.79 Projections are based on a continuation of current performance levels. If performance were to fall, and the Council breached the thresholds (upper and / or lower) set by the DWP for local authority error, then this could materially affect the level of subsidy receivable on such amounts down from 40% to 0%.

8.80 It is important to note that the Council has had a very positive track-record in terms of local authority error rates and that, following the transition of these services to the new Customer Service Centre, performance continues to be closely monitored.

Concessionary Fares

8.81 A key issue for the General Fund is the very significant budget pressures which have been a consequence of the introduction of the new English national concessionary fares scheme from 1 April 2008, and the inadequacy of Government funding for concessionary travel faced by authorities such as Cambridge.

8.82 It is forecast that the net cost of concessionary bus travel to the City Council in 2009/10 will be in the order of £1.5m, representing over 23% of the City's £6.4m share of income raised through Council Tax.

8.83 The new national scheme guarantees free off-peak travel anywhere in England for people aged 60 and over and eligible disabled people who are resident in England. Under the new scheme, the costs of concessionary travel are charged to the local authority in which a journey starts. For authorities such as Cambridge, which are regional centres for shopping, arts and entertainment, health care, tourism etc., the impact of paying for concessionary travel by non-residents is significant.

8.84 The scheme differs from the previous national scheme which provided for free off-peak travel within a local authority area and from the Cambridgeshire and Peterborough concessionary fares partnership scheme (which operated from October 2006) which provided for eligible Cambridge residents to travel free of charge anywhere within Cambridgeshire and Peterborough and to selected destinations in the neighbouring counties. Under both these schemes, the City Council met the costs of concessionary travel of residents of the City only.

8.85 Central Government funding for concessionary fares comes from two sources, an element of Formula Grant together with a new specific grant, introduced with effect from 1 April 2008. On introduction of the new scheme, the Government undertook to provide funding to cover the additional costs incurred, nationally, by local authorities.

8.86 Following consultation on funding and grant allocation options, the decision was made to introduce a specific grant, rather than distributing the additional funding via Formula Grant, and an allocation model was selected for distributing the total funding available between individual authorities. The grant allocation model has been widely criticised as not being sufficiently sophisticated to ensure that the additional funding matches the incidence of additional costs.

8.87 The City Council payments to bus operators for the scheme in 2008/09 were £2.688m. Against this, the level of funding from Government in 2008/09 was assessed at just £1.181m:

- £536,000 through Formula Grant (uprated to current levels), and
- £645,000 Specific Grant in respect of the 2008 national scheme.

8.88 The net cost of concessionary travel to the Council was, therefore, £1.507m. This compared with the originally estimated cost of £666,000 provided for in setting the 2008/09 budget, giving an additional cost of £841,000.

8.89 Given the significance of the impact of this element on the Council's overall budget position, the Council has been working with other similarly affected authorities, and with national associations (such as SDCT and LGA), to raise the profile of the issue and the need for changes to the basis for funding so that Council Tax payers do not suffer through the requirement for compensating reductions in other services.

8.90 The City Council has also responded to a Government consultation on options for the future administration of the national concessionary fare scheme and has favoured this being undertaken by Cambridgeshire County Council on the basis that this would be more equitable, provided that any transfer of funding to the County is limited to the funding supplied by Government for this purpose (part formula grant and the specific grant), and not to the additional funding that the City Council has had to find to make up the local funding shortfall. An additional Government consultation on the funding of the national concessionary fare scheme has also been announced to form part of the wider local government finance settlement starting in 2010.

8.91 Negotiations have commenced locally on the bus operator reimbursement rate and the basket of fares used to calculate this reimbursement which are important in future forecasting of likely costs. Future budgeting will however remain subject to considerable unknowns including variation in bus patronage and the timing and extent of any increases in bus fares.

Local Land Charge Searches Income

8.92 The Information Commissioner has issued advice on 16 July 2009 that much of the information supplied as part of the "local search" process falls within the Access to Environmental Information regime. This has the implication that the City Council may not be able to continue to charge for access to some of the information that forms part of the local search process.

8.93 The Local Government Association has criticised the Information Commissioner's advice and is seeking its own legal opinion.

8.94 Advice available at present suggests that the Information Commissioner's view will not affect the Council's ability to charge for "official" searches, where the Council compiles the information. Its impact appears to relate to "personal searches", typically where the search information is compiled by a private search company inspecting the Council's records. The Council has always allowed inspection of some of this information free of charge, where it is contained in public registers. However, in accordance with recent regulations made in 2008, it charges for access to some information not contained in public registers; e.g. information about building regulation approvals.

8.95 Further work is needed to assess the implications of the Information Commissioner's advice, and the position may change in the light of lobbying and legal advice from the LGA. However:

- The Council may lose part of its income from the local search process. We will estimate the amount involved.
- This may encourage greater use of personal searches, which could reduce income from official searches, and could place greater strain on staff resources, through the need to provide information for inspection, some of which is not available in easily accessible registers.
- There may be an obligation to refund some payments made, although this needs to be clarified.

8.96 The total budgeted income from local land charge searches in 2009/10 is £197,150, with current income running only slightly (£751 at end of June) behind budget.

Development Plan Fund

8.97 There is an ongoing need for the Development Plan Fund to enable the City Council to fulfil its statutory plan making function. The future work programme has been agreed by the Executive Councillor for Climate Change & Growth and confirmed with the Government Office through a Local Development Scheme.

8.98 It is not possible to fully analyse future costs but preliminary analysis in 2008 revealed that the anticipated budget should just suffice for the immediate future but not over the three years forward look that the budget seeks to examine. It is estimated that to get this to balance, a further £60,000 per annum is required. However, even for the next two years this is dependent upon Examination costs being no greater than anticipated, there being no significant consultancy costs, and no need to use the budget to pay for staff costs. The full extent of the Examination costs for the North West Cambridge Area Action Plan will not be clear until late summer/early autumn once the Inspectors' Report has been received. If these costs are greater than anticipated, this will have implications for the Development Plan Fund.

8.99 As part of the plan making process, the City Council is now required to prepare an Infrastructure Study in order to demonstrate that the spatial strategy for Cambridge is deliverable and that all the necessary social, physical and green infrastructure requirements have been identified. The City Council is currently looking to undertake a joint Infrastructure Study with South Cambridgeshire District Council and it is anticipated that this could cost between £90,000 to £120,000. As this is a new requirement, which was introduced through the 2008 plan making regulations, this cost has not previously been factored into the Development Plan Fund. The intention is for Cambridgeshire Horizons to fund this Study but no firm commitment has been made to date. There is also a requirement to keep this work up to date on a regular basis and this will also need to be taken into consideration.

Public Realm Enforcement / Rangers

8.100 A pilot scheme is proposed to ensure compliance with the legislation by a fixed term additional enforcement officer to the team. The funding is available through a combination of the carry forward of verge parking, additional income through FPN's and contribution from strategy budgets. As a result of the Council's 'Excellent' status the use of the receipts is under the direction of the Executive Councillor for Environmental Services.

8.101 The budget for 2010/11 reflects the financial support to retain one Ranger. This support will be reviewed for the 2011/12 budget process.

Bereavement Services

8.102 Following a successful planning application to Fenland District Council, a new private crematorium will be opened during 2010 in the town of March, some 40 miles from Cambridge. It is anticipated that the main impact of this development will be on the crematoria at Peterborough and Kings Lynn, although it is recognised that our current clients in Chatteris and Ely may use the new crematorium.

8.103 Based on our current customer base, it is anticipated that the income from up to 100 cremations in a full year may be lost at a net cost of some £40,000. As fixed costs would not be reduced, this amount would be lost from the current budget contribution.

Tree Risk Management

8.104 Work is continuing on clarifying the future tree work requirements through the application of the approved risk management framework.

8.105 There are over 30,000 trees within the City and a routine inspection and maintenance programme has been identified which will require additional funding and will be the subject of a budget bid during the 2010/11 budget process.

Housing and Planning Delivery Grant (HPDG)

8.106 An overview of the HPDG scheme, and the sums available for the Council to spend are shown in Section 9: Earmarked Funds.

Waste Minimisation and Recycling

8.107 Dry Recycling - The pressure to increase household dry recycling, thereby making use of valuable resources and diverting waste from landfill, continues. It is for this reason that the Council has decided to move away from a kerbside sorted box collection to a commingled bin collection, which will provide residents with an easier system with greater capacity. This change will be made in November 2009. This change gives the Council the opportunity to increase the recycling and composting rate. Recycling and composting rates are predicted to rise to 45% by the end of 2010/11.

8.108 The new Dry recycling contract is based on a gate fee per tonne for the bulking, transport and sorting (at a materials recycling facility) of dry recyclates. There will be two elements of price variation which will affect the gate fee – an annual RPI adjustment and a gate fee adjustment mechanism as a result of change in the market price of recyclates. The latter adjustment may be made at six monthly intervals and will make it difficult to set an accurate annual budget as prices may vary depending on the value of recyclates.

8.109 Residual Waste - Cambridgeshire County Council, as Waste Disposal Authority, has let a long term PFI contract for treatment of Residual Waste. From the end of 2009, residual waste from Cambridge City and the other RECAP partners will be treated at a new Mechanical Biological Treatment Facility just north of the city at Waterbeach. This will significantly reduce the amount of waste landfilled and render any material that is landfilled inert and inactive, which will mean that no greenhouse gasses will be produced.

8.110 Trade Waste - The Government's drive to reduce landfill disposal lead to provision being made for additional resources required for Trade Waste to cover increased landfill taxes as well as increased potential tipping charges from the County Council. The current level of Landfill tax is £40 and this will continue to rise by £8 per tonne per year until 2013/14 when it will be at £72. (After this increases are not known.) The City Council is continuing to look at how it can mitigate these annual cost increases through price increases to customers, while remaining in a competitive market place. These costs make the economics of recycling more compelling and the City Council continues its commitment to recycling of trade waste. The success of commercial cardboard collections has shown that the Cambridge business community is keen to participate in recycling where possible. The City Council will be reviewing the current funding previously agreed in order to get the most from these services.

8.111 There are possible further opportunities with the change in household dry recycling collections to offer a commingled collection to commercial premises. Once commercial viability has been established, further expansion will be considered during 2010/11.

8.112 The net results of the department's commercial trade waste operation and of certain other trading activities undertaken for external parties are transferred to the General Fund at the end of each year. Medium term projections of trading surpluses available to the General Fund have been built into overall financial projections.

Lion Yard

8.113 The head-lessee of Lion Yard, Barclays Nominees, has commenced works to create additional retail space, known as Phase 1, at Lion Yard Shopping Centre. Phase 1 should be completed in late 2009. They also plan to develop further retail space known as phases 1+ and 2.

8.114 The Council has a 25% share in Lion Yard Shopping Centre and either contributes that share of any development costs or our income from the Centre is reduced to reflect the head-lessee's investment. The Council has already provided the required funding for Phase 1 (capital scheme SC221a), Phase 1+ (capital scheme SC221b), and part of Phase 2 (capital scheme SC221c).

8.115 The associated additional share of the rental income stream from Phases 1 and 1+ has been reflected within the future income projections for Lion Yard Shopping Centre. The additional income receipts associated with Phase 2 and the timing of these receipts are not yet wholly clear and so have not been included at this stage.

8.116 There will be a forecast shortfall in income of £290k for Lion Yard in 2010/11 primarily due to a delay in the commencement of the Heidelberg Gardens development works resulting in a corresponding delay in receipt of rental income from the new tenant. Other reasons for the forecast shortfall in income relate to additional costs for the Centre resulting from empty rates charges and inducements for new tenants entering into leases. Letting has been difficult due to the recession, the supply of retail units with Grand Arcade and other vacant units in the City Centre and the ongoing Phase 1 development works.

8.117 The Centre's income should be more robust in future years as the development phases complete and the Lion Yard Centre becomes better integrated with Grand Arcade.

Guildhall Project

8.118 The Guildhall Project was comprehensively reviewed and revised during 2008 to determine the most appropriate scheme that met the key objectives of the original project. The scheme was approved at Strategy and Resources Scrutiny Committee in September 2008 and funding was agreed (capital scheme SC342).

8.119 In addition to the original scheme, Jamie's Italian, the restaurant tenant, will also be taking additional first floor space over the current Tourist Information Centre and Box Office. This provides a more self-contained letting area as well as an additional income opportunity.

8.120 Works have now commenced on the Council's retained property to create the new Tourist Information Centre, Gift Shop, Coffee Shop and Visitor Experience. These works should be completed in September 2009 so that staff can move into the new space, freeing up their existing space to handover to the restaurant tenant in October 2009.

8.121 The revised net income stream and temporary use of reserves have been built into the MTS projections.

VAT: Car Parks

8.122 The Isle of Wight (I.O.W) local authority, along with 3 others, successfully argued, at Tribunal, that they should not have to charge VAT on off-street car parking. This was principally on the basis that this would not, despite protests by HM Revenue and Customs (HMRC), create a significant distortion of competition (a key factor in determining VAT liability).

8.123 The Tribunal considered the implications of these local authorities not charging VAT by looking at the effect on their pricing policies, customer usage and on potential private providers. It found that prices were set at levels to either stimulate customer numbers or discourage car use; were generally below those set by the private sector and were not an overriding factor in customers choosing where to park (they would park nearest to the facility they needed rather than choosing solely on price). It could not find any evidence of distortion of competition in respect of the local authorities represented at the Tribunal. In conclusion it was unlikely that a change in VAT liability would result in either a change in price or parking policies.

8.124 In anticipation of HMRC being compelled to change the VAT liability of off-street car parking for all local authorities, from 'standard rate' to 'non-business' (i.e. no VAT chargeable), Cambridge City, along with many other local authorities, under advisement, submitted repayment claims to HMRC requesting reimbursement of the VAT already paid on off-street car parking since 1998 (the furthest back allowed at the time). Total claims lodged to that date (net of fees) amount to £7,499,108**.** Subsequent changes in the law have now allowed the Council to go back even further - to the start of VAT in April 1973. This has meant that the Council has lodged a further repayment claim (net of fees) of £7,112,108

8.125 However, HMRC did not agree with the Tribunal decision and lodged an appeal to the High Court. This was heard in November 2006 and on 16 February 2007 the High Court decided to refer the case to the European Court of Justice (ECJ) for a preliminary ruling. The ECJ delivered its judgement on 19 September 2008. It ruled that the question of whether distortion of competition would arise should be determined by reference to the activity which is carried on within the Member State as a whole and should not be decided on a 'local market' basis. The ECJ also said that the possibility of potential competition must be considered unless it is a purely hypothetical possibility, and 'significant', in terms of the level of competition, is considered to mean 'more than negligible'.

8.126 After consideration of the ECJ judgement, the High Court delivered its judgement on 11 March 2009. It allowed HMRC's appeal and this has, therefore, overturned the original Tribunal decision. The High Court has now remitted the matter back to the Tribunal and the latter must now consider the issues concerning distortion of competition in light of the findings of the ECJ.

8.127 Cambridge City will continue to account for VAT on off-street car parking but will also continue lodging claims with HMRC for repayment, in order to protect its position should, ultimately, matters be concluded in favour of local authorities.

VAT: Fleming Claims (non-car parks)

8.128 In 1996 the Government reduced the time limit for reclaiming overpaid VAT (whether due to taxpayer error or HMRC liability errors) to 3 years from the date of the overpayment. However, in January 2008, the House of Lords, in Fleming and Conde Nast, held that the introduction of this time limit (cap) was defective because it lacked a transitional period in which claims could be made, for a limited period, under the old rules.

8.129 Shortly afterwards, HMRC accepted that the 3-year cap must be disapplied and invited taxpayers to submit claims for overpaid or overdeclared VAT in relation to accounting periods ending before 4 December 1996. This presented local authorities with an opportunity to re-visit past VAT liability errors by (the then) HM Customs & Excise (HMC&E) and to submit repayment claims that would otherwise be out of time.

8.130 With the assistance of an external VAT consultancy firm, the Council identified several areas where, due to liability errors by HMC&E, claims could be submitted. These mainly affected 'cultural' and 'sporting services' going back to the early 1990's, although claims were also submitted for 'excess car parking charges', 'domestic bulky waste' and 'housing renovation grants' going back to the 1980's and 1970's.

8.131 To date (mid-August 2009) a total of £1,252,741 has been repaid out of claims totalling £1,323,304. In addition, the Council has been paid simple interest of £1,006,469 (note: all amounts are net of fees).

VAT: Compound Interest

8.132 There have been a number of recent developments in relation to the ability of taxpayers to claim 'compound' as opposed to 'simple' interest, on monies repaid (or to be repaid) to them by HMRC. Being paid compound interest can far exceed that of simple interest.

8.133 In a case involving a company called Sempra Metals, the House of Lords held that compound interest must be paid in order to properly compensate the company. With this in mind, a Compound Interest Group Litigation Order (GLO) has been commenced before the High Court in London. This GLO comprises claims by a group of motor traders seeking restitution, in the form of compound interest, on monies repaid to them by HMRC. This will be a test case where the outcome will determine the likely success of claims submitted by others.

8.134 A major law firm, DLA Piper, has advised the Council that the ability to recover compound interest equally applies to the public sector. Subject to certain legal limitation issues, claims for compound interest can, potentially, go back to 1973. To date, HMRC have agreed that claims can be submitted but that they will be subject to the outcome of the GLO.

8.135 Accordingly, the Council has engaged DLA Piper to submit a claim, on its behalf, to the High Court seeking compound interest in respect of its car parks and Fleming claims mentioned above. Currently there is no known time limit for the outcome of such claims.

City Centre Management and Tourism

8.136 In September 2009 the Tourism Service relocates to its new home in the Old Courts area as part of the Guildhall project, adjacent to the new gift shop and coffee shop. This has presented a one off opportunity to review the way in which it delivers the service to residents and visitors to the city, and to proactively identify opportunities through which it can build on existing revenue streams and identify new ones. In the current economic climate it is uncertain how successful it will be in this regard but on reviewing similar models in similar historic locations across the UK the signs are very encouraging. Its success in this will be a key factor in assessing the viability of the tourism service transferring to the Love Cambridge Partnership in the future.

8.137 The new TIC will serve as the anchor for the Old Courts area and will contribute significantly to the success of the adjacent tenants and in turn secure a long-term sustainable revenue stream for the Council. In light of the current economic downturn Income levels for the adjacent tenants have been reviewed as part of the wider Guildhall project and are incorporated elsewhere in the MTS.

8.138 A key priority for the tourism service going forward will be to ensure that income targets on general commercial activity will be realistic and not over ambitious, and the service will plan effectively to secure current income levels.

8.139 At the end of 2008/9 when the TIC shop was transferred over to private ownership the City Council agreed an undertaking with the proprietor that should the Guildhall project not go ahead, then they would buy back the stock which the proprietor bought as of 31st March 2009. A budget carry-forward request, for £12,000, was made at the end of 2008/9, to serve as contingency should the Guildhall project not go ahead, to enable the Council to uphold this agreement. At this stage in the project this is an extremely unlikely scenario and as the new TIC and its associated tenants are due to open on 7th September, we will be in a position then to confirm whether this C/F request is required or not. Should it not be required the £12,000 will be transferred into reserves

'Unavoidable' Pressures

8.140 For the purpose of the MTS revenue projections a number of the pressures identified have been treated as effectively 'unavoidable' and included in the base funding requirement. These are detailed in Appendix J.

HOUSING REVENUE ACCOUNT PRESSURES AND OPPORTUNITIES

Decent Homes

8.141 The commitment to achieve Decent Homes, as set out in the Housing Green Paper *'Quality and Choice: A Decent Home for All'* remains one of the driving forces of the Government's housing initiatives. In June 2003 the Council committed to a six-year programme of work to meet the Government's 'Decent Homes' target.

8.142 The Council entered contracts with two main contractors for the delivery of the Decent Homes programme with effect from 2005-6. The Housing Service now works closely with both City Services and Apollo London Ltd, to ensure best value in all repair and improvement works.

8.143 It is intended to complete the Decent Homes programme by March 2010. The national target for completion of the programme is the end of December 2010. By the end of 2010 the Council will have invested capital of £42.5m in its housing stock during the Decent Homes programme, against an initial forecast of £42m.

8.144 Over 90% of the stock has now been surveyed from partnered resources, this building on the original 10% stock condition survey undertaken by Savills in 2003. This allows the identification of investment requirements and planning of works to be based on a comprehensive knowledge of the housing stock.

8.145 For the last two years of the programme target prices have been established with our contracted partners, along with a related incentive scheme. These target prices are not adjusted for inflation demonstrating continuous improvement.

8.146 There will be an ongoing requirement for continuing to maintain housing decency post 2010. Decent Homes related works will be re-tendered next year for works to be undertaken in the years following completion of the current programme. Where residents have not wanted particular works undertaking as part of the current programme, these works will be undertaken when the property next becomes vacant.

8.147 One-off costs associated with the re-tendering of the Decent Homes contract and any anticipated set up costs for a new contractor, which are not yet quantified, will need to be incorporated as part of the 2010/11 budget process.

8.148 In addition to the Decent Homes programme, relating predominantly to the dwelling, there is a need for the authority to obtain stock condition data in respect of communal areas and facilities, to ensure that investment need is quantified and included in a future review of the Housing Capital Programme.

Repairs

8.149 There is continued pressure on revenue budgets in respect of day to day and void repairs in HRA dwellings, compounded by the need to undertake additional works such as fire safety inspections.

Supporting People

8.150 The County Council as Supporting People Administering Authority are budgeting for funding over the 3 years to 2012/13 to remain stable at approx. £11.4m. In real terms however, a reduction in expenditure of £800,000 per year over the 3 years is required to balance the budget over this timescale with further reductions anticipated beyond 2012/13.

8.151 The Supporting People Team has introduced a programme of measures to manage these financial pressures. Service providers were offered an inflationary increase to contracts of 2.5% in 2009/10 but it is not anticipated that an inflationary increase will be available in 2010/11. A programme of ‘modernisation’ has begun involving the review of building based services coupled with the re-tendering of ‘floating’ support services planned for 2010/11. The re-tendering of Home Improvement Agency services is planned for 2011/12.

8.152 To address these cuts the City Council has introduced a range of cost-saving measures over the last few years, including a major review and restructuring of the Independent Living Service, reducing the number of hours going into some sheltered schemes, reallocating duties across the sheltered housing service, and reducing service levels in the Temporary Housing and Housing Support services.

8.153 Under the county's new Supporting People Commissioning Strategy, the priority is to move away from accommodation based services and for there to be a greater emphasis on floating support in people's own homes.

8.154 Contracting arrangements for Supporting People services are also being reviewed, and future contracts will be subject to procurement competition, and are likely to be let on a larger scale than currently and across authority boundaries.

8.155 It is recognised that the City Council's service costs are high compared with some other providers; relevant factors include the organisational overheads chargeable to the service, and the outcomes from the Council's Single Status Job Evaluation scheme.

8.156 The impact of the planned changes on the City Council as a provider here are likely to be significant.

Support for Older People

8.157 Funding allocated for sheltered housing used to be ring-fenced, but a Sheltered Housing Green Paper (agreed following a Best Value Review of Sheltered Housing) has approved a decrease in sheltered housing, an increase in extra-care, and funding being redistributed more evenly across the county, with the greatest shift in funding being away from Cambridge City, and this ring fence has now been lifted.

8.158 Cambridge City Council has, through its sheltered housing modernisation strategy, as well as improving a number of its schemes, reduced the overall number of sheltered units within the city, as required in the Sheltered Housing Best Value Review. Additionally, through its modernisation programme, the Council has refurbished two schemes to meet the lifetime homes standard, and a third scheme, Brandon Court, is due to be refurbished to the same standard in 2010/11, therefore being able to accommodate Extra Care Housing if required.

8.159 Work is going to start in Spring 2010, with the Supporting People Team reviewing the support that is available currently to older people across Cambridgeshire, to establish to what extent some of these needs could be meet through provision of floating rather than accommodation-based support. The intention is for funding to be re-distributed more evenly across the County, with the greatest shift in funding being away from Cambridge City.

8.160 The Housing Capital programme was re-approved during 2008 and included funding for completion of the modernisation programme, to ensure that sufficient Council sheltered accommodation is refurbished to the standards required to receive Supporting People funding after 2016. The refurbished properties are designed to achieve, wherever possible, 30 or more units within the resulting refurbished scheme. Where this is achieved the schemes are built to 'Homes for Life' standards, wherever possible, to ensure that Extra Care accommodation is facilitated.

8.161 The Primary Care Trust (PCT) jointly with Cambridgeshire County Council, have advised Cambridge City Council that they will not be re issuing a contract for the provision of Extra Care Services at Ditchburn Place from August 2010, with tenants offered Self Directed Support instead. This means that Older People assessed as needing care will be paid directly for that care, and it will be for them to then purchase their care from wherever they choose. Cambridge City Council currently employ in the region of 35 full time equivalent care staff through the funding received from the PCT/County Council contract that expires in August 2010.

Home Improvement Agency (HIA)

8.162 Supporting People and the Primary Care Trust (PCT) have commissioned a review of Home Improvement Agency services across the county, and are currently consulting on whether services should be market tested, which could potentially lead to services across the county being procured under a single contract.

8.163 With the proportions of Supporting People and PCT funding of the City's HIA being only relatively small compared with the Council's contribution, the potential implications of this are not yet clear but the impact on the Council's position as service provider could be significant.

Support for Non-Sheltered Tenants

8.164 The Housing Support Service was extended in 2002/03 to provide support for tenants living in the Council's general housing stock in addition to those living in Temporary Accommodation. The Floating Support Service employs Housing Support Co-ordinators to support non-sheltered tenants and former street homeless tenants. Staff work with vulnerable, existing or prospective, tenants and those experiencing short-term difficulties in maintaining their tenancies because of rent arrears, anti-social behaviour or drug and alcohol abuse.

8.165 The contract for the provision of Floating Support Services is currently out to competition. The proposed date for return of tenders to the County Council (Supporting People Administering Authority) is December 2009. Until the tender specification is published in October 2009, the position remains unclear as to whether the Cambridge City Council will be in a position to tender to continue providing this service.

8.166 The Floating Support Service is the first of the Supporting People contracts to be formally re-tendered, with the future for the provision of all other support services remaining uncertain at the present time.

Supporting People Summary

8.167 There are significant challenges facing the City Council's Supporting People funded services.

8.168 Future funding for support services will be administered via Local Area Agreements. The full financial impact of this is unclear, but Supporting People funding is no longer ring-fenced, and the allocation of resources will be subject to competition with other priority areas.

8.169 Although there is still considerable uncertainty around future funding, the likelihood of ongoing funding cuts, the planned redirection and re-channelling of existing funding, and changes in future contracting arrangements mean that there are likely to be significant impacts on service levels and on contributions from the HRA and General Fund over the next few years.

8.170 These changes also raise considerable uncertainty around the position of the Council as a provider of support services, and some difficult decisions will need to be made around the future of these services.

Electricity Costs

8.171 A programme to install electricity smart meters in respect of the supply to communal areas of all HRA flatted accommodation, will facilitate better long term monitoring and recharging of energy costs. In the short term, financial uncertainty exists, as the programme of changeover will result in actual reading of meters that may have been invoiced based on estimated readings by the energy suppliers for lengthy periods of time. Due to this uncertainty, the anticipated savings resulting from the recent corporate re-tendering of the electricity supply are yet to be built into the HRA financial modelling. This will be reviewed as part of the 2010/11 budget process.

Unavoidable' Pressures

8.172 For the purpose of the MTS revenue projections a number of the pressures identified have been treated as effectively 'unavoidable' and included in the base funding requirement. These are detailed in Appendix J.

9. Earmarked and Specific Funds

9.1 The Council maintains a number of earmarked funds. Those funds which are directly relevant to the budget proposals for 2010/11 are outlined below and full particulars of the transactions and balances are given in Appendix M.

Repair and Renewal Funds

9.2 These are maintained to fund major repairs to, and the periodic replacement of, assets such as vehicles, plant and equipment and Council-owned premises. Annual contributions are based on estimated replacement and repair costs, spread over the anticipated life of the assets.

9.3 Significant asset portfolios within the Council, such as the City Services vehicle fleet or the ICT infrastructure, have medium and long-term programmes for replacements; which form part of the Council's Capital Plan. Individual items, or schemes, within these programmes are brought forward as capital bids subject to standard project appraisal and review requirements.

9.4 Details of Repair and Renewal Funds are shown in Appendix M-1.

Section 106 Contributions

9.5 These are contributions made by developers towards the costs associated with their developments, for example community infrastructure. Some agreements provide for the return of contributions made if capital projects are not carried out within a specified period.

9.6 The majority of the unspent contributions are held as capital contributions unapplied. Schemes funded from these monies, in part or in whole, will be brought forward as capital bids and subject to the review and scrutiny process applied to all capital schemes.

9.7 At 31 March 2009 the Council held s106 contributions in the sum of £8,918,356 which included £876,972 of contributions received during 2008/09. In addition £419,850 of further contributions had been negotiated during the year, but not yet received.

9.8 In addition significant amounts of s106 capital and revenue contributions for new community infrastructure have been negotiated for recently approved development within the city's Southern Fringe as part of the growth agenda. These contributions will not come on stream until development commences.

9.9 Following a change in accounting practice approved during 2008/09 the s106 balances do not receive any allocation of interest earned.

9.10 Details of Section 106 balances are shown in Appendix M-2.

Technology Investment Fund (TIF)

9.11 This Fund was set up to contribute towards the costs of investment in Information Technology systems and infrastructure.

9.12 As at 1 April 2009 the Fund had a balance of £239,040 however £174,869 of this figure had been approved as a contribution to the costs associated with the Customer Access Project. Based on the existing scheme approvals a balance of £65,935 is projected as at 31 March 2010

9.13 The Fund currently receives annual contributions of £84,320 from the cost reductions achieved as part of the last re-letting of the Council's ICT Facilities Management Process. This will provide some funding to support further development and enhancement of ICT facilities as part of each budget cycle.

9.14 Bids for TIF funding are scrutinised by the ICT Steering Group, which makes recommendations to the Corporate Management Team. These are reflected in bids and project appraisal documents submitted to Members.

9.15 Details of the Technology Investment Fund are shown in Appendix M-3.

Housing and Planning Delivery Grant (HPDG)

9.16 Planning Delivery Grant (PDG) was an incentive-based grant regime to support and improve the speed and quality of the planning service and to increase the available resources for the planning function within local authorities. The grant was part of the wider approach being adopted by the Government to improve the performance of the planning service in terms of both the submission and handling of planning applications and the wider plan-making role.

9.17 The scheme operated up to, and including, the 2007/08 financial year when it was replaced by a new Housing and Planning Delivery Grant (HPDG) programme, to run for 3 years, commencing in 2008/09. The new grant criteria are focussed more on progress on plan making and on housing delivery, rather than on development control performance (which was the case under PDG). The criteria also includes a proportional abatement factor for authorities not meeting any of the Government's development control performance targets.

9.18 One key change is that HPDG is based on an assumption of 33% of the funding being used for capital purposes, compared with 25% under PDG. This is significant for the City, where the revenue funding has been used to support the ongoing cost of posts to support the delivery of the growth agenda.

9.19 The provisional HPDG allocations for 2008/09 were announced on 16 July 2008, with the City receiving £1,003,721 – in the top 10 highest amounts across the country.

9.20 There now remains only one more year of HPDG committed by Government (2010/2011) and as yet there have been no announcements on how or if it will be replaced beyond that year. Approximately 9.5 full time equivalent posts in the Planning Services are currently funded from HPDG revenue. This is an emerging issue for the MTS, with respect to revenue budgets and future service delivery.

9.21 One third of any HPDG funding must be used for capital spending. There are a number of emerging proposals to be worked up for consideration to use part of this funding within the Planning Services which include:

- Consultee Access - Building Control - £15,000

- Backscanning of paper records into digital format for Development Control, Building Control & Policy &Projects (beyond that which can be covered by existing budgets). Between £50,000 and £100,000 depending on the time period covered and whether microfiche records are included.

- Purchase of computer displays suitable for use with the Electronic Document Record and Management System (EDRMS). These would be of a size suitable for the display of plans on screen. Up to between £15,000 to £20,000.

9.22 The current position on the revenue and capital elements of PDG funding are shown in Appendices M-4 and M-5, respectively.

Local Authority Parking Enforcement (LAPE)

9.23 The City Council currently undertakes the parking enforcement function within the City on an agency basis for the County Council.

9.24 The agreement on which this work is based specifies that any surpluses on the LAPE account in each financial year will be split equally between the two authorities. Any cumulative surplus may be spent on a range of specified functions.

9.25 The current position in terms of accumulated surpluses is shown in Appendix M-6.

9.26 The County Council has issued notification that they will take the service back with effect from 1 April 2010. Work to prepare for the transfer of the function has already commenced, and the initial estimates of the implications for the financial projections have been built into this report.

Fixed-Term Posts Costs

9.27 Where the Council appoints staff on fixed-term contracts an obligation to pay redundancy costs can result and the end of that period. To cover this eventuality the Council has established an earmarked reserve, with effect from 2008/09, to hold contributions based on the potential liability of such posts.

9.28 The current position on the fund is shown in Appendix M-7.

Climate Change Fund

9.29 A Climate Change Fund with an initial capital investment of £250,000 was agreed at Council in February 2008 to be used to provide funding for schemes or activities which will contribute to the achievement of the Council's climate change and carbon reduction Medium Term Objective.

9.30 The overall structure and uses for the Climate Change Fund were agreed at Strategy & Resources Scrutiny Committee in April 2008, and the detailed operational guidelines for how the Fund will be managed were agreed at Environment Scrutiny Committee in July 2008, with revisions agreed in January 2009 to allow funding of revenue as well as capital bids.

9.31 Activities to be supported by the Climate Change Fund include infrastructure, equipment, feasibility studies or promotional activities which contribute towards energy and fuel efficiency, sustainable transport, waste minimisation or management of climate change risks.

9.32 Bids for CCF funding are scrutinised by the Environment Strategy Group (ESG), which makes recommendations to the Corporate Management Team (CMT). These details are then included in the bids and project appraisal documents which are submitted to Members.

9.33 The current status of the Climate Change Fund is shown in Appendix M-8. .

Efficiency Fund

9.34 The balance of funding on the Council's Efficiency Fund (£172k) was committed as part of the funding for the Electronic DRMS implementation in July 2006.

9.35 As part of this report it is proposed that contributions be made to the fund in 2010/11 (£75k), 2011/12 (£485k) and 2013/14 (£200k) in order to facilitate the changes in services which are envisaged as part of the 3-year target for achieving savings over that period.

9.36 Bids against this funding will be considered for approval as part of the relevant budget process.

10. Revenue Forecasts and Reserves

General Factors

10.1 The major assumptions on which the revenue forecasts are based are summarised in Appendix N.

10.2 These are based on the analysis included in previous sections of the paper, and are based on the best information available at the time of printing.

10.3 The assumption for income (and hence charges) is that there will be a basic increase in line with the assumed level of inflation. This has been built into the base calculation. Service Committees will still be required to review the level of all charges under their control, and any increases above that level, which are felt to be appropriate, will provide scope for further service development or enhancement.

10.4 Where factors vary between Funds these are specifically highlighted.

10.5 A number of areas of uncertainty still remain, where the exact financial impact on the Council cannot yet be accurately identified. These items are detailed in Appendix K, and must be borne in mind when setting the financial strategy in general, and the individual committee cash limits in particular.

General Fund

10.6 The anticipated net spending for the period 2009/10 to 2013/14 is set out in Appendix O.

10.7 The original budget for 2009/10 approved net General Fund spending at a level of £24,114,290, which included a use of reserves of £5,391,890. This reflected a contribution of £5,166,530 to fund capital expenditure.

10.8 The projected position for the General Fund reserves is also included in Appendix O. This projection includes the effects of changes in capital resources and re-phasing and the requested carry forwards from 2008/09.

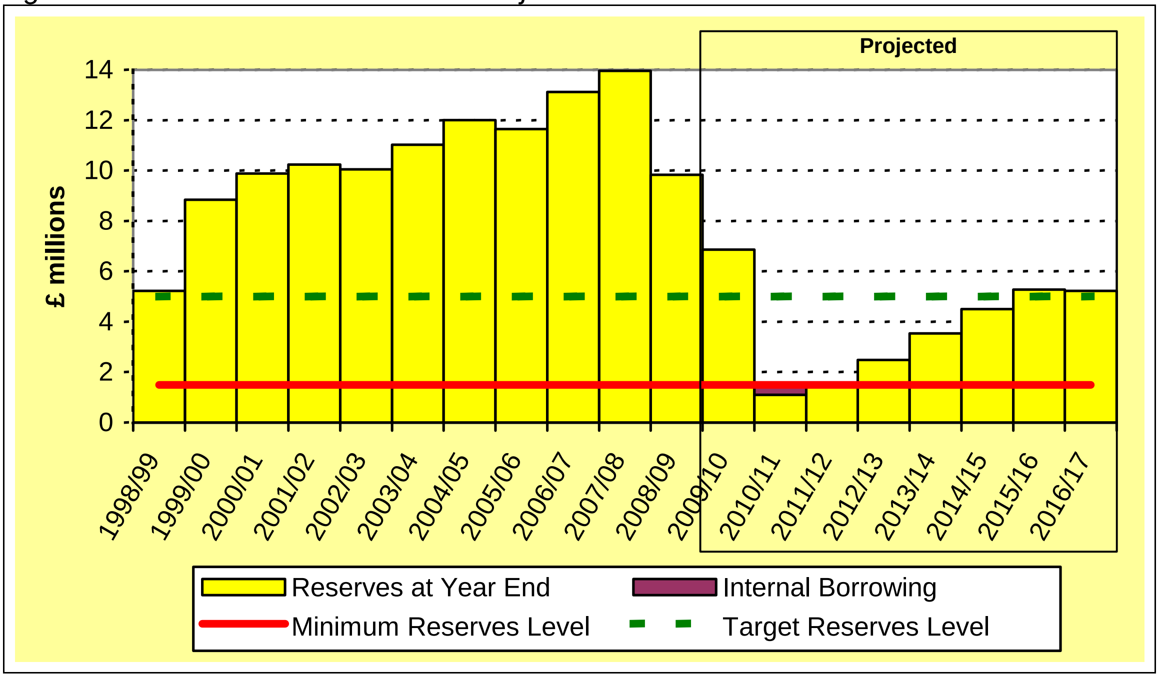
10.9 The revised projection of the use of reserves in the current year (2009/10) now indicates that there is expected to be a net use of reserves of £2,966,180, this includes the effective transfer of funding for the approved level of carry forward items (primarily reflecting the re-profiling of capital resources and expenditure).

10.10 These have been built into the latest projection.

10.11 The final reserves position for 31 March 2009 is £9,833,640. This includes £955,020 which will be used to fund the approved carry forward items.

10.12 The projected position for General Fund reserves to 2016/17 is shown below :-

Figure 11 : General Fund Reserves Projection - 1998/99 to 2016/17



10.13 The 10-year projection is important in this instance as it demonstrates that the impact of the unavoidable cost pressures can be handled, whilst providing for the temporary use of reserves to fund key projects such as the Customer Access Strategy.

10.14 The lowest point resulting from the temporary use of reserves is at the end of 2010/11, when the balance will be £1.099m, which is below the minimum working balance requirement. Given that this is a cashflow issue which will only affect the one year, it will be possible to increase this figure to the £1.5m level by internal borrowing. This is the basis that has been adopted for the final projections.

10.15 The graph demonstrates that the level of reserves will return to the target level from 2015/16 onward, when they continue at a sustainable level.

10.16 General Fund reserves are also used to support the Council's Capital Plan, and this effect also has to be taken into account when considering the long-term impact on the reserves position; and hence the ability to ensure the sustainability of the Council's policies and services.

10.17 Risk analysis and a determination of the adequacy of the level of reserves are key elements within the statement which Directors of Finance are now required to provide, under Section 25 of the Act, in conjunction with the final budget and Council Tax recommendations.

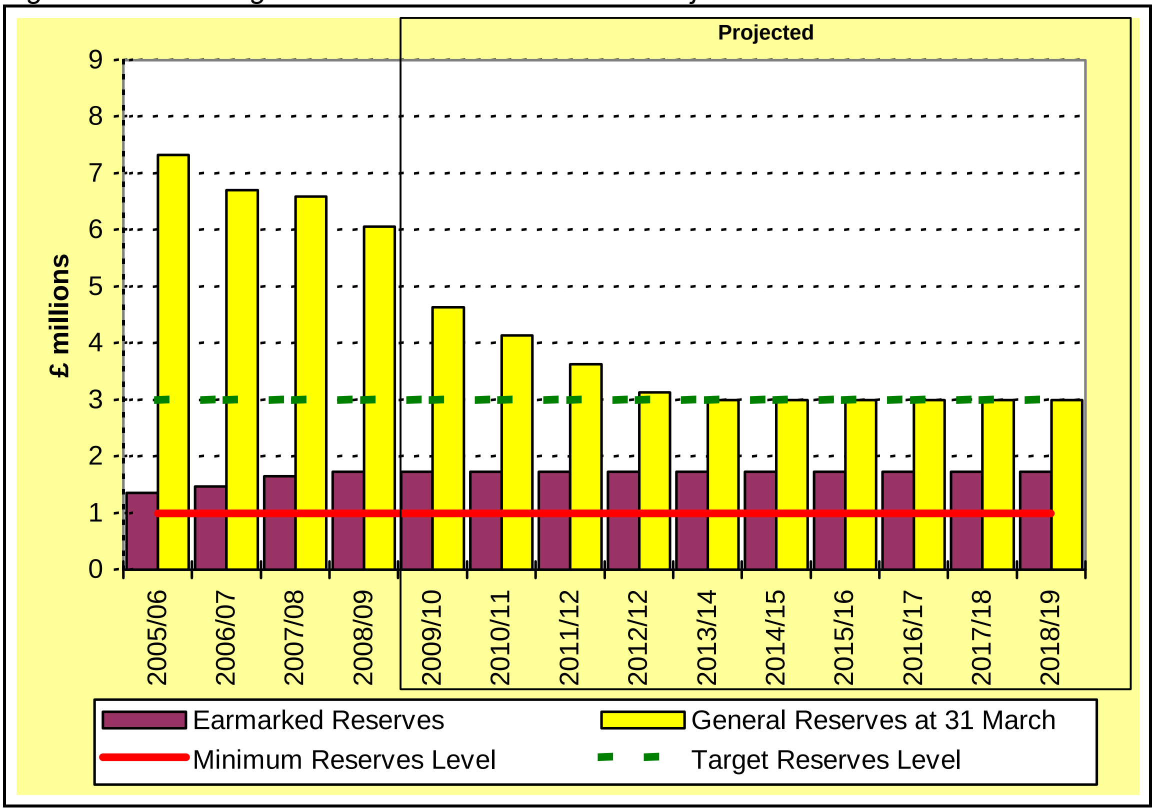
10.18 The corporate planning and decision-making cycle (shown in Appendix A) shows how the corporate risk and assurance framework has been integrated. As part of this process, a review of the full corporate risk and assurance database has taken place to inform the development of this MTS. This has provided the context for the specific annual MTS risk assessment.

10.19 A summary of the key points from this latest risk analysis, as well as controls and actions to mitigate against identified risks, is shown in Appendix P.

Housing Revenue Account (HRA)

10.20 A similar forecasting exercise has been undertaken for the Housing Revenue Account as for the General Fund, details of which are included at Appendix Q. A section identifying known commitments and their impact on the level of balances has been included in order to give a more meaningful context for decision-making. The projection is also shown in the chart below, against the agreed minimum and target levels.

Figure 12 : Housing Revenue Account Reserves Projection – 2005/06 to 2018/19



10.21 This serves to highlight that the planned reduction in the level of general reserves down to the target level of £3m will be achieved by 2013/14, from which point revenue plans are based on delivering a balanced HRA budget with no requirement to use reserves. As part of the annual budget setting process, savings targets are set to not only deliver a balanced HRA, but also to create policy space of up to £75,000 per annum, allowing for the strategic redirection of HRA resources to meet ever changing service demands.

10.22 The decision to reduce the level of HRA reserves to a target of £3m has provided additional funding to support capital expenditure in the medium term. In reducing the reserves by £500,000 per annum, flexibility is retained should adverse factors affect the revenue position during the remaining period.

10.23 Balance projections will need to be revisited, particularly in the light of the current review of the Council Housing Finance and the need to reflect an updated position with regard to the HRA's contribution to corporate initiatives such as the Customer Access Strategy. A review of the reserves position will take place as an integral part of the annual budget process.

City Services

10.24 The City Services department has drawn up detailed Business Plans for all of their services, based on Service (and Performance) Plans which were approved by Executive Councillor for Customer Services and Resources in the February 2008 Committee cycle.

10.25 Since January 2000, City Services has operated as a trading department of the Council providing a combination of direct services to the public and recharging costs incurred, in the delivery of services on behalf of other service departments, to the General Fund or the Housing Revenue Account as appropriate.

10.26 The net results of the department's commercial trade waste collection operation and of certain other trading activities undertaken for external parties are transferred to the General Fund at each year-end. Medium term projections of trading surpluses available to the General Fund have been built into overall financial projections. The table below shows the projected surplus for these activities for 2008/09 :

Table 17 : City Services Trading Surplus / (Deficit) 2009/10

Cost Centre	General Fund	
	For Internal Client (£'s)	**External Trading (£'s)**
Building Services	0	8,060
Fleet Management	0	
Waste Management	282,930	0
TOTALS	**282,930**	**8,060**

10.27 A number of issues will impact on services provided by the City Services Department including :

Building Services
Cessation of South Cambs District Council contract on 31 March 2010
Completion of Decent Homes by 31 March 2010
The extent of the HRA Capital Programme
Technology development through mobile working to increase efficiency

Parking Services
Cessation of LAPE on 31March 2010 - transfer of service currently provided under Agency agreement to Cambridgeshire County Council
Maintenance of car park structure
Development of the service in coming years
Impact of support services e.g. CCTV, cleansing
Balance between services to support the local economy and climate issues
Use of technology

Waste Services
Piloting services to be funded directly to reduce internal recharging mechanisms
Impact of dry recycling scheme and other waste minimisation projects
Impact of Materials Recycling Facility and charging of gate fees

Commercial Waste
Competition and the national economic position that may impact on the commercial waste return.
Impact of landfill costs beyond the known increases and potential changes

Rangers Service
The continuing development of community based projects
Improvements in working methods including technology use

Enforcement
Ensuring the council compliance with legislation for on-street issues e.g. litter, abandoned vehicles

Streetscene
Impact of recession on residents staying local and potential of increased tourists
S106 revenue funding implications by the cessation of commuted lump sums
Technology improvements and mobile working

Depot
Review options through feasibility study

General
Overall impact of growth, boundary changes and residual overheads arising from any of the above.

Part D

Capital

11. Asset Management

11.1 The Council has (at 1 April 2008) a diverse asset portfolio including 7,479 council dwellings (council houses, sheltered dwellings and shared ownership properties), substantial areas of common land (109 hectares) / parkland (83 hectares), as well as assets for direct service provision including swimming pools, community centres, car parks and a major concert venue.

11.2 There is also a sizeable commercial property portfolio including a selection of small business units aimed principally at small local and start-up companies plus over 80 shops in council estate locations which provide important local services for their communities.

11.3 The total value of assets held by the Council at 1 April 2009 is presented below. This shows an overall reduction in value over the previous year of £68,621,000 largely reflecting the impairment of asset values as a consequence of the economic downturn :

Table 18 : Total Value of Assets (as 1 April 2009)

Category	**Value (as at 1/4/2009)**	
	£ 000's	**%**
Operational Assets		
Council dwellings	528,273	73.35
Other land and buildings	94,041	13.06
Vehicles, plant and equipment	6,969	0.97
Infrastructure assets	812	0.11
Community assets	702	0.10
Total Operational Assets	***630,797***	***87.58***
Non-Operational Assets		
Investment properties	80,870	11.23
Assets under construction	603	0.08
Surplus assets for disposal	7,956	1.10
Total Non-Operational Assets	***89,429***	***12.42***
Overall Total	**720,226**	**100.00**

Asset Management Plan (AMP)

11.4 The Council has achieved a "Good" rating on previous submissions of our AMP as well as an "Excellent" rating under CPA. Although there is no longer a requirement to formally submit an AMP to Government, it is still felt to be important to review and maintain the plan and to adhere to it.

11.5 The AMP fulfils a key role in considering how the deployment and use of assets (land and buildings) can be optimised in terms of benefits for the delivery of council services and the achievement of a financial return. The Council's Asset Management Group owns the plan, employing it in the consideration of asset management decisions and projects referred to it.

11.6 The Audit Commission has recently published 'Room for Improvement: a review of strategic asset management in local government' which identifies that local authorities generally have not made as much progress as they could have over the past 10 years. There will be closer monitoring of councils' progress in strategic asset management through a more rigorous assessment as part of the annual Use of Resources assessments.

11.7 A key element of effective asset management planning is monitoring the performance of assets to identify any that are currently held which are deemed to be under-achieving, or which are no longer appropriate to hold in the portfolio. This enables consideration to be given to alternate uses or disposal. The Council has undertaken such a process for a number of years through the annual Property Portfolio Review and this needs to continue to challenge property retention, performance and opportunities.

11.8 The Council's Office Accommodation Strategy is due for review in 2010 but some preliminary work has been done to identify where and how improvements can be made in the future. This has been discussed at the Asset Management Group and Corporate Management Team and will be developed and implemented further. The strategy sets out the standards of accommodation required to enable the Council to improve it's accommodation including issues such as space requirements, DDA access, condition and suitability among other factors.

11.9 The strategy for the management of Housing related assets covering the period 2007-2010 was agreed by Community Services Committee on 19 July 2007. The plan concentrates largely on activities relevant to the management of the Council's housing related assets, but also touches on the wider housing context within the city and is a key component of the overall HRA business plan. This strategy is due to be revisited during 2010.

11.10 The strategy provides a framework for targeting limited resources to areas of the highest priority. The Council's Housing Capital Plan is reviewed annually to take account of changes in both resources and investment priorities.

11.11 In March 2009, a Repairs and Maintenance Strategy was approved to supplement the Asset Management Strategy, setting out the approach to procuring, delivering and monitoring performance in respect of responsive, void and planned repairs to the HRA asset base.

11.12 The Community Services Procurement Strategy, also approved in March 2009, defines the approach to be taken in procuring future revenue repairs and capital improvements to the housing asset base post decent homes, with a mix of soft market testing and full procurement through tender exercises being adopted.

Property Portfolio Review

11.13 The significant growth requirement around the City has provided the Council with opportunities to bring forward land for development (commercial and / or housing), with possible additional capital receipts or to meet other objectives of the Council. This may result in significant opportunities for capital reinvestment over the medium-term as the receipts are realised or enable delivery of other objectives through partnerships or collaborative agreements.

11.14 Major sites identified through the Property Portfolio Review include land at Orchard Park and Clay Farm for housing, and land at Cowley Road for commercial uses. Smaller sites have also been identified but with potential to generate reasonable capital receipts such as the Yasume Club in Auckland Road and the former Wildlife Site on King Hedges Road. Given the pressure for development, other windfall sites may be identified, e.g. the redevelopment on land currently occupied by low density housing that is in need of renewal, infill sites.

11.15 The Property Portfolio Review also considers under-utilised property and allows consideration of more beneficial uses. The Guildhall Project for example frees up space for commercial development and allows for reinvestment in improving both service delivery and the Council's property.

11.16 Some potential strategic acquisitions have also been identified through this process and these are reported through the Asset Management Group.

11.17 Current market conditions mean that in the short term, decisions not to sell may be made pending an improvement in the market or alternative approaches to open market sale may be considered.

11.18 As receipts from disposals cannot be guaranteed until buyers are found and legal agreements concluded, possible usable receipts are not taken into account for funding purposes until a sale is contractually committed. On completion of a sale, the receipt would be applied in line with the Council's financing strategy, effectively replacing existing use of reserves in the first instance. This prudent approach allows the Council to manage the financial risks around disposals and this is especially true in uncertain market conditions.

11.19 Figures for rental income built into the forecast allow for changes due to the projected disposals. Detailed findings from the review are normally reported through the Asset Management Group with larger development or collaboration opportunities reported to the Strategy and Resources Committee.

11.20 When planning any further asset disposals, the revenue impact of the disposals (i.e. the potential loss of net rent income from the asset against the income which would be received from the investment of the set-aside portion of the receipt) must also be taken into account.

Asset Disposals Programme / Projections

11.21 The portfolio review process has highlighted a number of assets which the Council has identified for disposal, and these are outlined in the table below. However, the current market conditions create risk and uncertainty about both price and timing of sales:-

Table 19 : Assets Scheduled for Disposal

Anticipated Point of Disposal	Fund	Asset	Comments
2009/10	HRA	127/159 New Street	Sold but subject to planning permissions being granted for 2 developments
2009/10	GF	Site of Former Yasume Club, Auckland Road	Disposal on open market subject to meeting planning requirements or alternative use
2009/10	HRA	2/2a Panton Street	Disposal on open market of 2 flats requiring refurbishment or redevelopment
2009/10	HRA	16 Baldock Way	Disposal by long lease to a Housing Association
2010/11	GF	Site K1, Orchard Park	Serviced site for market housing
2010/11	GF	Site of former Nursery, Wadloes Road	Currently considering most appropriate use
2010/11	HRA	Former Church End Stores, Teversham	Possible market disposal or disposal to Housing Association on long lease
2012/13	GF	Former Park & Ride Site and Golf Driving Range, Cowley Road	Subject to Area Action Plan being prepared and agreed by cross Authority Section 29 Planning Committee
2013/14	GF	Land at Clay Farm	Within wider Southern Fringe development, subject to Collaboration Agreement with adjoining land owner

11.22 The K1 site at Orchard Park has been returned to the list of assets scheduled for disposal following Executive Councillors wishes that alternate options to the proposed disposal could be considered, expected by October 2009. As a result, Section 14 reflects the removal of the capital receipt for this item as part of the updated projection. This is, in part, offset by the disposal of land to the Cambridge Regional College, which will generate a receipt of £750k in the current year and a further £750k in 2010/11.

Property Portfolio Income Projections

11.23 The current market conditions are very challenging and income growth is likely to be much slower than in the past for several years to come. It is highly likely that there will be some impact on income in the medium term due to:

- Businesses struggling and reducing liability by moving out at short notice or trying to renegotiate terms

- Rental growth forecasts likely to be affected by market conditions with negative growth in some cases

- Empty property rates increasing the cost of holding larger vacant property, and

- The need for greater incentives to attract and retain tenants.

Housing Asset Management Strategy

11.24 In July 2007, Community Services Scrutiny Committee approved an update of the Asset Management Strategy for Housing Related Assets.

11.25 The Action Plan includes the following areas which are yet to be reviewed during the life of the current strategy: All other actions within the strategy are now complete.

- garage maintenance – formulate planned maintenance programme

- review of post-2010 position regarding Decent Homes

- external survey of related building fabric including boundary, drying and amenity areas.

- determination of liabilities relating to common parts e.g. flats over shops, courtyards etc.

- pursuit of transfer of amenity pathways to County Council as highway

- review of fencing repair requirements and development of planned maintenance programme

- undertake best value evaluation of the grounds maintenance service for housing

- ascertain financial implications for meeting fire risk assessment outcomes

12. External Funding Projections - Capital

12.1 The legislative and regulatory changes introduced from 1 April 2004 have resulted in significant changes to the funding regime for capital.

12.2 This has seen the previous capital controls, principally under Part IV of the Local Government and Housing Act 1989, replaced; with a move away from the use of a system of credit approvals to each authority as a means of limiting the power to borrow, to a more flexible system based more around affordability.

12.3 The main factors are reviewed below.

Prudential Framework

12.4 The Local Government Act 2003 introduced changes to the financing of capital expenditure, including the abolition of credit approvals and a new prudential capital finance system (the Prudential Framework), with effect from 1 April 2004.

Prudential Borrowing

12.5 Under the Prudential Framework local authorities are now free to make their own judgements as to whether new borrowing is affordable and prudent, subject to a duty to follow agreed professional principles.

12.6 These professional principles are contained within the Prudential Code, which was developed specifically for the purpose by the Chartered Institute of Public Finance and Accountancy (CIPFA).

12.7 Under the Framework the Secretary of State retains a national ‘long stop’ limit on the power to borrow, so as to be able to ensure that the overall position is consistent with national economic policy. It has been confirmed that it would not be used on current spending plans.

12.8 The main advantages offered through borrowing under the Prudential Framework would appear to be in terms of :

a) Rescheduling capital expenditure - where existing levels of revenue used to directly fund capital schemes are used instead to meet the costs of borrowing, allowing a significant initial amount to be spent. The downside of this is that it is primarily a one-off move, bringing forward expenditure or facilitating a single expenditure on a significantly higher level than could otherwise be afforded.

b) Spend-to-Save schemes - where the capital investment achieves revenue savings which could wholly or largely meet the ongoing revenue costs associated with the level of borrowing required.

12.9 The Prudential Framework seeks to formalise and standardise good practice, particularly in terms of making clear the revenue consequences of capital spending decisions. To this end a set of Prudential Indicators must be approved and published by authorities each year (shown in the Treasury Strategy at Appendix G).

12.10 The City Council has always ensured that revenue implications and affordability are central to decisions on capital, and the decision-making framework proposed this year incorporates the marginal prioritisation of available funding between capital and revenue spending, without requiring any additional Council Tax increase to meet specific new approvals.

National Pooling of Housing Capital Receipts

12.11 The redistribution of housing capital receipts has been a fundamental principle of national housing capital finance since the national pooling regime was implemented from 1 April 2004.

12.12 Pooling currently applies to 75% of receipts from right to buy sales and 50% of other receipts, unless specific exemptions can be claimed. The pooling arrangements also apply to non-monetary receipts.

12.13 Capital receipts below £10,000, nomination rights and stock transfer receipts are specifically excluded from pooling. The regulations also allow the deduction of administrative costs of, and incidental to, disposal and costs of improvements made to the asset in the 3 years preceding disposal.

12.14 Authorities are also allowed to exclude non right to buy receipts from pooling if offset against their Capital Allowance, which includes the amount of any spend (or resolution to spend) on the provision of affordable housing or regeneration. To this extent the definition of these two areas are critical to effective capital planning.

12.15 The current legislation unfortunately appears to capture capital receipts in relation to the re-sale of shared ownership dwellings, where the intention of the scheme is to recycle the shared ownership stock, buying back properties when residents wish to move, allowing their re-sale to those qualifying to be on the Council' shared ownership register, thus ensuring that we maximize this type of intermediate housing. Indications are that it may not have been the intention of CLG to capture these receipts as part of the pooling regime, and the treatment of these is subject to review for the future.

12.16 The proposals from the Review of Council Housing Finance indicate that there will be no requirement to pool housing capital receipts once the outcome of the review is implemented. Receipts from any HRA new build are certainly excluded from the pooling regime with immediate effect. It has also been muted that consideration may be given to relaxing or removing the need to pool capital receipts in the period leading up to the implementation of the findings of the review, although no detail exists in respect of this currently.

Major Repairs Allowance (MRA)

12.17 This is currently received through the HRA Subsidy mechanism and is “ring-fenced” to be spent on major repairs and improvements to the Council’s own housing stock. The allowance for 2009/10 is £5.048m (compared to £4.886m in 2008/09) and assumptions are made, based on the current HRA Subsidy System, that it will be increased by inflation on an annual basis, with proportional reductions for right to buy sales.

12.18 This allowance is one of the key funding streams in relation to delivery of the Decent Homes Programme in council housing stock, although it is widely recognised that the level of funding provided via this mechanism is significantly lower than required to both meet and maintain this level of condition in our housing stock, particularly with the introduction of HHSRS (Housing Health and Safety Rating System) standards.

Right to Buy Sales (RTB)

12.19 The proceeds of dwelling sales under the RTB scheme have historically been the major source of capital receipts, and have been a major factor in our ability to achieve decent homes by 2010.

12.20 The Council has, for a number of years, given a commitment to earmark the usable element of receipts from sales of council houses specifically for housing purposes.

12.21 From 2007/08 the resources available to the Council from RTB sales reduced as a direct result of the cessation of the transitional pooling arrangements for debt free authorities. From April 2007 the authority has been required to pay over 75% (less allowable deductions), of all right to buy receipts.

12.22 Resources have fallen considerably since 2007/08, due to both the pooling regime and a dramatic decline year on year in the number of properties sold under the right to buy process.

12.23 In 2008/09 only 6 dwellings were disposed of under the right to but scheme, compared to 43 dwellings in 2007/08 and 72 dwellings in 2006/07. There have been no right to buy sales in 2009/10 to date, with the last completion under this scheme being in September 2008. This cessation in sales, anticipated to be a direct result of the current economic climate, has a significant impact on the authorities ability to deliver its Housing Capital Investment Programme from 2010/11 onwards.

Table 20 : Right to Buy Sales - 2006/06 to 2012/13

	Actual Sales				**Forecast Sales**			
	2005/06	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Sales – Houses	37	41	23	2	1	1	1	1
- Flats	38	31	20	4	1	1	1	1
Total Sales	**81**	**72**	**43**	**6**	**2**	**2**	**2**	**2**
	(£m)	**(£m)**	**(£m)**	**(£m)**	**(£m)**	**(£m)**	**(£m)**	**(£m)**
Net Capital Receipt	7.647	8.306	5.760	0.860	0.256	0.256	0.256	0.256
- of which 'Usable'	4.810	3.720	1.512	0.142	0.063	0.063	0.063	0.063

12.24 The projected level of right to buy sales from 2009/10 onwards, are prudently estimated to remain at the low levels being experienced currently, recognising the considerable downturn in sales experienced between 2003/04 and 2008/09. Predicting the level of right to buy sales continues to be a particularly difficult area to estimate accurately, as it is affected by external factors, such as interest rates, property prices and the economic position in general.

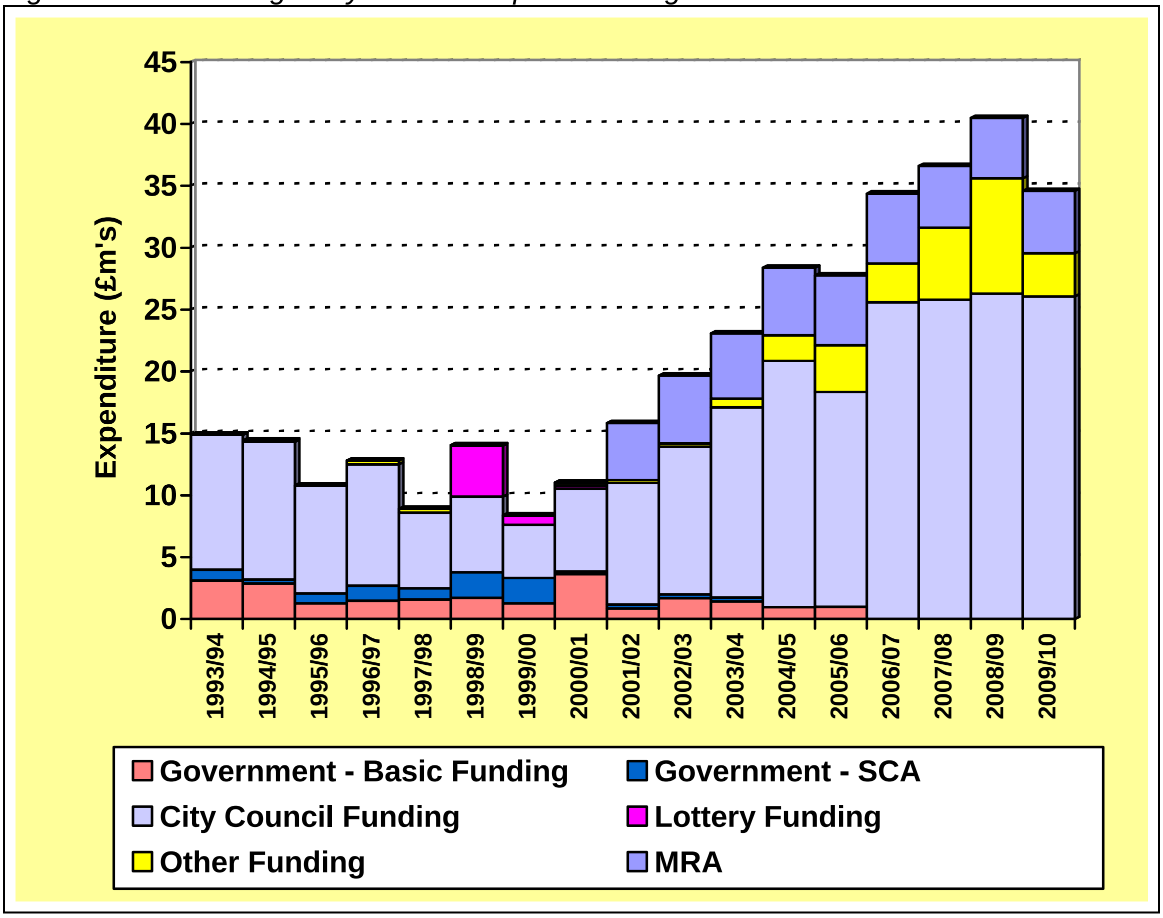
12.25 From a revenue perspective, the reduction in right to buy sales results in the retention of stock and therefore the associated rental income, but significantly reduces the historic income expectation in respect of capitalisation of expenditure associated with right to buy sales. This income expectation has been adjusted for 2009/10 onwards.

Summary

12.26 Whilst bidding to specific funding sources continues to be a key part of obtaining capital funding, the Council continues to employ a policy of making Direct Revenue Funding contributions from the General Fund to provide for capital expenditure requirements although these are reviewed for relative affordability each year.

12.27 The graph below illustrates the trend in terms of the sources of funding for the Council's capital spending :-

Figure 13 : Cambridge City Council Capital Funding Sources - 1993/94 to 2008/09



12.28 This demonstrates that the amount of funding available for capital has increased due to the introduction of MRA, however as this is ring-fenced for use on the HRA the Council is reliant upon its own resources to support the Capital Plan. It also demonstrates the reliance upon funding from other sources and one-off funding to be able to undertake significant projects. The increase in City Council Funding from 2003/04 was due to the Council being able to utilise 100% of Right-to-Buy receipts.

12.29 Capital Plan schemes are shown at gross cost, with all funding sources shown. This enables more effective targeting and monitoring of external funding for capital.

13. Capital Spending Pressures

Review of Approved Capital Programmes

13.1 Each of the Council's approved Programmes has a remit statement (as detailed in Appendix R) which includes a specified end date. By this point the relevant lead officer is tasked with reporting back to the relevant committee to confirm that the objectives of the Programme have been achieved, or that an extension should be considered with an associated capital bid.

13.2 The table below shows the approved periods for the existing Programmes.

Table 21 : Approval Periods for Current Capital Programmes

Approved Programme	2009/10 (£ 000's)	2010/11 (£ 000's)	2011/12 (£ 000's)	2012/13 (£ 000's)	2013/14 (£ 000's)
PR003 City Centre Management	30	30	0	0	0
PR004 Sustainable City	30	30	0	0	0
PR006 Safer City	50	0	0	0	0
PR007 Cycleways	486	150	50	0	0
PR010 Environmental Improvements	1,354	525	0	0	0
PR014 Environmental Safety Fund	66	0	0	0	0
PR016 Public Conveniences (*)	259	38	0	0	0
PR017 Vehicle replacement Programme	1,667	706	1,420	540	960
PR018 Bus Shelters	114	55	55	0	0
PR019 Car Parks Infrastructure and Equipment Replacement Programme	829	255	0	0	0
PR020 ICT Infrastructure	114	100	100	100	80
PR022 Local Nature Conservation	6	6	0	0	0
PR023 Admin Buildings Asset Replacement Programme	164	75	60	30	31
PR024 Commercial Properties Asset Replacement Programme	97	275	26	95	55
PR025 New Town Community Development Capital Grants	110	20	0	0	0
Total	**5,376**	**2,265**	**1,711**	**765**	**1,126**

Note : *(*) - includes MTS Sept 2009 recommendation additional £35k 2009/10, subject to Council approval 22 October 2009*

13.3 This serves to highlight the approach previously adopted of seeking to ensure that the majority of Programmes come to the end of their approved time period at 31 March 2011, so that consideration of any further funding could be made in the context of the next Spending Review and Grant Settlement periods. This is also reflected in the high levels of uncommitted capital funding available in latter years of the projection.

13.4 Reviews of these programmes are required as part of the current budget process, to identify progress to date against the agreed remit, and whether there is any requirement for bids to extend the funding of the programme in future years.

13.5 As part of this report approval is sought for the addition of £35k to the existing programme PR016 Public Conveniences, to enable door access charging at public conveniences, which was recommended as part of the 2008/09 review. This will result in additional revenue income for the Council.

Review of Hold List

13.6 It is also important that items currently on the Council's capital Hold List are reviewed. These are items which have been approved in principle, but are awaiting the identification and approval of appropriate funding before they can proceed.

13.7 There is currently a single scheme on the hold list:

- Park Street Car Park - repair and refurbishment

13.8 A requirement for significant repair work at Park Street car park has been identified as part of the development of the forward programme of works for all of the car parks. This requirement cannot be contained within the existing Repair and Renewal Fund provisions that are being made in respect of the car park.

13.9 Scheme approval was agreed at £1m, to be spent in 2011/12. The project was placed on the Hold List given the current review of the overall parking portfolio requirements and usage. As this was included in 2007 it will be necessary to review the scale and cost of the works required prior to further consideration.

Lion Yard

13.10 Section 8 also detailed the further development being undertaken and proposed by the head-lessee, Barclays Nominees, in relation to the Lion Yard Shopping Centre and the revenue implications in terms of future rental streams have been reflected in forecast income.

13.11 Scheme SC221a already provides funding of £3.268m towards Phase 1 of the development at Lion Yard, which is currently being undertaken and will be completed in late 2009.

13.12 Capital scheme SC221b provides funding of £641k for the additional Phase 1+ works as described in Section 8. The timing of these works is uncertain due to market conditions. It is anticipated that Phase 1+ will be concluded within 3 years or sooner if pre-lets can be agreed with tenants.

13.13 Scheme SC221c relates to a £458k contribution to Phase 2 works, which are proposed but not yet confirmed. This will be increased by the LABGI funding received for 2009/10 (i.e. £80,328). Phase 2 is dependent on changes to and timing of tenant's leases, but is likely to happen to some extent, as this will improve the integration with Grand Arcade Shopping Centre.

13.14 These capital schemes are the Council's 25% contribution to the cost of the works rather than having a substantial income reduction in perpetuity to reflect the head-lessee's investment in the Shopping Centre.

Guildhall Project

13.15 Section 8 also provides information on the Guildhall Project. The Capital Plan includes a scheme (SC342) relating to the development of commercial activities within the Guildhall. The initial approval for the scheme in November 2006 allocated a budget of £613k. A key stage review of the scheme identified more accurate costs and income streams associated with the proposals, and these were reported to the September 2008 Strategy & Resources Scrutiny Committee

13.16 A revised scheme was approved with additional income generating commercial opportunities included at a revised capital investment of £1.18m. Works are now underway to complete the works to the Council's retained property in order to relocate existing services and staff to allow handover to the restaurant tenant in October 2009.

13.17 Income forecasts reflect the revised income streams anticipated following changes to the original scheme and the probable timing of income being received.

Orchard Park and Clay Farm Developments

13.18 The City Council owns land which forms part of each of these developments, and as such is, or will be, party to collaboration agreements for the provision of the infrastructure necessary to facilitate the developments.

13.19 In terms of Orchard Park (previously Arbury) the collaboration agreement is in place, and the Council has already been required to make contributions towards infrastructure costs under it. The latest financial report from the management agent indicates that the Council will be required to make a further contribution of £538k to meet the scheme's remaining contractual commitments. This has been provided for in the MTS projections.

13.20 In terms of Clay Farm, there is no collaboration agreement concluded at this stage. Although the overall amount involved, and hence the Council's share, is dependent on the outcome of the current planning appeal it is anticipated that the Council's share of the costs could be in the region of £4m-£5m.

13.21 This represents a key pressure, and once the full implications are clarified consideration will need to be given to how this could best be provided for if payment is required prior to disposal of the Council's land. This will be covered in future reports.

Unavoidable Pressures and Bids Post-July Cycle of Scrutiny Committees

13.22 Items raised following the July cycle which impact on the Council's Capital Plan are detailed below, and have been included in the Capital Plan at Appendix S. The items are summarised below :

(a) Grand Arcade Annex Car Park Fan system - a bid of £21,700 against the Climate Change Fund

(b) Secure Mobile Virtual Private Network VPN - a bid of £8,500 in 2009/10 to the Technology Investment Fund approved by the Executive Councillor under urgency powers. This is reflected in the coverage of TIF in Section 9 and Appendix M-3.

(c) PR016 Public Conveniences - the recommendation for the addition of £35k to the existing programme, to enable door access charging at public conveniences, which was recommended as part of the 2008/09 review. This will result in additional revenue income for the Council.

(d) SC221c Lion Yard Phase 2 – the recommendation for the addition of £80,328 of funding received from LABGI for 2009/10 to the existing provision for the Council's costs associated with the scheme, in line with the previous treatment of LABGI receipts.

(e) SC379 Mercury Abatement – the recommendation to reschedule the provision of £1,387k from 2009/10 to 2010/11, based on the latest timetable for the works.

(f) SC192 Land to the North of Kings Hedges Road - the recommendation (covered above) to increase the budgeted amount to reflect the additional £538k contribution required under the collaboration agreement (paragraph 13.19, above, refers).

(g) SC439 LED Lighting in the Grand Arcade Annex Car Park (£120k) to be funded from the Climate Change Fund (£100k), LAPE Surplus (£10k) and R&R contribution (£10k)

(h) PR001 (extension): New Build Housing Scheme for 8 properties £1,022k to be funded from a Homes and Communities Agency Grant (£295k), Prudential Borrowing (£283k) and Council funding (£444k)

Repair and Renewal (R&R) Funds

13.23 The Council is committed to the provision of R&R Funds to ensure that funding is accumulated to meet the cost of major repairs or replacement of assets which have a finite life.

13.24 This serves to even-out the cost associated with these major items of expenditure, whilst ensuring that ongoing services are fully sustainable.

13.25 Over recent years work has been undertaken to develop medium and long-term programmes of work for which R&R Funding is being provided. This achieves two important aims, firstly to ensure that the level of provision is in line with the anticipated costs that will be faced over the long-term, and secondly to identify opportunities to plan for the most effective timing and form of procurement exercise.

13.26 No further programmes have been requested for inclusion within the current Capital Plan at this time.

Housing Capital Expenditure

13.27 The Council's debt free status temporarily reduced the pressure on capital resources relating to the housing service for a finite period of 4 years from 2003/04 to 2006/07. From 2007/08 the Council was required to pool the full 75% of capital receipts (less any allowable deductions) into the national pool in line with the prescribed guidelines.

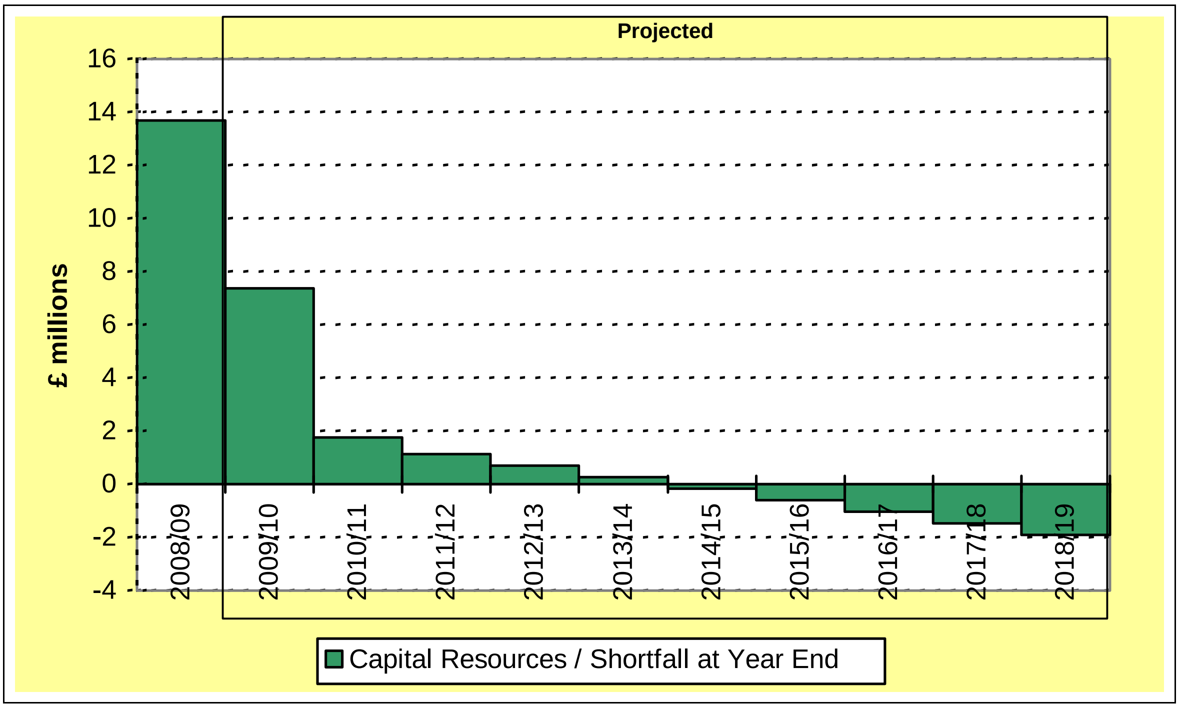
13.28 The revenue position for the HRA, driven currently by the HRA Subsidy System, coupled with a significant decline in right to buy sales and their associated capital receipt, ensures continued pressure on the capital resources available to fund the Housing Capital Investment Programme.

13.29 A revised 10-year Housing Capital Investment Programme was approved in November 2008, following a major zero based budget review of all of the schemes within the programme, where a funding shortfall of approximately £12m over the 10-year period was addressed. Subsequent changes have been made in January and July 2009.

13.30 Previously approved capital expenditure was prioritised against any newly identified need to spend, with preference given to statutory / mandatory areas of areas of investment, health and safety work and spend to save initiatives. Any resources remaining were then available to be invested in discretionary areas.

13.31 The table below demonstrates the impact on capital balances, of the latest approved 10-year Housing Capital Investment Programme, where the ability to deliver statutory commitments in the latter years in respect of HRA capital investment, will depend upon a significant level of revenue contributions to capital from the HRA, putting additional pressure on the HRA to cuts costs to create surpluses to allow for this investment.

Figure 14 : Capital resources available for housing purposes / shortfall - 2008/09 to 2018/19



13.32 The Housing Capital Investment Programme uses all available housing capital balances and anticipated receipts, in addition to assuming a significant level of revenue contribution over the period, to deliver decent homes and environmental improvements in our housing stock, and if resources allow, to enable additional investment in affordable housing in Cambridge.

13.33 The significant decline in right to buy sales in recent years, has resulted in reduced ability for capital investment in General Fund Housing and in the provision of new affordable housing in particular. Opportunities to bid for HCA (Homes and Communities Agency) grant funding, as an alternative route for the delivery of new affordable housing, are being actively pursued.

13.34 From 2014/15 onwards, it is currently anticipated that there will be insufficient resources to fund the existing approved Housing General Fund capital commitments, as capital balances will have been fully utilised and ongoing right to buy receipts are expected to be minimal. Decisions will be required in respect of the Council's longer-term ability to invest in disabled facilities grants, private sector housing grants and loans and long term vacant properties in the private sector.

14. Capital Plan Forecast

Financing Strategy

14.1 The Council's current financing strategy for capital is geared toward ensuring the maximisation of the resources available to the Council. The strategy has been developed, and operated, over a number of years now and has proved successful.

14.2 In order to maximise the total level of resources available, funding is applied in the following order :-

(1) Specific grants

(2) Usable capital receipts

(3) Revenue contributions (Direct Revenue Financing - DRF)

(4) Reserves.

14.3 This enables the Council to maintain a greater degree of flexibility, as usable capital receipts can only be used to finance capital spending, whereas both revenue and reserves can be used for both capital and revenue purposes.

14.4 In light of the success of this strategy in recent years it is recommended that it is continued.

Capital Financing Requirement & Commutation Adjustment Reserve

14.5 In January 2009, the Council commissioned its treasury management advisors, SECTOR Treasury Services Ltd, to carry out a balance sheet review with particular reference to certain technical finance issues connected with the Council's negative Capital Financing Requirement (CFR) of £1.278m, and a £0.887m credit balance on the Commutation Adjustment Reserve (CAR).

14.6 SECTOR were requested to provide the Council with an opinion on whether these two sums provided 'cash-backed' resources that could be used in the future.

14.7 Both the CFR and CAR have their origins set deep within the complexity of past mechanisms for the control and financing of capital expenditure. The CFR (introduced under the Prudential Framework on 1 April 2004) measures the authority's underlying level of debt liability/ability to borrow, and replaced the pre-April 2004 'credit ceilings'. The CAR represents the transfer of sums set-aside since 2000/01 (from the then Capital Financing Reserve), to counter deficits on the General Fund arising from the commutation of improvement grants in 1992.

14.8 The intention was to use the CAR to offset any principal repayment charges to the General Fund should the latter once again become indebted, rather than to take the benefit at a time when the council had no MRP liability. However, the negative balance on the CFR has not previously been recognised as an 'available' resource.

14.9 SECTOR have concluded that both the £887k on the CAR and the £1.278m negative balance on the CFR are cash-backed. The £1.278m is available to facilitate new capital spending without any associated debt principal repayment liability, and the £0.887m represents a revenue spending resource, which may also be used for capital expenditure if required. It is proposed that these resources be applied in 2009/10 towards funding capital expenditure.

Overall Resource Availability

14.10 The projected availability of resources for capital is outlined in Appendix T.

14.11 The existing stock of non-housing usable capital receipts was fully expended during the 1995/96 financial year, as part of the financing strategy. Since that point the usable receipts are, therefore, based on use of receipts due in that particular financial year only.

14.12 Projections of usable receipts are primarily based on Right-to-Buy sales of council housing stock, together with disposals resulting from the review of the general property portfolio.

Capital Plan

14.13 The updated Capital Plan is shown at Appendix S. This includes rephasing to reflect movement in scheme costs between 2008/09 and future years, with appropriate adjustments made to the funding profile.

14.14 The revised Hold List is shown at Appendix U.

14.15 The Housing Capital Investment Programme (HCIP) is subject to separate scrutiny by the Housing Portfolio / Community Services Scrutiny Committee. It includes the investment of HRA capital resources in our own stock (meeting decent homes, improving sheltered schemes and other capital investment) and in housing in the private sector (disabled facilities grants, private sector grants and loans and the provision of new affordable housing).

14.16 It is recommended that this practice continues, with HCIP being included in the Capital Plan as a single programme line to ensure that there is control of the overall allocation of resources and spending at Strategy & Resources Scrutiny Committee.

Commitment of Available Funds

14.17 A projection of the level of funding available over the period through to 2013/14 has been drawn up based on the analysis included in Section 9 of this document.

14.18 The latest projections include the total of £2.165m of funding available from the balance sheet review, the removal of the capital receipt of £2.5m in 2009/10 for the Orchard Park (was Arbury) K1 site, and the inclusion of the receipt of £1.5m for the disposal to the CRC; in addition to the effects of rephasings.

14.19 When compared with the projected funding available for capital expenditure the overall position is :-

Table 22 : Commitments Against Available Capital Funding – 2009/10 to 2013/14

	2009/10 (£ 000's)	**2010/11 (£ 000's)**	**2011/12 (£ 000's)**	**2012/13 (£ 000's)**	**2013/14 (£ 000's)**
Schemes	10,907	4,359	0	0	0
Programmes	24,140	16,807	10,862	8,385	8,690
Total Spend	**35,047**	**21,166**	**10,862**	**8,385**	**8,690**
Available Funding	**(35,047)**	**(21,404)**	**(11,837)**	**(9,765)**	**(10,070)**
(Surplus) / Shortfall in Funding	**0**	**(238)**	**(975)**	**(1,380)**	**(1,380)**

14.20 This demonstrates the pressure that there will be on new bids for General Fund capital funding for 2010/11. It also highlights that the majority of the revenue funding for capital from 2011/12 is still unapplied – although this should be viewed in the context of the fact that the majority of the existing capital Programmes have remits ending at that point, and are currently being reviewed (as detailed in Section 13).

14.21 This reflects the standard policy of returning any unapplied use of reserves at this stage of the process, so that more effective consideration of its application can be made. The main decision point for funding will be made following the January 2010 meeting of the Strategy & Resources Scrutiny Committee, at which time new bids from the budget cycle will have been received from service committees and the position with regard to any further receipts from asset disposals should have been clarified.

Part E

Budget Strategy

15. Budget Strategy and Process

REVENUE - GENERAL FUND

The Budget Process

15.1 The introduction of cash limited budgets from the 1997/98 budget cycle onward has enabled the completion of the budget process to the agreed timescales and enabled overall control of the budget to be maintained, whilst allowing discretion within individual spending committees, and more latterly, service portfolios.

15.2 In this way, once the requirement of affordability at a Council-wide level is met, Executive Councillors have the opportunity to direct any benefit gained from any additional savings to develop and enhance their services based on MTO priorities. This is in line with the aims of the Annual Statement although, in recent years, the overall financial pressures faced by the Council have meant that the amounts available for re-distribution towards service developments have been limited.

15.3 In reviewing the budget process for 2009/10 it has been determined that there will be a further meeting of the Executive, to be held on 14 September 2009. This change allows the Executive to determine the basis of the final MTS to be recommended directly to Council. This also links to changes in the timings of the Council's scrutiny committee cycles with the return to a complete June / July cycle (i.e. with Strategy & Resources and Council meetings included – previously held in September), whilst the November / December cycle has been brought forward to October (lessening pressure during budget finalisation).

15.4 In terms of the MTS, this means that there will be a need for officers to start the crucial work on developing detailed budget proposals immediately after the Executive meeting, so as not to lose any of the limited time available to complete this work. This raises the possibility that there are changes in the final version agreed at Council in late October, but these are felt unlikely to be material in scale or nature given the amount of time involved.

15.5 As was the case last year, a key process issue considered for 2009/10 was how to deal with the impact of both the Growth Agenda and the implementation of the Council's Customer Access Strategy. Both of these projects have far-reaching and complex interactions with most of the services across the Council, and will run for considerable periods of time.

15.6 At this stage neither project is complete, however, the effects of the projects will need to be built into base budgets as the projects proceed. It is, therefore, proposed that, once again, both projects will be run as parallel streams of work to the main budget process for 2010/11 (as in 2009/10). This will allow detailed work to be progressed on each.

15.7 In order to ensure the integrity of the work in each stream the previous budget process has been enhanced to allow for any items in the main budget process, which may relate to either project, to be identified. These can then be reviewed to ensure that proposals are not contrary to, and do not duplicate, something that is integral to either project. This can be effectively delivered in practice, through an enhancement made to the Council's budget database; minimising additional effort whilst ensuring a robust review is achieved.

15.8 No further changes to the process are anticipated and the overall budget and decision making process is illustrated in Appendix A.

15.9 Key features of the process are :

- Executive Councillors are responsible for putting together a package of budget proposals for consideration by each Scrutiny Committee and by The Executive.

- Service Plans are prepared for all services, to reinforce the performance management process. The staff performance review process is integrated with the service planning process and Service Plan objectives and targets feed through into objective setting for individual staff members and teams.

- Consideration of 2009/10 revised budget and 2010/11 budget proposals takes place during one cycle of Scrutiny Committee meetings, in January 2010. Service Plan / budget reports will be sent out for all scrutiny committees in December 2009, so that Members have an overview of all proposals at one point in time, as last year.

- The Council's Risk Assurance framework is integrated with the key decision making points within the annual cycle.

15.10 An outline of the programme / timetable for the overall budget process is included at Appendix B.

Approach to Savings

15.11 In reviewing last year's budget process for learning points, there was a strong feeling that the approach of seeking relatively sizeable levels of savings each year and the tendancy to focus on a single year's budget would not be viable in the longer-term. This gave rise to consideration of focussing on a more fundamental review of the services provided by the Council, based on the MTOs, with a subsequent lower level of ongoing savings requirement.

15.12 Previous experience also suggest that such levels of savings will not be easy to identify purely through efficiencies, and in light of the anticipated cost pressures associated with the Growth Agenda over future years the long-term modelling for the General Fund has, anyway, been seeking to reduce the level of savings required.

15.13 The main process for the 2010/11 Budget is very similar to that which has been successfully developed over the last few years. However, the MTS has identified the need for a greater emphasis on considering multi-year measures and changes, reflecting the need for a more strategic response to the medium-term pressures the Council faces as a result of the economic downturn. This will be supported by a review of the Council's MTOs, as the basis for prioritisation, as highlighted in Section 2.

15.14 Reflecting this, the focus will be on the achievement of a significant level of savings over the 3-year period from 2010/11 to 2012/13, inclusive. The 3-year time-frame will allow a comprehensive examination of the allocation of resources against the Council's MTOs, ensuring that services can be most effectively protected whilst financial stability and sustainability is maintained.

The Calculation of General Fund Cash Limits

15.15 In order to effectively control the overall financial position of the General Fund the need to spend must first be matched against the projected availability of funding to determine affordability. Any excess over available funding will identify the amount by which the overall spending base must be reduced, and hence allows a percentage reduction level to be calculated for use in arriving at cash limit targets for each committee.

15.16 For 2010/11 the previous approach of seeking to achieve a sustainable underlying financial position, where the levels of spending and Council Tax are not unduly dependent on use of reserves is being maintained; in line with the Annual Statement. This reflects the availability of reserves for specific one-off / unexpected events, and the need to consider carefully the level of uncertainty when agreeing the level of reserves.

15.17 As a result, a near nil use of reserves in the medium / long-term is a key determinant for a sustainable position. This is assessed by using the full 25-year financial projection model. The importance of this approach is shown in Section 9, which demonstrates the need to smooth-out short-term peaks and troughs in order for the Council to be able to effectively manage cost pressures at the end of, and beyond, the MTS period.

15.18 The calculation of the affordability of the projected base position for the General Fund in 2010/11 was outlined earlier, and results in the determination of the level of savings required as shown below :-

Table 23 : Calculation of 2010/11 Savings Requirement

			(£ 000's)	(£ 000's)
	SPEND	Inflated Committee Base	20,537	
		Capital adjustments and MRP	(2,208)	
		Other appropriations	4,043	22,372
add	**NEW REQUIREMENTS**	Net unavoidable costs	3,939	
		Priority Policy Fund	0	
		Repayment of temporary use of reserves	(461)	3,478
				25,850
less	**AFFORDABILITY**	Use of Reserves	5,769	
		Council Tax	6,658	
		Total External Support	12,438	24,865
	Need to reduce overall base by :-			**985**

15.19 For 2010/11 this means that a total of £0.985m of savings will be required, with the current round of Service Reviews (though not yet complete, or having reported back final recommendations at this stage) currently indicating that around £210k could be realised for that year.

15.20 In seeking to achieve this level of reduction an adjusted gross expenditure total is used to apportion the requirement across portfolios in as equitable a manner as possible. A key question in arriving at the gross expenditure totals to use is whether contractual commitments should be included or excluded.

15.21 It can be argued that areas of service which are subject to contracts / agreements face significant constraints on their ability to effectively alter terms during the period of the contract / agreement. In such instances the committee has to find additional savings from other areas within its control in order to meet the overall cash limit target.

15.22 Given the re-integration of City Services with the main Funds, and the fact that their work is only governed by internal agreements, they will not be treated as exclusions for the purposes of savings calculations. However, as well as being subject to savings targets, they will be eligible for central provisions against key unavoidable cost, such as NIC and pension contribution increases.

15.23 This year, the approach again being proposed is to exclude any major external contracts which are 'within term' during the year. In practice this means that the Pools Service Management, Housing Repairs and ICT Facilities Management contracts will be excluded.

15.24 This approach also provides a more appropriate fit with the Best Value process, allowing detailed reviews to identify the need for resource changes at the point where the contracts / agreements are re-tendered or re-negotiated; and hence when real flexibility to alter the level and nature of service provision exists.

15.25 The effect of this is an implied reduction of 2.58% in the calculation of committee cash limits (compared with 3.45% last year), based on an adjusted gross expenditure base of £38.178m.

15.26 The more detailed calculation of cash limits for individual committees is contained in Appendix V.

15.27 Given the information currently available, it would seem prudent at this stage to plan based on an overall net spend (after use of reserves) of £20,019,430.

15.28 A similar process generates the projected savings requirements for future years. As noted above, the aim of this MTS has been to enable a position where a savings level for the next 3-years is identified that will allow the future level of savings to be reduced to a more manageable level.

15.29 In doing this the actual profile of savings to be achieved over the 3-year period has been designed to reflect the fact that this will involve a number of material changes to services which may take time to fully implement; as well as the fact that there will be limited time available, in practice, to achieve significant changes for 2010/11.

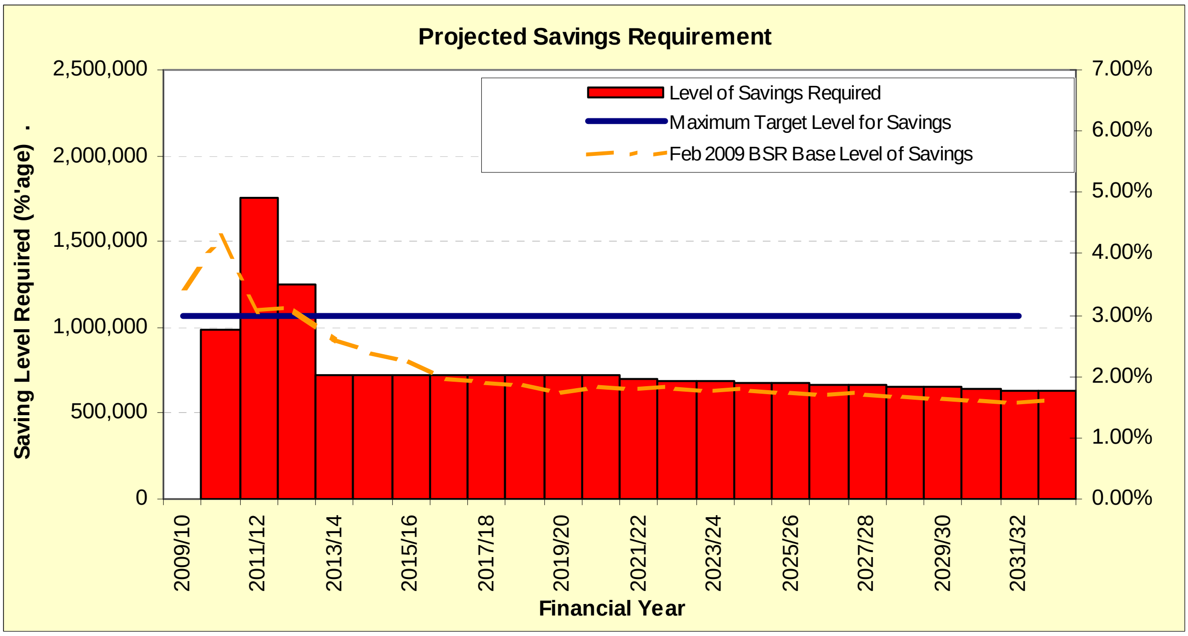
15.30 The resulting projections are based on a savings requirement of £3.985m over a 3-year period to 2012/13. This is based on the achievement of a profile of savings of £985k in 2010/11 (as detailed above), £1.75m in 2011/12 and £1.25m in 2012/13. These represent minimum levels for each year, if savings can actually achieved in advance of this profile it will be to the overall benefit of the General Fund position.

15.31 Given the importance of delivering these savings, and reflecting the degree of change implied and the need to ensure smooth transition for services and users, a provision has been made to facilitate these changes and meet pump-priming costs. This is achieved through making contributions to the Council's Efficiency Fund of £75k in 2010/11, £475k in 2011/12 and £200k in 2012/13.

15.32 After this 3-year period General Fund savings requirements are reduced to a level of £725k p.a. from 2013/14 to 2020/21. For 2021/22 the requirement falls to £700k p.a. and continues to fall until reaching a level of £615k at the end of the 25-year projection period.

15.33 The profile of savings requirements, and the comparison with the levels projected in the February 2009 BSR are shown graphically below :

Figure 15 : General Fund Savings Requirements – 20010/11 to 2032/33



15.34 It should be noted that the ongoing level of £725k includes a sum of £500k to provide funding for a Priority Policy Fund, so only £225k p.a. is 'required' in order to produce a balanced budget.

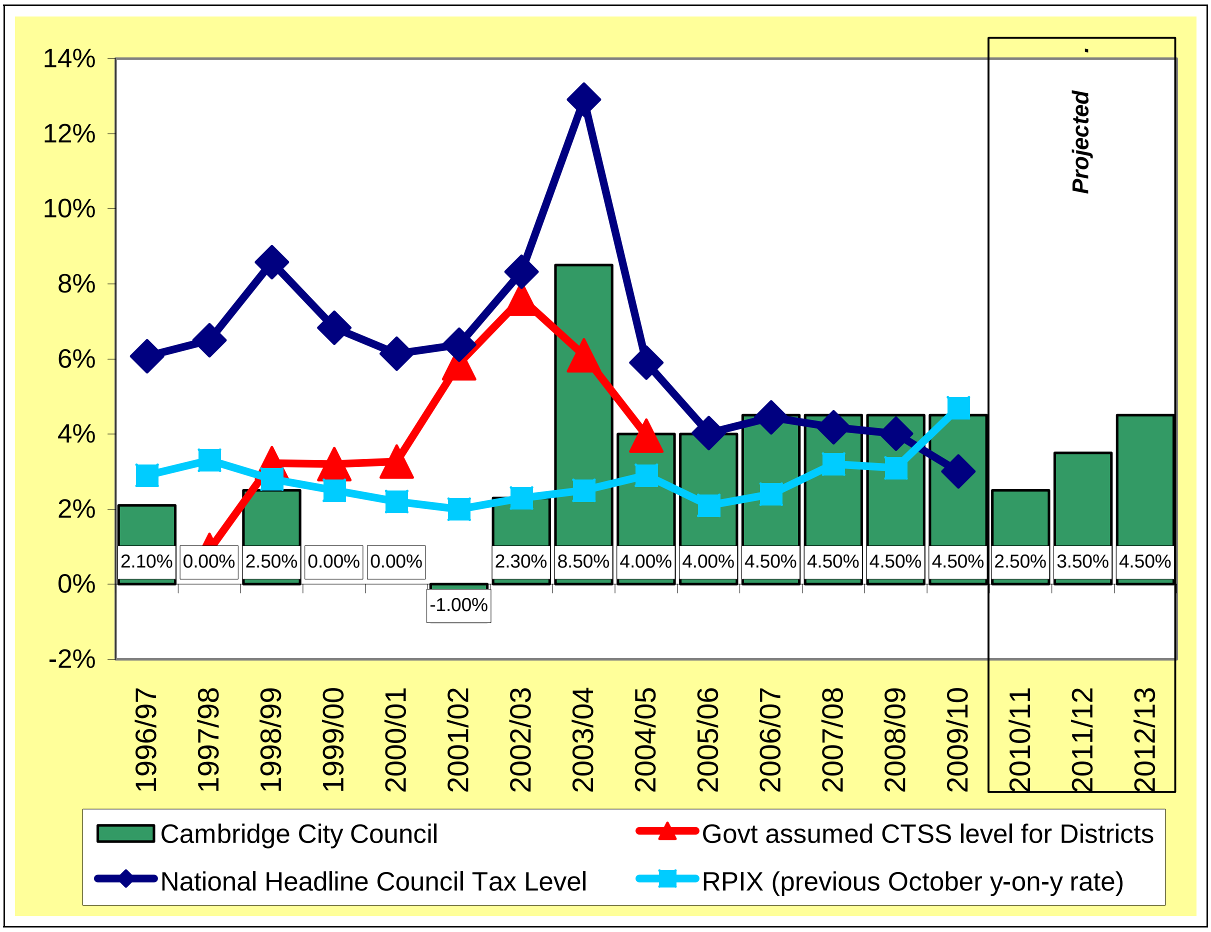
15.35 On this basis the approach adopted in the MTS is deemed to achieve a balance of prudence and deliverability. The position will be reviewed as part of the February 2010 BSR.

15.36 In arriving at the overall financial framework the February 2009 BSR assumptions on the level of Council Tax increase have been revisited. In light of the projections for the continuing economic downturn, and phased recovery, it is felt appropriate to make amendments to the short-term assumptions for Council Tax increases.

15.37 As a result, increases of 2.5% for 2010/11 and 3.5% for 2011/12 are proposed; with levels of 4.5% retained over the longer-term, at this stage. These changes will have an effect both on the level of income to support General Fund spending directly and the level of provision that is being made from the increase in property numbers to meet the anticipated future costs of Growth.

15.38 Recent Council Tax trends, and the planned increases, are shown below :

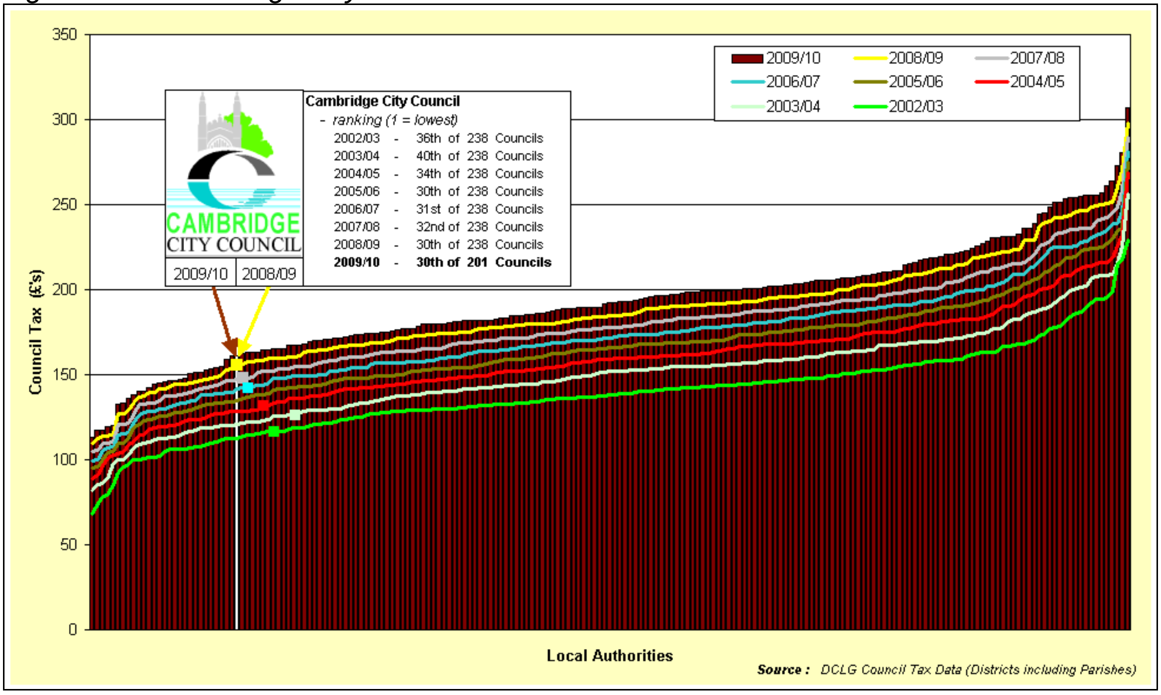
Figure 16 : Council Tax Increases - Actual and Government Assumptions



15.39 Previous public consultation feedback on Council Tax showed a split in views as to whether Council Tax should be increased, if necessary, to protect services; but the recent trend has changed and is now moving back towards protecting services and away from cutting services.

15.40 The City Council had the 30th lowest level (out of 201 – previously out of 238 Districts prior to the recent Unitary Council changes) of Council Tax for a District Council in 2009/10, based on Government statistics, as illustrated in the table below, at £162.51. The full charge for City residents at Band 'D' (i.e. including the elements for the County, Fire and Police) is the 24th lowest (again of 201), at £1,400.82 for 2009/10.

Figure 17 : Cambridge City Council : Council Tax Level - 2002/03 to 2009/10



15.41 Given the spending pressures outlined in this document, and the policy context statements, a Council Tax increase equal to 4.5% has been used for the MTS, as a working assumption from 2012/13 onward. This is in line with the forward projections which had been agreed as part of the February 2009 Budget-Setting Report.

15.42 A frequent comparison made is against the rate of inflation. Inflation in July 2009 was 1.2% (measured by RPIX, and 1.7% by CPI), however the General Fund in 2009/10 will have to bear additional net inflation-related costs of £649,440 (which equates to a 2.76% increase on the net cost base) - the actual inflationary pressure that the Council has to bear; in order to maintain services at existing levels.

15.43 This strategy is designed to continue to deliver a broadly stable level for the City's element of Council Tax without unduly impacting on services, in line with previous aims.

15.44 The reserves table (included in Appendix O, and reviewed in Section 10) demonstrates that the Council's previous plans to provide for an on-going level of reserves over the medium to long-term of around £5m is still sustainable.

REVENUE - HOUSING REVENUE ACCOUNT

15.45 The minimum level for HRA balances has been set at £1m, with a target level of balances at £3m. This aims to give enough flexibility, so that structured decisions can be made in light of any uncertainties, particularly surrounding subsidy announcements, rental income and the decision taken a few years ago to self-insure the housing stock up to a stop-loss of £250,000 per annum.

15.46 The HRA Financial Model assumes that spending on day-to-day repairs will reduce in line with the reduction in the stock, (although the level of this reduction is now limited), and also builds in assumptions of on-going reductions in management expenditure across the ten-year forecast, necessary to deliver a balanced Housing Revenue Account.

15.47 The savings expectation included in the Housing Revenue Account financial model has been amended to 3% for 2010/11 and 2011/12, increasing to 3.9% from 2012/13 onwards. This change results from the assumptions being made in inflation levels for the forecast period and includes allowance for the proposed 2009/10 pay award and provisions for increases in future pension costs. The level of savings identified creates headroom to allow policy space in the HRA of £40,000 for 2010/11, and £75,000 per annum from 2011/12 onwards.

15.48 The savings target has been held at 3% for two years, pending the outcome of the national review of Council Housing Finance, at which point significant changes are anticipated irrespective of the outcome.

15.49 The financial pressures identified above result not only in the need to continue to assume savings levels of 3.9% from 2012/13, but also result in a reduction in available revenue funding for capital purposes, which forces utilisation of capital balances to meet capital commitments in the short term, resulting in an inability to fund general fund housing capital investment in the medium to long term at levels previously anticipated. A further review of the 10-Year Housing Capital Investment Programme will be required as part of the 2010/11 budget process to address this.

Use of balances

15.50 The available balances at the end of 2008/09 were approximately £6.1m. The Housing Revenue Account forecast contains the assumption that HRA balances will be reduced by an estimated £500,000 per annum until the target level of £3m is arrived at. This will be achieved by making additional direct revenue financing (DRF) of capital contributions, albeit at a lower level than previously anticipated, to contribute towards the investment need identified in the Housing Capital Investment Programme.

15.51 The financial modelling for the HRA suggests, using current assumptions for inflation and interest rates, that a sustainable HRA can be maintained for a 25-year period, but with all HRA balances being utilised in the later years. This model does not, however, result in delivering enough revenue resource to the housing capital programme to meet the identified need to spend.

15.52 This highlights the need for a fundamental review of the prospects for the HRA in light of the outcome of the consultation on the changes being proposed to the national financing regime for social housing.

CAPITAL

The Budget Process

15.53 The process for capital items is based around two main categories, the Capital Plan and the Hold List. The Capital Plan lists all of the items of expenditure which have received the necessary approvals from the relevant Executive Councillors and Council, and have been allocated funding. The Hold List comprises items where the content of the proposed scheme has been agreed, but funding has not yet been allocated, this forms the basis for consideration on how to use any unallocated capital funding.

15.54 There are two main categories for capital items :

a. Programmes – effectively rolling programmes over a prescribed period. These are set up based on a specific purpose (as defined in a remit statement) and a finite timescale. In the year before they reach the end of the agreed period they should be reviewed so that future needs can be assessed. Once approved by the Executive Councillor for Strategy & Resources / Council for inclusion in the Capital Plan a programme can be drawn upon by smaller projects, which enable the remit to be met

b. Schemes - specific individual projects which are finite in nature, and which have been approved by the Executive Councillor for Strategy & Resources for inclusion in the Capital Plan.

15.55 The Housing Capital Investment Programme (Capital Plan PR01) is subject to separate detailed scrutiny and control by the Housing Portfolio / Community Services Scrutiny Committee. It is recommended that this practice continues, with control over the overall allocation of resources being retained by Strategy & Resources through the inclusion of the single programme line in the Capital Plan.

15.56 It is recognised that completing the full preparatory work for substantial new bids has a significant cost in terms of both officer time and money. The process for bidding for new items has, therefore, been drawn up as a two-stage process.

Table 24 : Capital Bidding Process

Stage	Process
1	An outline bid is submitted by the service committee to Strategy & Resources Scrutiny Committee. This should identify the purpose of the bid and what identified need(s) it will meet, the approximate cost, what sources of external funding would be sought and the revenue consequences. Approval at this stage would give the committee / department approval to fully work up the scheme in detail.
2	The detailed bid is submitted to Strategy & Resources Scrutiny Committee with a request for inclusion on the Hold List or direct inclusion in the Capital Plan. The scheme can only proceed when it has been approved for inclusion in the Capital Plan, and hence the required funding agreed.

15.57 It is accepted that some smaller schemes may have a limited resource requirement in developing a detailed bid, and that some schemes may need to meet a short timescale (e.g. responding to bids for joint funding). In such cases these circumstances would be accepted in going straight to the second stage.

15.58 In terms of timing there are three key phases to consideration of capital items during the year, as shown below.

Table 25 : Consideration of Capital Items

Meeting date	**Issues to be considered**
September	Overview of the existing capital position, including the implications of the outturn for the following year. Consideration of any bids referred from committees. Housing Business Plan Statistical Appendix Programme submission made to the CLG. Preview of anticipated spending pressures and likely external funding for the next financial year.
January	Review of the projections for the next financial year, in light of the provisional allocation announcement. Review of current Hold List. Bids from Executive Councillors' budget proposals forwarded to Strategy & Resources Scrutiny Committee. Overall decision on Capital Plan by the Leader.
February	Final Government Settlement and announcement of any capital grants or funding allocations allows confirmation of the final funding decisions for the Capital Plan. This will include proposals to ensure full funding of the commitments for the next financial year. Council confirms new Capital Plan.

15.59 The Council's Asset Management Group (AMG) plays a key role in the mechanisms in respect of monitoring and reporting capital, to ensure a corporate and consistent approach is followed across the Council.

Summary

15.60 The Medium Term Strategy review recommends budget strategies for the General Fund and Housing Revenue Account which seek to continue the prudent financial management of the funds which the Council operates on the public's behalf.

15.61 In fulfilling this aim one of the key factors is ensuring medium and long-term sustainability of services and policies adopted by the Council, and the analysis in this paper serves to demonstrate that this is achievable.

15.62 Whilst the financial pressures resulting from the current economic downturn present an obvious financial challenge, the context for forward projections is also complicated by the lack of any reliable and consistent advice with regard to a number of key drivers most significantly interest and inflation rates and Government grant.

15.63 The central aim in the drafting of the September MTS has been to maintain the core policies of creating a sustainable financial position for the Council, with achievable levels of savings required leading to achievement and maintenance of the target level of reserves (£5m) over the medium to long term, whilst not falling below the minimum level (£1.5m) in the short-term.

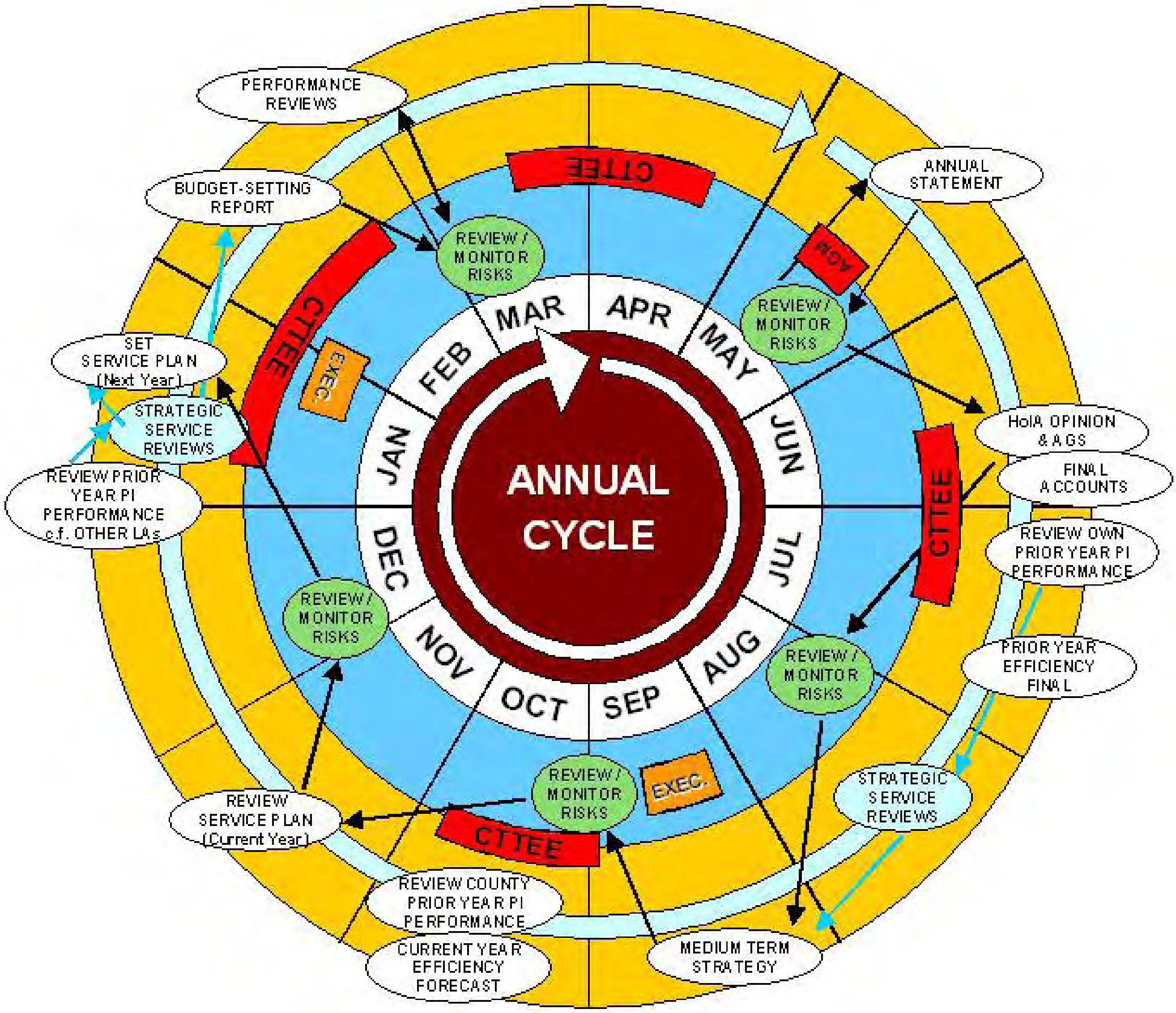
15.64 This is made difficult by the continuing period of economic downturn, Government Formula Grant increases significantly below the level of inflation, the impact of the shortfall in Government funding for the current concessionary fares scheme and the anticipated cost pressures arising from the Growth Agenda.

15.65 It can be expected that services and Executive Members will face difficult decisions in seeking to meet their cash limit targets whilst responding to need.

15.66 The MTS shows that the major pressures faced for the period from 2010/11 to 2012/13 can be met with savings targets being held to a reasonable level, as a result of benefits derived from the Council's financial strategies.

Appendices

Corporate Decision Making Process 2009/10 **Appendix A**



Corporate Decision-Making Process 2009/10

The revisions to the process for 2009/10 reflect of the ongoing Strategic Service Review process, and the introduction of a September meeting of the Executive to recommend the Medium Term Strategy to Council.

The cycle clearly identifies points in the year when the Strategic Service Review and Risk Assurance processes link into the wider corporate process. Both provide context to inform key corporate decisions.

Outline Budget Preparation Process 2010/11 Appendix B

Key stages in the 2010/11 Corporate Planning & Decision-Making Cycle and Budget Preparation process

Date	Major Stage
21 May	Council AGM: adopts Annual Statement which indicates outline plan & priorities for 2010/11
21 July	Managers input (MTS deliverables) returned to Finance for consideration / inclusion in the MTS
14 Sept	The Executive recommends MTS to Council (22 October)
W/E 25 Sept	Finance despatch: • Service Planning and Budget Process Guidance • Savings requirements for 2010/11 • Budget proposals pro-forma • Budget working papers to Cost Centre Managers
Sept onwards	Directors, Heads of Service & Executive Councillors: • update 2009/10 Service Plan performance data and agree performance targets and actions with Executive Councillors • discuss initial service priorities, objectives and budget proposals for 2010/11 with relevant managers and Executive Councillors
September / October	Budget Process Workshops on 28 September, 5 & 9 October (Lion House Training Room)
by 14 Oct	Directors and Heads of Service: • complete Service Plan Progress reports and collect half-yearly Performance Indicator information as at 30 September 2009 • update 2009/10 Service Plans (and put on the N: drive Departmental Service Plans Directory)
16 Oct	Strategy and Partnerships publish mid-year 2009/10 Service Plan Progress reports and updated 2009/10 Service Plans on to the Internet
22 Oct	Council considers / approves MTS
23 Oct	Managers to complete and return Budget Proposal Forms to Finance: • Revised Budget items (either revenue savings proposals and unavoidable bids) • revenue savings proposals (including Efficiencies) and unavoidable bids for 2010/11 • capital proposals for 2010/11 • outcomes of Service Reviews

During Sept, Oct and reporting November	Public consultation: Citizens' Budget Survey
3-5 Nov	Officer Working Groups consider and comment on budget proposals
6 Nov	• Despatch papers for CMT / Exec (10 Nov) • Despatch budget proposals to each Executive Councillor
10 Nov	CMT/Exec review: • 2009/10 Budget variances • the latest position against Cash Limit, priorities for Capital Bids, savings proposals and the validity of "unavoidable" revenue budget bids
7-13 Nov	Executive Councillors meet Heads of Service to consider final package of budget proposals
16 Nov	Completed budget working papers returned to Finance (incorporating all budget proposals)
24 Nov	CMT / Exec consider overall position
8 Dec	CMT final review of Budget-Setting Report
9 Dec	• Final Service Plans on N: drive • Departmental Service Plans and Budget Reports to Committee Services Section
16 Dec	Budget-Setting Report published for Strategy & Resources Scrutiny committee
Jan Cycle	See separate table below for Committee dates and deadlines for: • 2010/11 Full Service Plans • 2009/10 Budget revisions • 2010/11 Budget proposals
28 Jan	Executive Budget Meeting to consider final Service Plans, budgets and Council Tax requirements
12 Feb	Special Strategy & Resources Scrutiny Committee considers any Budget amendment motions
25 Feb	**Council sets Council Tax precepts and levels**

January Scrutiny Committee Cycle

[to consider Draft Budget & Service Plans 2010/11 together with any revised budget proposals for 2009/10]

	Environment	Housing Management Board	Community Services	Strategy & Resources	Executive Budget Meeting
2010/11 Full Service Plans & Budget proposals	Drafts to Committee Services 23 Nov				
	Final versions to Committee Services 9 Dec				
Final Agenda Publication	16 Dec				18 Jan
Committee Dates	12 Jan	19 Jan	14 Jan	18 Jan	28 Jan
Final Agenda Publication				29 Jan	
Special Strategy & Resources				12 Feb	

Annual Statement 2009/10 Appendix C

The Council has a strong vision for the future of our City which we share with Cambridge citizens and partner organisations.

Our vision… is of a compact, dynamic, sustainable City with a thriving historic core surrounded by attractive neighbourhoods and green spaces, and where the community as a whole and every person in it matters.

There will be strong leadership on environmental issues, and diverse local communities will enjoy a high quality of life in safe, accessible neighbourhoods supported by affordable housing, integrated transport, and good access to leisure and community facilities.

Cambridge will continue to foster a strong local economy together with its development as a centre of excellence and a world leader in the fields of higher education and research.

Context for 2009-10 Statement

We are clear that the importance of climate change as an issue for the City is not diminished by the current economic recession. We believe we should continue to set an example by minimising our own carbon footprint as well as supporting local people and organisations to reduce their own carbon dioxide emissions. Improved insulation and energy efficiency in homes and public facilities will help to create green jobs, and put money in people's pockets from saving energy.

We know that providing services of a high standard has a big impact on the quality of life experienced by our citizens. We will work to ensure that we listen and respond to evidence of those experiences. We will continue to focus on improving performance in areas that we know are important to our citizens and work hard to find further efficiencies that enable us to make the best use of our resources.

However this Annual Statement differs in a number of respects from previous ones. It is being prepared at a time of unprecedented uncertainty about the national economy, and with a profound collapse in investment markets, and failures and continuing fragility in the banking sector.

These may translate into potentially damaging changes in levels of public finance, including those made available to local government and regional arms of central government.

These economic factors have already had direct impacts on the Council's financial plans. These impacts take the form of loss of interest on investments; shortfalls in the pension fund that provides for council workers in their retirement; a significant fall in planning fee income because of reduced activity by house-builders. At the same time the share of the Council's funding by central government has not kept pace with inflation.

The Council will work to ensure that it as lean and fit as possible to meet these budgetary challenges and to secure, in so far as is possible, a stable long term financial framework.

While robustly reviewing its structures and services the Council will be concerned to make sure that services that are necessary and valued are preserved or enhanced.

One of the more visible impacts of the recession is the dramatic slow down in house building. The need for new housing has not diminished but we are committed to maximising what opportunities there are, and to being well positioned to take forward development when economic conditions improve.

Despite the gloom and challenge of these circumstances, the Council has made notable achievements during the past year, and its plans for the coming year are no less ambitious.

In 2006 the Council agreed a new set of Medium Term Objectives (MTOs) to help us achieve our vision, meet the challenges that we face as a city and target our resources. These Medium Term Objectives are still a valid framework for articulating our longer term priorities. They were however adopted in somewhat different times and other factors are relevant in the shorter term. As a result the Council will be reviewing the MTOs during the year with a view to adopting a revised set of objectives for 2010-11 onwards.

Our Medium Term Objectives Are To:

- Promote Cambridge as a sustainable city, in particular by reducing carbon dioxide emissions and the amount of waste going into landfill in the City and sub-region.

- Ensure that residents and other service users have an entirely positive experience of dealing with the Council.

- Maintain a healthy, safe and enjoyable city for all, with thriving and viable neighbourhoods.

- Lead the growth of Cambridge to achieve attractive, sustainable new neighbourhoods, including affordable housing, close to a good range of facilities, and supported by transport networks so that people can opt not to use the car.

During 2009-10 we will carry out the programme set out below. These actions will help us to deliver against each of our Medium Term Objectives and to prepare for further initiatives to enable us to realise our vision in future years. Before itemising actions that will specifically address each objective we identify a package of measures of particular relevance to help people and business during the recession.

Support in the downturn:

We will:

- Maximise opportunities to build more houses, especially for social rent or intermediate tenure such as equity share, working with Cambridgeshire Horizons and the Homes and Communities Agencies to see if alternative funding models can be found for enabling house building now that the traditional developer led model has slowed right down.
- Work to improve the targeted reduction of carbon emissions in the construction of new housing both in the larger growth sites and the small infill sites.
- Complete the improvements listed under the ‘decent homes’ programme, and as far as resources permit, we will go further, especially in improving the energy efficiency of the homes so that our most vulnerable tenants avoid fuel poverty.
- Continue to set and reach high standards in rent collection, support for vulnerable tenants and a low level of evictions.
- Enhance the advice on Housing that is available to people in these difficult times both from our own services and through the agencies to whom we give grants.

- Implement the new Homelessness Strategy action plan including
    - reducing the use of temporary accommodation;
    - in particular, reducing the use of temporary accommodation outside the city;
    - making progress in turning Jimmy's into an assessment centre: taking forward the building works, whilst continuing the service.
- Look for opportunities to encourage eligible residents to apply for Housing Benefit and Council Tax Benefit.
- Continue to argue for the abolition of the Council Tax and replace it with a local income tax based on people's ability to pay.
- Secure additional resources for advice agencies to meet increased demand for their services.
- Continue to use a wide range of grants to support organisations and community groups, in particular those working with vulnerable or disadvantaged people, to provide leisure, sports, arts, and community activities, and employment and training help.
- Undertake a study to update the Council's Mapping Poverty research to obtain an accurate and up to date picture of the impact of the economic downturn on employment in the City.
- Develop, in partnership with the Cambridgeshire Community Foundation, the administration of Area Committee Grants enabling applicants to access a wider range of funding opportunities. Launch the "Cambridge City Fund" to establish an endowment to help meet the demand for voluntary sector funding in future, with initial funding for this provided by the Cambridge Local Strategic Partnership.
- Continue to provide a range of high quality free events for all ages such as Bonfire Night, the Children's Festival and the Big Weekend, and programmes like Summerdaze and Winterdaze designed for school aged children throughout the year.
- Continue to provide a variety of free swimming opportunities at the City's pools for a range of people with the emphasis on children and young people.
- Provide free swimming for over 60s for the two years that the new Government scheme is scheduled to last.

Promote Cambridge as a sustainable city, in particular by reducing carbon dioxide emissions and the amount of waste going into landfill in the City and sub-region

Reducing the Council's carbon footprint

We will:

- Begin to invest in projects to reduce the City Council's carbon footprint, from the £250k low carbon investment fund.
- Seek to improve the energy efficiency of our housing stock by continuing a programme to:
    - installing extra loft insulation, cavity wall insulation and new heating systems;
    - installing dry lining to treat cold and damp rooms;
    - renewing old bathrooms and kitchens and replacing old boilers with more energy efficient ones;
    - investigating different types of renewable energy technologies.

- Seek to improve the energy efficiency of our administrative and community buildings by:
    - installing automated energy monitoring systems and other energy efficiency measures in our council offices;
    - making energy efficiency improvements to our commercial properties;
    - conducting an energy audit of leisure facilities with the aim of finding ways to reduce the carbon footprint, especially from our swimming pools.
- Continue to work to raise awareness about the effects of Climate Change, and how residents, organisations and visitors to the city can help reduce its carbon footprint.
- Require new developments of more than 1,000 square metres or 10 buildings to provide at least 10% of their energy requirements from renewable energy sources.
- Press, where possible, for even higher development standards, for example providing high Code for Sustainable Homes standards for residential buildings and Building Research Establishment Environmental Assessment Method (BREEAM) standards for non-residential buildings at North West Cambridge and ensuring efficient district energy systems are installed site wide, that are at least partially renewably fuelled.
- Work with the residents of a second home energy Action Zone (or Comfort Zone) to identify measure that can be taken to improve the energy efficiency of their homes, including enabling them to identify appropriate sources of grants. We intend to initiate a third Zone later in the year but will also continue with the general work to enable residents to reduce their carbon emissions.
- Encourage the installation of energy efficient heating systems and better insulation, including the use of grant money, using the landlord accreditation scheme.
- Continue to seek ways to reduce the carbon footprint of public toilets by undertaking a review of electricity and water consumption and installing energy reducing measures where identified.

Improving recycling and waste reduction

We will:

- Introduce changes to kerbside recycling systems where this is appropriate for householders, replacing the two kerbside boxes with a third wheelie bin to be used for dry recyclables.
- Improve our recycling rates by:
    - providing more facilities for recycling litter in public spaces building on the previous year's pilot project;
    - introducing glass recycling pilot on Jesus Green;
    - continuing to provide facilities for recycling to blocks of flats;
    - improving recycling rates in the Council's own buildings.
- Set up a team of volunteer Community Recycling Champions to support the local residents of a small area to reduce, reuse and recycle.
- Reduce the amount of waste going to landfill by supporting waste prevention initiatives such as the Real Nappy programme.
- Organise, through the Community Development Team, at least four projects per year in local neighbourhoods to promote recycling and conservation awareness.

Promoting sustainable transport

We will:

- Prepare to launch a low emission incentive scheme to all cars using our multi storey car parks.

- Invest in enhanced cycle routes and cycle training as part of the Cycling Cambridge, Cycling Town programme.
- Use the Joint Transport Forum to influence the County Council's transport plans to ensure that new communities have an adequate transport infrastructure and that real alternatives to using the car are provided.
- Only support a congestion charging scheme in Cambridge if the conditions are beneficial and fair for Cambridge residents: better bus and cycling facilities need to be in place before any scheme starts, disabled drivers should be exempt and residents should have a very substantial discount on charges. Income from any scheme should be ring-fenced for spending in the Cambridge area, on schemes jointly decided with the City Council.
- Install electric charging points in our car parks.
- Continue to extend the car club into new areas of Cambridge.
- Challenge decisions by the County Council on subsidised bus services, which produce adverse impacts on residents and businesses.

Ensure that residents and other service users have an entirely positive experience of dealing with the Council

Improving service quality and efficiency

We will:

- Continue to build on the good management of City Homes identified by the Audit Commission Inspectors. Along with the two stars that were awarded, they said there were excellent prospects for improvement. We will strive to make sure those improvements are achieved, and in a way that meets tenants' wishes.
- Continue to improve the City Homes repair services and extend the occasions when appointments are offered so that people don't have to take time off work to get a repair or improvement done.
- Refurbish communal TV aerials over the summer for blocks of flats of three storeys or over and for all sheltered schemes and their satellite bungalows.
- Improve the services we offer to customers through the continuing, phased development of the Council's Customer Services Centre in Mandela House. We will continue to focus on achieving quality and efficiency in our service delivery processes.
- Keep City Homes North and City Homes South open following transfer of customer contact but review the way they work.
- Encourage departments across the Council to work together to provide clearer performance management frameworks that clarify how standards for grounds maintenance will meet the expectations of local people.
- Ensure through the new performance management framework that standards of swimming pools are improved and that there is an improved system for complaints.
- Enabling all planning application documents and drawings to be viewed and commented on on-line.
- Implement actions arising from an independent review of the planning enforcement service.

- Further enhance the grounds at the Crematorium through refurbishment of areas like the Sunken Garden and the creation of a baby/children's quiet area.
- Expand memorial choice at the Crematorium, and ensuring that visitors are well informed through new guidance signage.
- Continue to implement sensitively a programme of memorial safety as required by law.
- Seek to achieve greater efficiency in the use of the Council's property and resources by:
    - managing our property assets more productively;
    - reviewing our plans for spending and service delivery so that we are able to meet the future needs of our growing population;
    - progressing the redevelopment of the Ground Floor areas in the Guildhall.

Involving residents and service users

We will:

- Continue to use Democracy Week to encourage more people to become involved in local and national elections.
- Conduct a postal survey of residents to seek their views on council services and areas for improvement.
- Consult and involve local people in further programmes of conservation work in those areas of the city where there is likely to be development.
- Continue to work with residents to ensure that open spaces around flats are well managed and maintained, including offering residents the opportunity to propose local standards for ground maintenance in their area.
- Host a 'tree seminar' at which officers will explain the newly agreed approach to managing trees on open spaces and residents will be able to offer their thoughts about how the Council should consider new tree planting schemes.
- Refresh the Neighbourhood Links programme of volunteers who will work with council officers to agree priorities for cleaning and maintaining streets and open spaces.
- Use new byelaw making powers to restrict parking on verges, where local residents request it.
- Work to involve local communities in local decision making and the provision of community activities and services especially in areas of high deprivation.
- Ask City Homes tenants to review what they see as priorities for investment so that we can achieve an acceptable 'Cambridge Standard' for their housing.
- Take further steps to strengthen tenant representation and work towards a tenant-led self regulation system which enhances the role of Tenant Representatives and makes best use of their knowledge, time and energy. We greatly value the contributions of the Tenant Representatives on the Housing Management Board and note that the Chartered Institute of Housing thought highly of our arrangements.

Improving access and equality

We will:

- Keep a continuing check on how Home Link (the choice based lettings service) is working and be especially careful to check that those not familiar with internet services do not lose out. We welcome the fact that it is a sub-regional scheme used by the majority of registered social landlords and will seek to persuade those in the sub-region not using it to reconsider that decision.
- Revive the Registered Social Landlord Forum and use it to explore issues of common concern among social landlords, including the working of Home Link and dealing with anti-social behaviour.

- Continue to set and reach high standards in rent collection and support for vulnerable tenants, and aim for a low level of evictions.
- Seek to manage facilities so that disabled people can access the Guildhall into the evenings and at weekends, and to modify the Council Chamber to allow wheel-chair access to the member seating area.
- Work with our partners in the region to seek provision for up to 15 pitches for gypsy and traveller families as required by regional planning policy by 2011.
- Continue to work to address the needs of the homeless and rough sleepers.
    - Using the Reconnections policy we will enable people to attempt to turn their lives around in the place where their chances are best, where they have connections.
    - When that place is Cambridge we will work with other agencies to provide help appropriate to their situation.
    - We will make every effort to keep the number of rough sleepers as low as possible, aiming for below ten on any one night in the year.
    - We would like to eliminate rough sleeping altogether in the city but recognise the difficulty of that ambition.

Maintain a healthy, safe and enjoyable city for all, with thriving and viable neighbourhoods

Keeping Cambridge Healthy

We will:

- Following the success of our bid for Local Strategic Partnership funding for a part-time Health Improvement Officer, we will work to support the implementation and monitoring of the Improving Health Partnership Action Plan.
- Deliver, through the Children & Young People's Participation Service, a series of activities through the year to promote a healthy and active lifestyle.
- Ensure that users of our community centres have access to social and recreational activities that promote health and well being to residents.

Keeping Cambridge Safe

We will:

- Work to ensure that young people feel safe in Cambridge by:
    - working with partners such as County and the Junction to provide safe activities and meeting places for teenagers;
    - ensuring that where children and young people have issues or problems they are able to report these and that they are able to influence the work of the Community Safety Partnership.
- Press the County Council for wider 20mph zones in the city than those announced to date, and for the Police to commit and equip themselves to enforce them.
- Continue to work to reduce the problems caused by alcohol in the city including consulting on means by which licensed businesses might voluntarily pay towards meeting the costs of alcohol related criminal and anti-social behaviour.
- Review the CCTV system to see whether it could be deployed more cost effectively using wireless technology and review whether security objectives within car parks and public places can be effectively maintained with a reduced level of CCTV provision.

- Support, through the Community Safety Partnership, local initiatives led by the Police to implement a scheme of restorative justice in the Cambridge area.
- Continue to target houses left empty for long periods and get them occupied again using all legal measures, including compulsory purchase and management orders, when persuasion does not work.

Keeping Cambridge Enjoyable

We will:

- Adopt a new Arts and Entertainments Strategy, following the review of the Corn Exchange and associated aspects of Arts and Entertainments provision.
- Adopt a new 4-year sports strategy.
- Adopt a new 4-year strategy for parks and open spaces.

Supporting Children and Young People

We will:

- Continue, through the Cambridgeshire Community Fund, to provide grants for activities for children and young people, including opportunities for them to experience outdoor adventurous play such as camping
- Continuing to work with other partners such as the County and voluntary organisations to expand our offer for children and young people across the city.
- Launch the Community Play Boat, working with children and young people to equip the boat and design the activity programme.
- Use the dedicated Urban Adventure Play base at Cherry Hinton Hall to train our own staff and those from partner organisations represented through Cambridge Play to deliver an exciting urban adventure play programme across the city.
- Implement a follow-on play programme at the newly installed Bramble Field Play Trail and, when completed, the Cherry Hinton Hall Play Trail.

Supporting Older and Vulnerable Residents

We will:

- Continue with the refurbishment of the sheltered housing schemes. Talbot House will be finished and tenants moved back in and work at Brandon Court will start later this year.
- Ensure that caring services at Ditchburn Place and provided through Floating Support are kept at a high standard whilst Social Services and the Primary Care Trust make decisions about their future provision.

Improving our neighbourhoods

We will:

- Explore ways in which an independent business zone could assist in enhancing the local economy of the city.
- Support and encourage higher standards of management in the private lettings sector, through the landlord accreditation scheme.
- Work with the Police and other agencies to tackle offenders responsible for littering in the City. Raise public awareness through high visibility uniformed patrols in relation to litter, fly-posting and fly-tipping and remove incidents of these promptly.
- Ensure Streetscene resources are used to the full to protect and maintain attractive streets and open spaces throughout the city, building on the findings of local environmental quality surveys.
- Commence new tree planting schemes.

- Undertake a strategic review of the requirements to enhance and maintain Jesus Green.
- Coordinate improvements to parks and open spaces through the ‘Improve Your Neighbourhood’ programme, considering all funding resources.
- Refurbish Coldhams Common astroturf and, subject to planning permissions, make a major contribution to floodlit astroturf and associated sports facilities at Netherhall School and Chesterton Community College.
- Modernise the public toilets on Romsey Recreation Ground.
- Work to increase provision of allotments, and will reduce waiting lists by more efficient use of the plots we already manage. Install compostable loos on allotment sites.
- Consult with residents on improvements to community facilities in the east of the city.
- Finalise the new Public Art strategy and launch a new Public Art Panel to advise the City Council
- Prepare plans to achieve environmental improvements for and improve the vitality of selected local areas in the city, involving a broad range of city perspectives and the local community.
- Press the County Council for local residents to have more say in the speed limits in the city.
- Continue to press the County Council to change its policy on yellow lines and other parking measures so that they are based on agreed need rather than residents’ ability to pay, and that environmental factors such as the protection of verges are also taken into account in assessing that need.
- Continue to argue against the County’ sizeable residents parking zones as a sound basis for allocating residents parking.
- Press the County Council to commit adequate resources to implement its car parking policy in the city’s residential areas adversely affected by over-intensive commuter parking.

Lead the growth of Cambridge to achieve attractive, sustainable new neighbourhoods, including affordable housing, close to a good range of facilities, and supported by transport networks so that people can opt not to use the car.

Developing our policy framework

We will:

- Promote the Quality Charter for Growth in the Cambridge area that sets out a joint vision for the quality of the built environment in the area.
- Use new powers to draw up infrastructure plans with other authorities and agencies for new developments in our Local Development Framework.
- Prepare a development framework for the Northern Fringe East development.
- Prepare a new Arboricultural Strategy including
    - agreeing a new protocol for consulting and deciding upon tree works on City Council land
    - reviewing delegation procedures for decisions on trees on private land.
- Declare new Local Nature Reserves in the city, for example East Pit and an extension of Coldhams Common.
- Sign the Countdown 2010 declaration, an internationally recognised initiative to halt the loss of biodiversity
- Prepare a new design guide for cycle parking in residential areas.

- Review local cycling policies with cycling groups with a view to producing and promoting a code of conduct for cyclists.
- Update our housing strategy so that it provides a reference point for our work and a true assessment of the needs of the people needing and wanting to live in the city. We will take account of the regional and sub-regional strategies but make sure that it is firmly rooted in the needs of city residents.
- Complete a review of the planning obligations strategy including new standards for indoor sports and allotments.
- Respond to the Government consultation on the Flood Bill so that Cambridge's flood risk needs can be considered.

Taking forward new developments on the Cambridge fringe and other sites

We will:

- Adopt a development brief for Cambridge University's Mill Lane site in the course of the year.
- Continue to prepare for a high quality residential development on Council owned land at Clay Farm.
- Work with the County Council to achieve well-designed and sustainable new schools in the new communities.
- Work with partners such as the County Council, Primary Care Trust and existing residents to plan and deliver high quality community facilities, including achieving high standards of sustainability in any new buildings.
- Promote a healthy and sustainable lifestyle for incoming residents and strong links to existing residents in the fringe sites.
- Start to plan for the implications of revised boundaries for the City, which may eventually transfer as many as 11,000 additional homes to the City.
- Press the Government to facilitate the move of Cambridge Airport to a nearby airfield such as Wyton or Waterbeach.
- Continue to support the new Joint Urban Design team with South Cambridgeshire District Council, a professional team delivering high quality design for new developments in and around the city and Northstowe.
- Provide high quality design advice to all new developments.

Influencing others

We will:

- Continue to work with administrators and others to maximise the return of investment deposits frozen by the collapse of Icelandic banks, and of the sum owed to the Council by the on-line ticket sales firm SecureTicket (UK) Ltd. We will continue to monitor the appropriateness of the Council's treasury management policies, and apply appropriate lessons from the investigations into the failures of the ticket sales procurement.
- Seek to ensure that the many external partnerships with which we work are open, representative and accountable and are able to make high quality decisions on those things that affect the future of Cambridge; that our representatives on them are appropriately supported to influence those decisions and that there are effective arrangements for reporting back to the Council.
- Work with our partners to deliver the Local Area Agreement for Cambridgeshire and the Cambridgeshire Vision.
- Seek for a positive government response to initiatives promoted to them through our innovative response to the Sustainable Communities Act.

- Lobby government for local powers on road pricing now that there is no longer likely to be a national scheme.
- Lobby government for investment in railways to provide new and improved infrastructure for passenger routes and to get long distance freight off roads like the A14.
- Continue to argue against the government's imposition of an additional 4,300 houses in Cambridge in addition to the 14,700 included in the 2003 Structure Plan, and oppose any proposals for a review of the Green Belt so that focus can be kept on achieving housing on the fringe sites identified in the 2006 Local Plan.
- Promote the case for unitary government for Cambridge, and press neighbouring authorities to join us in asking government to set up an Integrated Transport Authority for the Cambridge Region.
- Press for the transport needs of Cambridge residents to be taken properly into account within the Transport Innovation Fund proposals.
- Continue to press for appropriate governance arrangements for when EEDA takes over regional planning for the East of England so that Cambridge has a direct say on deciding the regional economic and spatial strategies that will critically affect how Cambridge changes in the future.
- Seek to overturn the new EERA policy on future provision of additional travellers sites beyond the current period which is based on unproven year on year growth in demand and takes no account of the crucial shortage of land in the district.
- Continue to work with the County Council, other districts and other providers to support vulnerable people live independently and express our concern about the reducing level of funding coming through Supporting People. During this year Supporting People funds and management is due to become part of the Local Area Agreement and we will seek to ensure that the special needs of these vulnerable people will be continue to be fully recognised.
- Continue to lobby central government to abolish the 'tenant tax' (negative subsidy) which will take £11.5 million pounds this year out of the tenants' rents to repair houses elsewhere in the country. We note that the national housing revenue account will net about £216 million for the Treasury this financial year, unless the government carries out its promise to review the system.

Medium Term Objective Performance Indicators — Appendix D

Performance Indicators (PIs) to be used in measuring progress against the Medium Term Objectives (MTOs) and 2008-09 year end data.

Note: A number of the old Best Value Indicators used to measure the Medium Term Objectives were deleted in 2008-09 as this data is no longer collected.

Objective 1: Promote Cambridge as a sustainable city, in particular by reducing carbon dioxide emissions and the amount of waste going into landfill in the City and sub-region

MTOPI	Indicator Description	2008-09 data
1a	Household energy use (gas and electricity) per household.	Data not available until Feb 2010
1b	Household water use per household per day.	2007-08 136 litres/person/day 2008-09 data available October 2009.
1c	Number of households that have received energy advice in the form of a home energy check.	1,370
1d	Number of renewable energy installations on Local Authority stock.	9
1e	Average SAP (Standard Assessment Procedure) rating of local authority owned dwellings.	71
1f	Number of CCC properties with an SAP of less than 35.	51
1g	Average CO_2 emissions per City Council non-housing property.	Indicator deleted 2008-09
1h	CO_2 emissions per capita (tonnes per year).	Indicator deleted 2008-09
1i	Average SAP rating for the whole housing stock (CCC, OO, HA, PR).	Development of database to allow data collection not yet complete.
1j	Average CO_2 emissions for City Council and private housing stock (per CCC, OO, HA, PR property).	See 1i above
1k	Water leakage rate from mains and customer pipes (litres/property/day).	2007-08 109.4 litres/property/day 2008-09 data available October 2009.
1l	Number of voluntary and community sector projects supported to promote sustainability.	27
1m	Level of funding to voluntary and community sector projects to promote sustainability.	£34,157
1n	Number of households receiving energy efficiency grants.	2008-09 data available October 2009.
1o	Percentage of total tonnage of household waste which has been recycled.	16.9%
1p	Percentage of the total tonnage of household waste which has been composted.	24.36%
1q	Number of kilograms of household waste collected per head of population.	390 kg
1r	Percentage change in the number of kilograms of household waste collected per head of population.	Indicator deleted 2008-09
Total Number of Indicators: 15		

Objective 2: Ensure that residents and other service users have an entirely positive experience of dealing with the Council.

MTOPI	Indicator Description	2008-09 data
2a	a) Number of members of the public attending meetings (including area committees) b) Percentage change over the previous year	a) 1169 b) 5.79%
2b	a) Number of speakers (members of the public) and petitions at meetings b) Percentage change over the previous year	a) 219 b) –28.43%
2c	Percentage of citizens satisfied with the overall service provided by the City Council a) all respondents b) BME respondents c) non BME respondents d) women e) men	Indicator deleted 2008-09 (Now measured by the National Indicator Set Place Survey)
2d	Percentage of survey respondents expressing satisfaction with: a) recycling facilities b) household waste collection	Indicator deleted 2008-09 (Now measured by the National Indicator Set Place Survey)
2e	Percentage of planning applicants satisfied with the service received	Indicator deleted 2008-09
2f	Percentage of users who either agree or strongly agree that they are satisfied with our benefits office: a) facilities for getting in touch b) services in the office c) the telephone service d) benefits staff e) forms to be completed f) speed of service	Indicator deleted 2008-09
2g	Percentage of people who agree or strongly agree that the Council: a) consults its residents before making decisions b) takes resident's views into account when making decisions c) communicates well with the public	Indicator deleted 2008-09 (Now measured by the National Indicator Set Place Survey)
2h	Percentage of adult population included on the register of electors	95.5%
2i	Benefits: Speed of processing a) average time taken to process new claims	 a) 18.5 days
2j	Benefits: Accuracy of processing: Percentage of cases for which the calculation of the amount of benefit due was correct	Indicator deleted 2008-09
2k	Unit cost of providing a) Revenues service b) Benefits service	Indicator deleted 2008-09
2l	Percentage of Council Tax collected	97.3%
2m	Percentage of non-domestic business rates	99.3%

MTOPI	Indicator Description	2008-09 data
	due for the financial year received by the authority	
2n	Percentage of invoices for commercial goods and services which were paid by the authority within 30 days of receipt	98.06%
2o	Cost of waste collection per household	£348.66
2p	Percentage of refuse collections made on the advertised day of collection	99.98%
2q	Percentage of applications determined in line with the Government's development control targets of a) 60% major applications within 13 weeks b) 69% minor applications within 8 weeks c) 80% other applications within 8 weeks	a) 37.85% b) 55.88% c) 74.21%
2r	Percentage of appeals allowed against the authority's decision to refuse planning permission	37%
2s	a) Number of complaints received b) Percentage of complaints dealt with within 7 days	a) 789 b) 93%
2t	Number of complaints to the ombudsman which were classified as 'maladministration'	0
2u	a) Percentage of BVPIs in the Top Quartile and in the Bottom Quartile b) Percentage annual change of BVPIs in the Top Quartile and Bottom Quartile	Indicator deleted 2008-09
2v	Proportion of working days lost to sickness	9.63 days
2w	Satisfaction of tenants of council housing with the service provided by their landlord: a) Overall b) BME tenants c) Non-BME tenants	Indicator deleted 2008-09 (Now measured by the Tenant Status Survey)
2x	Percentage of tenants satisfied with opportunities for participation in management: a) Overall b) BME tenants c) Non-BME tenants	Indicator deleted 2008-09
2y	Average relet times (days) for Local Authority Housing	38.41 days
2z	Average waiting time for adaptations to Local Authority housing for people with disabilities a) Time taken between initial request and decision on whether or not to go ahead with the work b) Time taken between a) and completion of work	a) 53.75 days b) 56.25 days
2aa	a) Percentage of the Councils employees from ethnic minority communities	7.3%
2bb	Percentage of the Council's employees declaring that they meet the Disability Discrimination Act 1995 disability definition compared	1.99%
Total Number of Indicators: **18**		

Objective 3: Maintain a healthy, safe and enjoyable city for all, with thriving and viable neighbourhoods.

MTOPI	Indicator Description	2008-09 data
3a	Proportion of relevant land and highways assessed as having deposits of litter & detritus that fall below an acceptable level	Indicator deleted in 2008-09
3b	Average time taken to remove abandoned vehicles (complaint to removal)	9 days
3c	a) Percentage graffiti cleanups within 5 days b) Percentage abusive graffiti cleanups within 1 day	a) 97.58% b) 100%
3d	Percentage of parks and open spaces to an acceptable or higher standard of maintenance	94%
3e	The year-on-year reduction in total number of incidents and increase in total number of enforcement actions taken to deal with fly-tipping	Indicator deleted 2008-09
3f	Percentage of people who are quite or very satisfied with a) public toilets, b) parks and open spaces.	Indicator deleted 2008-09
3g	Domestic burglaries per 1,000 households	22.7
3h	Violent crimes per 1,000 population	7.51
3i	Vehicle crimes per 1,000 population	Indicator deleted 2008-09
3j	a) Number of racial incidents recorded by the authority per 100,000 population b) Percentage of racial incidents that resulted in further action	Awaiting data
3k	a) Percentage of people who feel 'fairly safe' or 'very safe' after dark while outside in the authority area b) Percentage of people who feel fairly safe' or 'very safe' during the day while outside in the authority area	Indicator deleted 2008-09
3l	Percentage of people who feel 'fairly satisfied' or 'very satisfied' with their local area as a place to live.	Indicator deleted 2008-09 (Now measured by the National Indicator Set Place Survey)
3m	Percentage of people surveyed who have worked in a voluntary capacity in the last 12 months	26.9%
3n	Number of people attending the Corn Exchange	191,479
3o	Percentage of residents by targeted group satisfied with the local authorities cultural and recreational activities: a) Sports /Leisure facilities b) Folk Museum c) Corn Exchange d) Parks/Open spaces, play areas and other community recreation facilities and activities	Indicator deleted 2008-09
3p	Percentage of respondents very/fairly satisfied with the Council's cultural and recreational services overall: a) BME respondents b) Non-BME respondents c) Female respondents	Indicator deleted 2008-09

MTOPI	Indicator Description	2008-09 data
	d) Male respondents	
3q	Percentage of people who are eligible to claim Housing and Council Tax benefits who are claiming	Indicator deleted 2008-09
3r	Average length of stay (weeks) of households which include children or a pregnant woman and which are unintentionally homeless and in priority need in: a) bed and breakfast accommodation b) hostel accommodation	a) 5 weeks b) 17 weeks
3s	Number of people sleeping rough on a single night within the area of the authority	9
3v	Percentage of adults participating in at least 30 minutes moderate intensity sport and active recreation (including recreational walking) on 3 or more days a week	20.1%
3w	Percentage of population that are within 20 minutes travel time by walk of a range of 3 different sports facility types, of which one has achieved a quality assured standard	Awaiting data from Sport England
3x	Number of playgrounds and play areas provided by the council per 1,000 children under 12	Indicator deleted 2008-09
Total Number of Indicators: **12**		

Objective 4: Lead the growth of Cambridge to achieve attractive, sustainable new neighbourhoods, including affordable housing, close to a good range of facilities, and supported by transport networks so that people can opt not to use the car.

MTOPI	Indicator Description	2008-09 data
4a	Number of houses brought back into occupation	20
4b	a) Percentage of Local Authority homes which were 'non-decent ' as at 1 April each year b) Percentage change in proportion of non-decent Local Authority homes between 1 April one year and the next	a) 13% b) 37%
4d	The percentage of affordable housing completed on privately developed sites larger than 0.5 hectares or 15 dwellings or more (target 40%). Please state numerator and denominator in comments.	Indicator deleted 2008-09
4e	Percentage of new homes built on previously developed land	*Awaiting data*
4f	Average density of new housing on major developments completed during the year	*Awaiting data*
4g	Percentage of new housing given planning consent within 400m catchment of existing or proposed local centres defined in the Local Plan	*Awaiting data*
4h	Proximity to a local centre - Number of houses: a) x metres/kms from formal informal green space b) x metres/kms from local shopping c) x metres/kms from community facilities d) x metres/kms from Health Centre or GP e) x metres/kms from local employment f) x metres/kms from bus stops/public transport g) x metres/kms walking/cycling distance from a school h) x metres/kms from a post office i) x metres/kms from a local recycling centre	Indicator deleted 2008-09
4i	Number of Councillors who have had design and planning training	*Awaiting data*
4j	Number of local bus passengers entering and leaving Cambridge per day	Indicator deleted 2008-09
4k	Modal share of a) cyclists b) pedestrians	a) 13% b) 15%
4 l	Average annual traffic flow on principal roads	*Awaiting data*
4m	Number of days per year when levels of pollution are moderate or higher: a) Nitrogen dioxide (NO_2) b) PM10 particulates	*Awaiting data*
Total Number of Indicators: **9**		
Grand Total: **54**		

Local Strategic Partnership (LSP) Projects **Appendix E**

Local Public Service Agreement Reward Grant Project Details for Cambridge City LSP			Planned Project Costs (£)		
Topic Area		Project Name	Revenue	Capital	Total
County-wide projects (LSP Contribution shown)		Domestic Violence	62,000	18,000	80,000
		Childhood Obesity	32,000		32,000
		Smoking Cessation	39,534		39,534
		Community Speed Watch		5,600	5,600
		Older People	21,360	26,640	48,000
		Alcohol Related Harm	40,000		40,000
		Third Sector Strategy for Cambridgeshire	8,393		8,393
		Community Planning / Engagement			0
Local projects County Administered		Improving Pupil Performance - County Education	60,000		60,000
		Work with at Risk Young Men - OCYPS	60,791		60,791
		The Streets ASB awareness schools programme - OCYPS	14,446	9,700	24,146
		Projects administered by County Council	**338,524**	**59,940**	**398,464**
Joint projects with South Cambs. LSP	SC Admin	Connections Youth Bus	88,558	70,000	£158,558
		Improving the health and wellbeing of travellers	25,000		£25,000
		Projects administered by South Cambs.	**113,558**	**70,000**	**£183,558**
	City Admin	Delivery of Climate Change Charter	60,000		£60,000*
		Improving exclusion through learning	90,000	89,500	£179,500*
		Handyperson Service	70,000		£70,000*
City Projects - City Administered		Specialist Alcohol Community Psychiatric Nurse to reduce levels of street drinking in the City	118,468		118,468
		Management of Cambridge Wildlife Sites - Wildlife Trust	14,000	6,000	20,000
		Income maximisation - CAB	28,000		28,000
		Community Fund for City - CCDF	7,500	150,000	157,500
		Empowering Communities - CVS capacity building	60,890		60,890
		LSP Support Officer	41,355		41,355
		Improving Community Cohesion	105,000		105,000
		Health Improvement Officer	45,000	2,000	47,000
		Community Recycling Champions	44,000		44,000
		Street Cleaning	38,000	38,000	76,000
		Cambridge Business Against Crime - supporting a programme of City Centre initiatives	29,000	15,000	44,000
		Supporting vulnerable people during economic downturn	30,000		30,000
		Unallocated	4,602		4,602
Projects administered by the City Council			**785,815**	**300,500**	**1,086,315**
Total of LPSA Reward Grant allocated by the City LSP			**1,126,897**	**386,440**	**1,513,337**

** includes 50% of funding allocated by South Cambridgeshire's LSP*

Cambridge City Population by Age Range

Appendix F

Age Group	Population Of Cambridge City Council Area													
	Total population							%'age of Total						
	2001	2007	2011	2016	2021	2026	2031	2001	2007	2011	2016	2021	2026	2031
0 - 4	5,100	5,800	7,200	8,800	9,300	8,200	6,600	4.64%	5.04%	5.48%	5.96%	6.15%	5.27%	4.19%
5 - 14	9,900	10,100	11,400	13,600	16,000	17,700	17,200	9.02%	8.78%	8.67%	9.21%	10.58%	11.38%	10.92%
15 - 24	25,600	27,900	30,400	30,300	30,300	32,800	35,200	23.32%	24.26%	23.12%	20.53%	20.04%	21.09%	22.35%
25 - 44	34,500	35,600	42,900	50,500	48,700	45,000	39,400	31.42%	30.96%	32.62%	34.21%	32.21%	28.94%	25.02%
45 - 64	20,300	21,900	24,700	27,000	27,000	29,000	33,300	18.49%	19.04%	18.78%	18.29%	17.86%	18.65%	21.14%
65 - 74	6,900	6,700	7,900	10,000	11,300	12,100	13,100	6.28%	5.83%	6.01%	6.78%	7.47%	7.78%	8.32%
75 - 84	5,300	4,900	4,800	5,100	6,200	7,900	9,100	4.83%	4.26%	3.65%	3.46%	4.10%	5.08%	5.78%
Over 84	2,200	2,100	2,200	2,300	2,400	2,800	3,600	2.00%	1.83%	1.67%	1.56%	1.59%	1.80%	2.29%
Total	**109,800**	**115,000**	**131,500**	**147,600**	**151,200**	**155,500**	**157,500**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Treasury Management Strategy Statement & Annual Investment Strategy 2009/10

Appendix G

1. Introduction

1.1 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as paragraph 9). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 The suggested strategy for 2009/10 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- the investment strategy.

1.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

(a) increases in interest charges caused by increased borrowing to finance additional capital expenditure, and

(b) any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2. Treasury Limits for 2009/10 to 2011/12

2.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

2.2 The Council must have regard to the Prudential Code when setting the Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

2.3 Whilst termed an "Affordable Borrowing Limit", this description also has to take into account any capital expenditure intended to be financed by other forms of liability, such as credit arrangements (e.g. finance leases). The Affordable Borrowing Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

3. Prudential Indicators for 2009/10 – 2011/12

3.1 The following prudential indicators are relevant for the purposes of setting an integrated treasury management strategy.

3.2 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted on 13th February, 2003 by the full Council.

PRUDENTIAL INDICATOR	2007/08 actual (£ 000's)	2008/09 probable outturn (£ 000's)	2009/10 estimate (£ 000's)	2010/11 estimate (£ 000's)	2011/12 estimate (£ 000's)
Capital Expenditure					
General Fund	5,983	17,899	15,927	6,035	2,606
HRA	13,562	15,978	11,069	12,883	8,170
TOTAL	19,545	33,877	26,996	18,918	10,776
Ratio of financing costs to net revenue stream					
General Fund	(21.37%)	(17.01%)	(5.19%)	(4.44%)	(8.25%)
HRA	(1.79%)	(1.40%)	(0.43%)	(0.28%)	(0.55%)
Net borrowing requirement	(69,779)	(68,715)	(61,114)	(54,083)	(56,713)
In year Capital Financing Requirement					
General Fund	0	0	0	0	0
HRA	0	0	0	0	0
TOTAL	0	0	0	0	0

Capital Financing Requirement as at 31 March					
General Fund	(4,844)	(4,844)	(4,844)	(3,744)	(3,744)
HRA	3,565	3,565	3,565	3,565	3,565
TOTAL	(1,279)	(1,279)	(1,279)	(179)	(179)

PRUDENTIAL INDICATOR	**2007/08 actual (£ 000's)**	**2008/09 probable outturn (£ 000's)**	**2009/10 estimate (£ 000's)**	**2010/11 estimate (£ 000's)**	**2011/12 estimate (£ 000's)**
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**	**£ p**	**£ p**
Increase in council tax (Band D, p.a.)	0.00	0.00	0.00	0.00	0.00
Increase in housing rent per week	0.00	0.00	0.00	0.00	0.00
	(no increases in either council tax or housing rents anticipated)				

PRUDENTIAL INDICATOR Specific Treasury Management Prudential Indicators	**2007/08 actual (£ 000's)**	**2008/09 probable outturn (£ 000's)**	**2009/10 estimate (£ 000's)**	**2010/11 estimate (£ 000's)**	**2011/12 estimate (£ 000's)**
Authorised limit for external debt					
Borrowing	10,000	10,000	10,000	11,000	11,000
Other long term liabilities	0	0	0	0	0
TOTAL	10,000	10,000	10,000	11,000	11,000
Operational boundary for external debt					
Borrowing	3,000	3,000	3,000	4,000	4,000
Other long term liabilities	0	0	0	0	0
TOTAL	3,000	3,000	3,000	4,000	4,000
Upper limit for fixed interest rate exposure					
Net interest re fixed rate borrowing / investments	(4,618)	(4,200)	(3,500)	(3,000)	(3,000)
Upper limit for variable rate exposure					
Net interest re variable rate borrowing / investments	(78)	(140)	(40)	(120)	(350)
Upper limit for total principal sums invested for over 364 days					
(per maturity date)	5,000	5,000	5,000	5,000	5,000

Maturity structure of new fixed rate borrowing during 2009/10	**Upper Limit**	**Lower limit**
Under 12 months	0%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

4. Current Portfolio Position

4.1. The Council's treasury portfolio position at 30/11/08 comprised:

	Principal (£m)	Average rate (%)
TOTAL DEBT	0	
TOTAL INVESTMENTS	71.02	5.73

5. Borrowing Requirement

	2007/08 actual (£ 000's)	2008/09 probable outturn (£ 000's)	2009/10 estimate (£ 000's)	2010/11 estimate (£ 000's)	2011/12 estimate (£ 000's)
New borrowing	0	0	0	1,100	0
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	0	0	0	0
TOTAL	0	0	0	1,100	0

6. Prospects for Interest Rates

6.1. The Council has appointed Sector Treasury Services as treasury advisers to the Council and part of their service is to assist the Council to formulate a view on interest rates. Annex A draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

Sector interest rate forecast – 6 December 2008

	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011	Q/E3 2011	Q/E4 2011	Q/E1 2012
Bank Rate	2.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.75%	2.50%	3.25%	3.75%	4.00%
5yr PWLB rate	3.16%	2.50%	2.25%	2.15%	2.15%	2.15%	2.45%	2.80%	3.15%	3.65%	3.95%	4.20%	4.45%	4.60%
10yr PWLB rate	3.84%	3.10%	2.75%	2.55%	2.55%	2.55%	2.85%	3.25%	3.65%	4.15%	4.40%	4.70%	4.75%	4.85%
25yr PWLB rate	4.22%	4.00%	3.95%	3.95%	3.95%	4.00%	4.15%	4.35%	4.45%	4.60%	4.85%	4.95%	5.00%	5.05%
50yr PWLB rate	3.91%	3.85%	3.80%	3.80%	3.80%	3.85%	3.90%	4.00%	4.25%	4.40%	4.70%	4.80%	4.95%	5.00%

6.2. Sector's current interest rate view on Bank Rate: -

- will fall from current levels because of the intensifying global recession
- will start 2009 at 2.00% and then is forecast to fall to 0.5% in Q1 2009;
- is then expected to remain at 0.5% until starting to rise gently from Q2 2010 until it reaches 4.0% in Q1 2012.

There is downside risk to these forecasts if the recession proves to be deeper and more prolonged than currently expected.

7. Economic Background

7.1 The sub prime crisis of early 2008 was supplanted by the banking crisis of autumn 2008. The world banking system came near to collapse and governments around the world were forced to recapitalise and rescue their major banks. The resulting dearth of lending from banks anxious to preserve capital led to economic forecasts being sharply reduced and recession priced into markets. This in turn led to sharp falls in oil and other commodity prices with the result that inflation, which in the UK was running at over 5%, became yesterday's story and recession fears drove interest rate sentiment and policy. A co-ordinated global interest rate cut of 50bp took place on 8th October 2008. Forecasts in the UK were for further sharp cuts in interest rates as recession came into view.

7.2 **UK**

- GDP: growth was already slowing in 2008 before the full impact of the credit crunch was felt. Earlier in 2008 GDP was 2.3% whereas in the autumn the figure fell back to -0.3% and was then expected to continue to be negative going into 2009.

- Wage inflation remained relatively subdued as the Government kept a firm lid on public sector pay. Private sector wage growth was kept in check by the slowing economy.

- Growth slowed across the economy and unemployment rose throughout the year with forecasts of 2 million unemployed by the end of the financial year and continuing to increase thereafter through 2010.

- Notwithstanding the pressures on household finances consumer spending still continued at a reasonable pace although the trend was slowing as the year progressed.

- Bank lending came to a virtual standstill in the autumn as the credit crunch tightened its grip and various banks internationally had to be rescued, or supported, by their governments.

- The Government and Bank of England supplied massive amounts of liquidity to the banking market in an attempt to reignite longer interbank lending.

- The Government took action in September to either supply finance itself to recapitalise some of the major clearing banks or to require the others to strengthen their capital ratios by their own capital raising efforts. This was so that these banks would be seen to have sufficient reserves to last through the coming recession with its inevitable increase in bad loans etc.

- The housing market also came to a virtual standstill as lenders demanded larger deposits and higher fees. House sales and prices both dropped sharply.

- Government finances deteriorated as income from taxation dropped as the economy slowed and the cost of the bailout of the banks was added to the deficit.

- U.K. equity prices declined sharply in the 3rd and 4th quarters as the impending recession was priced into the markets. Prices hit five-year lows and volatility was extremely high.

- The story of 2008 has been the credit crunch, the banking crisis and the change in economic outlook from slow growth to outright recession. After the initial concerns about the impact of the credit crunch in the earlier part of 2008 it appeared as though the storm had been weathered. The MPC had been very concerned about CPI inflation, which had been rising sharply on the back of higher commodity and food prices. Bank Rate reached a peak of 5.75% in July 2007 after which cuts of 0.25% occurred in December 2007 and February and April 2008 before the major cuts in the autumn. The economic data had been indicating a slowing economy for some while but it was not sufficiently weak to force the MPC into another cut. It was the strength of the banking crisis, pre-empted by the collapse of Lehmans in New York that eventually drove the MPC to cut interest rates by 0.50% on October 8th in concert with the Federal Reserve, the ECB and other central banks. It was then appreciated that the economic downturn would be much more severe than previously thought and interest rates were subsequently reduced by 1.50% on 6 November, 1.00% on 4 December, 0.50% on 8 January 2009 and a further 0.50% on 5 February.

- The spread of the London Inter Bank Offered Rate (LIBOR - the rate at which banks will lend to one another) - over Bank Rate has also been a feature, and a concern, of 2008/9. Because of the credit fears and the reluctance of lenders to place cash for long periods, 3 month LIBOR has been substantially higher than Bank Rate. This has meant that the MPC's power over monetary policy has been eroded by the widening of this spread between LIBOR and Bank Rate and it has therefore had a limited ability to bring relief to hard-pressed borrowers through lower interest rates. However, the power of the Government over the semi nationalised clearing banks had considerable impact in enforcing pro rata reductions to the Bank Rate cuts on some borrowing rates.

- The Government has abandoned its 'golden rule'. The pre-Budget Report on 14 November revealed the Government's plans for a huge increase in Government borrowing over coming years as a result of falling tax revenues and also due to tax cuts and increases in Government expenditure in the short term, designed to help stimulate economic growth to counter the recession.

7.3 **International**

- Early in 2008 the US economy was being badly affected by the housing market slump. Interest rates were at 2% and inflation was being dragged higher by the inexorable rise in commodity prices. The ECB was very concerned about rising inflation and less about the state of the economy.

- The second quarter of 2008 was torn between inflation worries on the one hand, with oil rising towards $150 per barrel, and the deteriorating economic outlook on the other.

- In the second and third quarters of the year the financial crisis erupted and escalated as the world became aware of the extent of the sub-prime crisis and the impact it was having on institutions that had invested in these issues.

- In September Fannie Mae/Freddie Mac (the mortgage banks) and AIG, the insurance giant, had to be bailed out by the US Federal Government.

- Then in mid September, Lehman Bros., the investment bank, was allowed to fail. This triggered a domino effect with other banks and financial institutions having to be rescued or supported by governments around the world.

- After the collapse into receivership of the Icelandic banks in early October, other countries then started to feel the strain and a number had to approach the IMF for support.

- Eventually other economies of the world were affected, including India and China, and it became clear that the crisis had become a global one and that no country was insulated from it.

- The financial crisis had, therefore, precipitated an economic crisis and there was a co-ordinated global interest rate cut with the Fed, ECB and MPC all cutting rates by 0.50% on 8th October. The Fed subsequently cut rates by 0.50% to 1% on 29th October and again on 16 December, to a band of 0.0% to 0.25%, in an attempt to stave off the oncoming recession. Inflation was yesterday's problem.

- On 4th November the USA elected Barack Obama as President with little immediate financial impact.

- The ECB reduced rates again on 6th November by 0.50% and by its biggest ever cut of 0.75% on 4 December to reach 2.5%.

8. Borrowing Strategy

8.1 It is not anticipated that the Council will need to borrow for capital purposes during 2009/10. However, there is a recommendation, to Council, to authorise short-term borrowing, if required, in 2010/11 of £1.1m, with repayment being made in 2012/13. It is intended that options relating to internal, rather than external (PWLB) borrowing, will be reviewed prior to any final decision.

9. Annual Investment Strategy

9.1 The Council will have regard to the DCLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -

(a) the security of capital and

(b) the liquidity of its investments.

9.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

9.3 In the light of the unprecedented events surrounding the Icelandic Banks, the Council agreed (4 Dec 08) a number of changes to its Treasury Management Strategy, as follows:

- To increase the maximum sum that can be invested with HSBC Bank Plc from £6 million to £10 million. This recommendation reflects the increasing difficulty currently being experienced in being able to place money with the market, and will allow the Council the flexibility to retain short-term money with its own bank.

- To set a maximum sum which may be invested with counterparties belonging to the same company group at 1.5 times the level for a single named institution on the Council's approved counterparty list.

- To suspend overseas financial institutions and their UK subsidiaries from the Council's Counterparty List pending the outcome relating to investments with Icelandic Banks.

9.4 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

9.5 Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories.

Specified Investments:

Specified investments are those identified as offering high security and high liquidity by reference to a formal credit rating. These are investments that are sterling denominated, with maturities up to a maximum of 1 year and which meet the minimum 'high' credit rating criteria where applicable.

Investment Instrument	Minimum 'High' Credit Criteria
Term deposits – All UK Local Authorities	N/A
Term deposits – All UK Police Authorities	N/A
Term deposits – All UK Nationalised Industries	N/A
Term deposits – All Fully Nationalised UK Govt. banks (see note below)	N/A
Debt Management Agency Deposit Facility	N/A
Term deposits – banks and building societies	Short-term F1 or P1, Individual C & Support 3 (& for building societies, assets greater than £2.5bn)

Note: **Fully Nationalised banks** in the UK have credit ratings which do not conform to the credit criteria usually used by local authorities to identify banks which are of high credit worthiness. In particular, as they are no longer separate institutions in their own right, it is impossible for Fitch to assign them an individual rating for their stand alone financial strength. Accordingly, Fitch have assigned an F rating which means that at a historical point of time, this bank failed and is now owned by the Government. However, these institutions are now recipients of an F1+ short term rating as they effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. They also have a support rating of 1; in other words, on both counts, they have the highest ratings possible.

This Council uses Fitch ratings to derive its counterparty criteria. Where a counterparty does not have a Fitch rating, the equivalent Moody's rating (or other rating agency if applicable) will be used.

For this Council, a "high" credit rating means a counterparty with a *minimum* of a 'F1' (Fitch) or 'P1' (Moody's) rating (a strong indicator of the ability to repay debt on time, F1+ and P1 being the highest), a (Fitch) 'individual' rating of 'C' (an indicator of how a counterparty would be viewed if it were entirely independent and could not rely on external support, 'A' being the strongest, 'F' the weakest), and a (Fitch) 'support' rating of 3 (an indicator of likely government or parent company support, 1 being the most likely, 5 the least).

Credit ratings are received from the Council's treasury advisors, SECTOR Treasury Services, on a regular basis (often daily).

- If a credit rating of a counterparty on the Council's approved lending list goes down, i.e. below the minimum limits of above, then no further lending to that institution will occur.

- If a minimum credit rating is given to a counterparty not currently on the Council's list, then this name will go forward to be approved by Council at the next opportunity.

- If a body is placed on negative rating watch (i.e. there is a reasonable probability of a rating change and the likelihood of that change being negative) then no further investments will be made with that body.

Non-Specified Investments

These are investments that, by definition, do not meet the conditions laid down in the previous paragraph and potentially carry additional risk, e.g. lending for periods beyond one year.

Investment Instrument	Minimum Credit Criteria
Term deposits – All UK Local Authorities	N/A
Term deposits – All UK Police Authorities (with maturities in excess of 1 year)	N/A
Term deposits – All UK Nationalised Industries (with maturities in excess of 1 year)	N/A
Term deposits – banks and building societies (with maturities in excess of 1 year)	Short-term F1+, Long-term AA- Individual B, Support 2

In February 2006, Council approved a recommendation to allow up to £5million of 'core' investments (i.e. sums that are likely to be needed in the short to medium term) to be invested for periods of up to 3 years. This was seen as likely to be beneficial on those occasions when an investment can be made in advance of a fall in medium to long-term interest rates. Having a strategy in place to take advantage of such situations, as and when they arise, provides the opportunity to enhance interest receipts.

Current longer term Investments	Amount £	Maturity	Rate
Nationwide Building Society	5,000,000	21 May 2010	6.08%

Investment Strategy

Liquidity of Investments:

9.6 As in past years, any investment decision will have regard to the Council's cash flow requirements and the outlook for short/medium-term interest rates. There will, therefore, be a mix of maturity periods at any one time. The prudent commitment of funds will be a basic principle.

9.7 **Interest rate outlook**

Bank Rate started on a downward trend from 5.75% in December 2007 with a cut of 0.25% to 5.50%. Further cuts of 0.25% in February and April 2008, then 0.50% in October, 1.50% in November, 1% in December, 0.50% in January 2009 and another

0.50% on 5 February. Further cuts of 0.50% are expected during Q1 2009. It is then expected to stabilise at 0.50% until starting to rise gradually with the first increase in Q2 2010 and then to be back up to 4.00% during Q1 2012.

9.8 The Council will avoid locking into longer term deals while investment rates are down at historically low levels.

9.9 The average investment return for investments placed during 2009/10 is estimated at 1.50%. This assumes that the 'credit crunch' will inflate investment rates by about 1.0% over Bank Rate throughout this year. The overall average interest rate for that year is budgeted at 2.17%.

End of year Investment Report

9.10 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report

10.0 Icelandic Bank Investments

10.1 This authority currently has the following investments frozen in Icelandic banks:

Counterparty	Principal Invested	Maturity Date
Heritable Bank Ltd	1,000,000	9 Oct. 2008
Heritable Bank Ltd	1,000,000	22 Dec. 2008
Landsbanki Islands hf	2,000,000	6 Jan. 2009
Heritable Bank Ltd	2,000,000	5 Mar. 2009
Landsbanki Islands hf	1,000,000	24 Apr. 2009
Landsbanki Islands hf	2,000,000	22 May 2009
TOTAL	9,000,000	

10.2 The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership. The UK Government is working with the Icelandic Government to help bring this about. At the current time it is not possible to say with certainty that we will recover the entirety of our investments or when reimbursements will be made to this authority. The Local Government Association is coordinating the efforts of all UK authorities with Icelandic investments and Members will be periodically updated on the latest developments on these efforts.

10.3 The Government informed local authorities in November 2008 that it intends to make a regulation to require local authorities to delay recognising any loss on these investments that may eventually be incurred until the financial year 2010/11.

ANNEX A

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

INDIVIDUAL FORECASTS

Sector interest rate forecast – 6 December 2008

	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011	Q/E3 2011	Q/E4 2011	Q/E1 2012
Bank Rate	2.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.75%	2.50%	3.25%	3.75%	4.00%
5yr PWLB rate	3.16%	2.50%	2.25%	2.15%	2.15%	2.15%	2.45%	2.80%	3.15%	3.65%	3.95%	4.20%	4.45%	4.60%
10yr PWLB rate	3.84%	3.10%	2.75%	2.55%	2.55%	2.55%	2.85%	3.25%	3.65%	4.15%	4.40%	4.70%	4.75%	4.85%
25yr PWLB rate	4.22%	4.00%	3.95%	3.95%	3.95%	4.00%	4.15%	4.35%	4.45%	4.60%	4.85%	4.95%	5.00%	5.05%
50yr PWLB rate	3.91%	3.85%	3.80%	3.80%	3.80%	3.85%	3.90%	4.00%	4.25%	4.40%	4.70%	4.80%	4.95%	5.00%

Capital Economics interest rate forecast – 19 January 2009

	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010
Bank Rate	2.00%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5yr PWLB rate	3.45%	1.65%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
10yr PWLB rate	4.15%	2.65%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
25yr PWLB rate	4.35%	4.15%	4.00%	3.80%	3.65%	3.65%	3.65%	3.65%	3.65%
50yr PWLB rate	4.45%	4.05%	3.95%	3.85%	3.75%	3.75%	3.75%	3.75%	3.75%

UBS interest rate forecast (for quarter ends) – 12 December 2008

	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009
Bank Rate	2.00%	0.50%	0.50%	0.50%	0.75%
10yr PWLB rate		3.75%	4.15%	4.35%	4.65%
25yr PWLB rate		4.25%	4.55%	4.85%	5.05%
50yr PWLB rate		4.30%	4.65%	5.00%	5.25%

SURVEY OF ECONOMIC FORECASTS

HM Treasury – December 2008 summary of forecasts of 23 City and 12 academic analysts for Q4 2008 and 2009. Forecasts for 2010 – 2012 are based on 21 forecasts in the last quarterly forecast – November 2008.

		Quarter ended		Annual average Bank Rate		
BANK RATE FORECASTS	**actual**	**Q4 2008**	**Q4 2009**	**Average 2010**	**Average 2011**	**Average 2012**
Median	2.00%	2.00%	1.00%	3.11%	3.97%	4.49%
Highest	2.00%	4.50%	4.00%	4.70%	5.00%	5.25%
Lowest	2.00%	2.00%	0.50%	1.00%	2.25%	3.00%

Investments: Counterparties List — Appendix H

The full listing of approved counter-parties is shown below (there are currently no changes proposed to the counterparties list):

UK Building Societies
None

UK Banks

Barclays Bank Plc	United Kingdom
HSBC Bank Plc	United Kingdom

Local Authorities – All UK Local Authorities

Police Authorities – All UK Police Authorities

Fire Authorities – All UK Fire Authorities

Nationalised Industries – All UK Nationalised Industries

Debt Management Account – Deposit Facility

Appendix I

Annual Treasury Management Report 2008/09

1.0 Introduction

In accordance with the Council's adopted (February 2003) "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes", this report gives details of the treasury management activities undertaken during the previous financial year, i.e. 2008/09.

2.0 The Council's Strategy for 2008/09

Interest rates

Short-term interest rates

Bank Rate was expected to decline from 5.75% in November 2007 to 5.50% in December 2007 and to 5.25% in Q1 2008, to 5.0% in Q2 2008 and to 4.75% in Q3 2008. It was then expected to remain at 4.75% for the remainder of the financial year. This was based upon the prospect for interest rates given to the Council, in January 2008, by its external treasury advisers (Sector Treasury Services Ltd), with the proviso that there was a downside risk to this forecast if inflation concerns subsided, thereby allowing scope for the MPC to make further cuts in Bank Rate.

Sector saw a declining rate of growth in UK GDP, moving down from a peak of 3.3% in Q3 2007 to 2% in 2008. It also recognised the dilemma facing the MPC of balancing the opposing risks of inflationary pressures, driven by spikes in oil prices, against concerns around the impact of the credit crunch on both the UK and US housing markets and their respective economies.

The sub prime crisis and the major downturn in the housing market in the US had prompted fears around the world of the potential impact on world banking systems and on world growth. House prices in the UK had started to decline in Q3 2007 and were expected to continue their decline into 2008. Banks had tightened their lending criteria and this was expected to dampen consumer expenditure via the use of credit cards and also restrict the availability of mortgage funding for house purchase. Government expenditure was expected to remain under a tight rein for the next few years, undermining one of the main props of strong growth during this decade.

The U.S. Fed Rate had remained at 5.25% since January 2007 but, in response to the rapidly deteriorating prospects for the US economy, was subsequently cut several times and by the end of January 2008 it stood at 3.0%. In the Euro area, growth was expected to slow in 2008, caught by the general downturn in world growth.

Longer-term interest rates

Long-term PWLB rates (50 years) were forecast to remain static around 4.45% for the whole of the year, whereas the 25-year rate was expected to remain flat at around 4.50-4.55%.

Borrowing

External borrowing was not anticipated for either capital or revenue purposes.

Investments

The Council's aim was to achieve the optimum return on its investments commensurate with proper levels of capital security and liquidity.

3.0 Changes in Strategy during the year

The Council manages its investments in-house and in February 2008 Council approved its Treasury Management Strategy Statement and Annual Investment Strategy for the forthcoming financial year (i.e. 2008/09) and also approved a list of Counterparties to whom the Council could lend. This latter list had been constructed using the credit criteria explained in the Annual Investment Strategy. The Strategy gave approval to invest for a range of periods, from overnight to 3 years, dependent upon the Council's cash flows, its view on interest rates and the interest rates on offer.

However, the strategy and policies adopted in the above document were subject to major revision during the year due to the unprecedented events in the banking and finance sector (including the collapse of Icelandic banking institutions with which the Council has investments).

In essence, at its meeting of December 2008, Council agreed to keep its original credit criteria but suspended any new lending to overseas institutions or their UK subsidiaries and introduced a limit on the total that may be invested in counterparties within the same company group. In addition, and in recognition of the increasing difficultly being experienced in placing money with the markets because of the (now) reduced Counterparty list, the maximum sum allowed to be invested with the Council's bankers, HSBC bank plc, was increased form £6m to £10m.

It had also been agreed, in light of the continued volatility in the market, that the Treasury Management and Investment Strategy would be reviewed, on at least a monthly basis, by the Director of Finance in conjunction with the Leader and the Executive Councillor for Customer services and Resources.

As part of this review, the Council's exposure to investments in Ireland (the only investments outside of the UK) was being carefully monitored. In line with the revised policy, maturing investments from Ireland were not reinvested in that country, thereby reducing the Council's exposure (as at November 2008) from £16m to £10m, spread between three banks.

Although the Irish Government's existing commitment to guarantee deposits offered a degree of comfort, it was agreed that the Council would seek to obtain early repayment of this remaining £10m. Only one of the banks, holding £4m of Council funds, agreed to early repayment, leaving a revised total exposure to Ireland, at the financial year-end, of £6m.

4.0 Outturn for 2008/09

Interest rates

Short-term interest rates

Bank Rate started 2008/09 at 5.25% with the Bank of England's focus on fighting inflation. Market fears were that rates were going to be raised as CPI, the Government's preferred inflation measure, was above its 2% target. The money market yield curve reflected these concerns with one-year deposits trading in excess of 6%. PWLB rates in both 5 and 10 years edged above Bank Rate during the summer as markets maintained the belief that inflation was the major concern of the monetary authorities. The money markets were reflecting some concerns about liquidity at this time, evidenced by the spread between Bank Rate and 3 month LIBOR being greater than had historically been the case.

The bankruptcy of Lehman Brothers, a US investment bank, sent a shock wave through the world's financial markets and threatened to completely destabilise them. This caused an immediate spike in investment rates as markets tried to come to terms with the implications this might have on other financial institutions, their credit standing and their viability.

On 7 October the Icelandic government took control of their banks and this was followed a few days later by the UK government injecting £37bn into three UK clearing banks (RBS, HBOS, Lloyds) as liquidity in the markets dried up. On 9 October the MPC reduced interest rates by 0.50% (from 5.00% to 4.50%) but this had little impact on 3 month LIBOR. Investors, concerned about their counterparty limits post Iceland, fled to the quality of Government debt, forcing yields lower and PWLB short-end rates to fall.

Market focus turned from concerns about inflation to concerns about recession, depression and deflation. Although CPI was above target it was not seen as a barrier to further interest rate cuts. The MPC duly cut rates in November by 1.50% (from 4.50% to 3.00%) and again in December by another 1% (from 3.00% to 2.00%). Investors continued to put money into Government securities and by the start of 2009 the 50-year PWLB rate had dropped below 4% (marking the lowest point in this maturity for the whole financial year).

On 8 January 2009 the MPC reduced rates by 0.50% (from 2.00% to 1.50%), ahead of the Government announcing, on 19 January, further support for the banking sector. The debt markets had a sharp sell-off at this stage due to the concern over the amount of gilt issuance likely to be needed to finance this help to the banks. There was also discussion about further measures that could be introduced to prompt lending by the banks. These included quantitative easing by the Bank of England, which effectively meant printing money.

In February the MPC cut rates by 0.50% (from 1.50% to 1.00%) but the 3-month LIBOR rate remained approximately 1% higher. The MPC cut rates again in March by 0.50%, bringing Bank Rate to an historical low of 0.50%. At the same time the Bank of England announced that quantitative easing would start soon. This would involve the Bank buying up to £75bn of gilts in the 5-25 year maturity periods and £10-£15bn of corporate bonds. This led to a substantial rally in the gilt market, particularly in the 5 and 10-year periods and PWLB rates fell accordingly.

The financial year ended with markets still badly disrupted, the economy suffering from a lack of credit, short to medium term interest rates at record lows and a great deal of uncertainty as to how or when recovery would take place. Investment income returns had been badly hit but lower borrowing rates in the short to medium periods had allowed indebted local authorities to benefit.

Longer-term interest rates

The PWLB 45-50 year rate started the year at 4.43% (25 year at 4.62%) and was then generally within a band of 4.30%-4.60% (4.60%-5.00%) until mid October when there was a spike up to 4.84% (5.08%) followed by a fall to 3.86% (4.03% late December) in early December. Further spikes of 4.84% (4.86%) and 4.72% (4.69%) occurred in late January and early February, with the year closing at 4.58% (4.28%).

Borrowing

The Council did not have to borrow in 2008/09 and remains 'debt free'.

Investments

The unprecedented fall in Bank Rate, from the original expectation of a low of 4.75% to one of 0.50% by the year-end, adversely affected the Council's return of investments. However, the impact was partly offset by the ability to fix several investments at the higher rates of interest available earlier in the financial year and the resulting outturn position was a modest deficit, against revised budget, of £54,729.

As in past years, cash flow remained 'healthy' throughout 2008/09, despite the Icelandic situation. The total value of surplus funds invested during this time amounted to £1,394.78m, and the total value of investments that were repaid was £1,401.48m, resulting in a net decrease in investments of £6.70m during the year.

Whilst the Council invested the majority of its funds as short-term (fixed-rate) deposits, a small amount of high-liquidity funds were held in short-term (variable-rate) call/reserve accounts, to guard against any unanticipated expenditure. The Council also made a 2-year investment, in May 2008, to take advantage of the (then) high rates of interest in advance of projected falls. It does not have any externally managed funds.

The table below shows comparative Investment Outturn for 2008/09 against 2007/08.

	2008/2009			**2007/2008**		
Investment Type	Average Investments	Rate of Return	Benchmark Return	Average Investments	Rate of Return	Benchmark Return
1. Internally Managed Funds						
Fixed Short-Term (<365 days)	£62.17m	5.76%	4.49%	£78.61m	5.88%	5.92%
Call/Overnight Accounts	£3.36m	3.01%	3.59%	£2.26m	5.32%	5.54%
Fixed Long-Term (>365 days)	£4.30m	6.08%	-	-	-	-
2. Externally Managed Funds						
Managed Funds	-	-	4.47%	-	-	6.06%
3. Overall Investment Return						
Total - All Investments	**£69.80m**	**5.65%**	-	**£80.88m**	**5.86%**	**-**

Note. The 'Benchmark Return' figures are based upon:

1. the average money market 3-month LIBID rate, for the Council's Fixed Short-Term investments and

the average money market Overnight Rate, for the Council's Call/Overnight investments;

2. SECTOR's 'compounded quarterly' 3-month LIBID rate for Managed Funds.

Icelandic Bank Defaults

Cambridge City Council is one of at least 123 local authorities that have been affected by the collapse of Icelandic banking institutions. The Council at 31 March 2009 had a total of £9m in short term investments (i.e. those with maturity periods of up to one year) with two of the affected banks (Lansbanki Islands hf and Heritable bank Ltd).

The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership. The UK Government is working with the Icelandic Government to help bring this about. At the current time it is not possible to say with certainty that the Council will recover the entirety of its investments or when reimbursements will be made. The Local Government Association is coordinating the efforts of all UK authorities with Icelandic investments and Members will be periodically updated on the latest developments.

The English Government, the National Assembly of Wales and the Scottish Parliament have all issued regulations to allow local authorities to delay recognising any loss on these investments that may eventually be incurred until the financial year 2010-11.

5.0 Compliance with Treasury Limits

During the financial year the Council operated within the 'authorised' and 'operational' borrowing limits contained within the Prudential Indicators set out in the Council's Treasury Management Strategy Statement. For information, the outturn for the Prudential Indicators is shown in Annex 3.

ANNEX 3

PRUDENTIAL INDICATORS

	Actual 2007/08 £'000	Original 2008/09 £'000	Revised 2008/09 £'000	Actual 2008/09 £'000	Notes 1.
Capital expenditure					
- General Fund	5,983	11,373	17,899	12,553	
- HRA	13,562	19,071	15,978	12,778	
Total	19,545	30,444	33,877	25,331	
Incremental impact of capital investment decisions on:					
Band D Council Tax (City element)	0.00	0.00	0.00	0.00	
Average weekly housing rent	0.00	0.00	0.00	0.00	
Ratio of financing costs To net revenue stream					
- General Fund	-21.37%	-14.34%	-17.01%	-19.99%	
- HRA	-1.79%	-1.27%	-1.40%	-1.43%	
Capital Financing Requirement as at 31 March					
- General Fund	-4,844	-4,844	-4,844	-4,844	
- HRA	3,565	3,565	3,565	3,565	
Total	-1,279	-1,279	-1,279	-1,279	
Net borrowing Requirement	-69,779	-64,775	-68,715	-63,079	
Authorised limit					
for borrowing	10,000	10,000	10,000	10,000	
for other long term liabilities	0	0	0	0	
Total	10,000	10,000	10,000	10,000	
Operational boundary					
for borrowing	3,000	3,000	3,000	3,000	
for other long term liabilities	0	0	0	0	
Total	3,000	3,000	3,000	3,000	
Upper limits on fixed interest rate and variable interest rate exposures					
Fixed rate	-4,618	-3,700	-4,200	-4,200	
Variable rate	-78	-300	-140	-140	
Upper limit for total principal sums invested for over 364 days	5,000	5,000	5,000	5,000	

Notes: 'Original' refers to the Council's Treasury Management Strategy report (TMSR) of January 2008 and 'Revised' to the TMSR of January 2009.

Unavoidable Spending Pressures

Appendix J

(a) General Fund

General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
Previously Approved :						
Employers Pension contribution	0	903,910	903,910	903,910	903,910	Balance of provision required due to final actuarial report for 2004
Lion Yard - Rent Income	0	0	0	(278,670)	(278,670)	Balance of net change in rents projected after contribution to capital
C Tax Income earmarked for Growth Spend	44,090	52,760	239,990	501,580	741,620	Balance of Earmarked Provision (after bid - see below)
C Tax Income earmarked for Growth Spend - Bid Approved X1888	67,550	140,000	140,000	140,000	140,000	Running costs for the flats/chamberlain Refuse Collection vehicle that was approved as part of last year's budget process. Only required for 6 months of 2009/10.
Lion Yard rent income	0	0	0	121,180	121,180	Reworked for capital and rent projections
Pensions Adjustment	0	(390,880)	(390,880)	(390,880)	(390,880)	Provision for reduced Employer's Pension Contribution rate, following the 31 March 2007 triennial revaluation of the Pension Fund.
Lion Yard Additional Rent	0	(55,000)	(55,000)	(55,000)	(55,000)	
External interest on investments	1,673,450	1,702,450	872,450	367,310	367,310	Revised projection for reduced projected interest rates.
Employers NI Rates	0	0	145,300	152,200	152,200	Impact of pre-Budget Report 2008 measures
Fuel Duties	21,980	24,330	26,680	29,020	29,020	Impact of pre-Budget Report 2008 measures
Pensions Fund Revaluation Provision	0	0	164,250	328,500	328,500	Provision for an increase of 0.75% in both 2011/12 and 2012/13 in the Employer's Pension Contribution rate, in anticipation of the 31 March 2010 triennial revaluation of the Pension Fund.
Reduced DRF / Temporary Borrowing (3 years)	0	0	0	1,100,000	0	Short-term borrowing for cashflow purposes
Icelandic Bank Interest - potential losses	208,000	166,930	303,750	388,130	388,130	Reflecting draft changes to Capital Financing Regulations

General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
New items 2010/11 :						
2008/09 Pay Award	76,670	77,820	77,820	77,820	77,820	Settled at 0.3% above the level originally provided
2009/10 Pay Award	(103,500)	(207,000)	(414,000)	(414,000)	(414,000)	Change to Fe 2009 provision as follows: 2009/10 (from 1.5% to 1%), 2010/11 (from 1.5% to 1%), 2011/12 (from 2.5% to 1.5%), future yrs at 2.5%.
Inflation Provision	0	0	60,000	60,000	60,000	BSR assumed 1% 10/11 then 4% ongoing, so reduced 11/12 by 1.5% to 2.5%, then 4% ongoing).
Benefits	43,800	64,050	87,770	115,040	115,040	Increased cost of Council Tax and Housing Benefits and Rent Allowances
Commercial Property Income	0	290,000	0	0	0	Delay to opening of Lion Yard extension & rent-free period to tenant
External Interest	267,910	215,230	(142,350)	(158,440)	(199,810)	Projections updated for actual balances, anticipated repayments from Icelandic Banks, interest rates.
Mobile Phones	(10,000)	(20,000)	(20,000)	(20,000)	(20,000)	Savings resulting from re-tender of contract (GF rental element)
Energy Costs	(122,000)	(206,000)	(84,000)	0	0	Savings from re-tendering of gas and electricity contracts (GF element) for 2 years of new contract
Insurance Fund	0	(180,000)	0	0	0	One-off reduction in provision following review
Maternity Fund	335,000	0	0	0	0	Pressures on costs of covering maternity leave. Future year effects to be assessed in a review.
NNDR Valuation Appeals	(406,690)	(105,230)	(105,230)	(105,230)	(105,230)	Successful challenges to 2005 valuation list
VAT: Fleming claims (Cultural Services, etc)	(2,349,130)	0	0	0	0	Successful challenge of HM RC treatment in past period c.f. European law
Icelandic Investments	0	1,494,500	0	0	0	Projected net loss of principal (impact of £7,505,500 anticipated repayments are built into the latest external interest projections)
Prudential Borrowing	0	0	0	(1,100,000)	0	Remove existing requirement for borrowing to meet cashflow pressures (2010/11 add back to DRF and adjust capital financing)
Prudential Borrowing	0	(28,600)	(28,600)	(28,600)	0	Saving on interest costs of Prudential Borrowing (previous budget bid B2180 refers).
Pensions Fund Revaluation Provision	0	0	0	0	164,250	Extension of provision for a 0.75% increase for each year 2013/14 to 2016/17
Total Net Effect	**(252,870)**	**3,939,270**	**1,781,860**	**1,733,870**	**2,125,390**	

(b) Housing Revenue Account

Housing Revenue Account Category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
New items 2009/10 :						
Reduction in dwelling rent due to reduced rent increase	892,540	892,540	892,540	892,540	892,540	Implementation of ministerial announcement of financial support to LA's to minimise increases
Reduction in negative subsidy payable due to guideline rent reduction	(883,910)	(883,910)	(883,910)	(883,910)	(883,910)	Government support to allow above reduced rent increases
Increase in negative subsidy payable due to LIBID rate change	443,020	443,020	443,020	443,020	443,020	
Reduced income due to inability to capitalise costs of right-to-buy	181,070	181,070	181,070	181,070	181,070	Reduced income due to inability to capitalise fixed costs of right to buy, while sales are minimal
Investment income	65,900	65,900	65,900	65,900	65,900	Impact of interest rate changes on investment and mortgage income
Leasehold Service Charge Income	(60,400)	(60,400)	(60,400)	(60,400)	(60,400)	Increase in management charges to move to recover full costs
Temporary Housing Service Charges	25,490	25,490	25,490	25,490	25,490	Income assumptions adjusted for reduced units and current void levels
Garage Income	20,760	20,760	20,760	20,760	20,760	Income assumptions adjusted for reduced units and current void levels
2009/10 and prior years pay and pension recharges	(91,750)	(91,750)	(91,750)	(91,750)	(91,750)	Removal of residual ear-marked resource for prior year pay and pension adjustments, now built into the base where required
Interest Payable	(37,780)	(37,780)	(37,780)	(37,780)	(37,780)	Reduction in interest due to General Fund for notional debt based on reduced interest rates
Pension Costs	0	122,970	186,790	250,650	314,650	Ear-marked resource for anticipated additional pension costs to the HRA (direct and recharged)
National Insurance	0	0	35,100	35,100	35,100	Increase in rate from April 2011
Total Net Effect	**554,940**	**677,910**	**776,830**	**840,690**	**904,690**	

Areas of Uncertainty **Appendix K**

The main areas of uncertainty, for which no allowance has been made in the forecast but which are potentially material, are: -

(a) All Funds

Ref.	Area of Uncertainty
(1)	Rating Revaluation Appeals • The Council has now completed all of the outstanding appeals against the 2005 Valuation Office list, however a revised list is due to be published in 2010 which may raise new issues and the need to register challenges
(2)	External Contracts • The effects of formal external contracts, which come to the end of their term. The base implies provision for inflation and built in savings targets.
(3)	VAT: Partial Exemption Calculation • The calculation has previously been close to the threshold. However, actions to 'opt to tax' on selected assets has reduced the potential of a breach and the associated cost implications in terms of non-recoverable VAT. If the threshold is increased or in some other way removed altogether, then it will give the Council more scope to recover and retain sums of VAT which previously it may have had to repay to Customs. This would be especially relevant to the forthcoming mercury abatement works at the crematorium which will cause the Council to exceed its threshold during 2010/11.
(4)	Capital Issues There is uncertainty regarding a number of capital related issues. These include: • adequacy of Repairs and Renewal Funds • availability of funding from General Reserves • the timely use of Section 106 funds
(5)	Regional Growth • There will be significant implications for the Council from the impact of the Growth Agenda, both within the City and in the wider sub-region. The Council is working in partnership with Cambridgeshire Horizons and neighbouring authorities to determine the capital and revenue consequences. Revenue pressures are anticipated in terms of increased demand on a number of services. However recent trends in the housing market indicate a slowdown in major developments which in turn will impact on required resources.

Ref.	Area of Uncertainty
(6)	Boundary Change • There may be significant financial implications for the Council if the City/South Cambridgeshire boundary is revised as proposed to bring previous and planned urban growth around the city fringes within the City Council's administrative area. Whilst timing is uncertain at present, officers will be liaising with the Boundary Committee and partners to understand the financial implications, including opportunities for efficiencies and areas of potential risk. This work will feed into the 2010 MTS.
(7)	Joint Working and Services Funded Jointly with Other Organisations • The future funding plans and decisions by partner organisations in such circumstances can result in pressures for the City Council
(8)	Electricity & Gas prices • The Council has recently retendered it's energy contracts which has brought about significant savings. The contract is for a period of two years after which time we will, once again, be subject to market pressures. The budget saving has only been taken for the 2-year period of the contracts, as prices are expected to rise materially after that point.
(9)	External Legal fees • There are a number of outstanding legal cases that could result in substantial additional costs to the Council if our action is not successful. This area needs monitoring closely as there could be significant financial consequences.
(10)	Customer Access Strategy • The ongoing implementation of the Customer Access Strategy could have a significant impact on the operation of the City Council services and our interaction with the general public. • The remaining services are scheduled to transfer by the end of 2009/10.
(12)	Climate Change • The impact of climate change may have broad ranging effects across the council including, *inter alia,* fuel pricing, housing insulation, vehicle purchase and design of new and refurbishment of existing buildings. It is not possible to quantify the financial impact of this although the Council's Climate Change Fund is available for support for appropriate projects.
(13)	City Services Turnover and Trading Activities • The impact of reductions in turnover and external trading activity in terms of reduced ability to spread overhead and fixed costs is uncertain. The current contract for the maintenance of council dwellings in South Cambridgeshire will come to an end during 2009/10 and the Decent Homes programmes of work for the HRA are due to be completed by the 31st March 2010. • The County Council has confirmed that it will be taking the LAPE function back with effect from 1 April 2010. A project is underway to manage the transfer of services. A key part of this work will be to identify the extent to which the City Council is able to achieve reductions in the central and departmental costs currently associated with providing these services

Ref.	Area of Uncertainty
(14)	Review of Mill Road Depot • As identified in the February 2009 Budget Setting Report, the current operating site is being reviewed through an initial Feasibility Project that is nearing completion. However, the economic downturn will affect timings of any proposals coming out of the review and may mean a longer tenure at Mill Road, pending a firm decision on the site. The site is over 100 years old and changes are likely to be needed and funding identified to meet both operational requirements, increasing maintenance demands and Health and Safety concerns.

(b) General Fund

Ref.	Portfolio	Area of Uncertainty
(1)	Strategy & Resources	General Fund / Housing Revenue Account Transfers • There is an ongoing review into the basis for the transfers relating to services shared by the whole community. This involves central overheads, corporate and democratic core and appropriations. The charges from the HRA to the General Fund are also being reviewed as part of this process.
(2)		Council Tax Collection Fund deficit / surplus contributions • This has a one-off effect, and is assessed in January each year. • Projections for 2009/10 have been provisionally included in the Medium Term Strategy and will be reassessed as part of the budget process.
(3)		Growth Areas Delivery Grant • The amount of future funding involved is unclear at the moment, however there is potential for a significant contribution to the Council's asset base in the medium term.
(4)		Rating Legislation • The Council has successfully appealed against rating valuations in respect of the Car Parks and Hobson & Mandela Houses. Further appeals may be required under the 2010 valuation list.
(5)		Travellers • The Single Issue Review of the Regional Spatial Strategy (RSS) in respect of Gypsies and Travellers Policy was concluded in 2009. RSS has allocated 15 permanent pitches for Cambridge by 2011 and a further 13 pitches by 2021 resulting in a total of 28 pitches. Capital funding is available to provide new sites through the Homes and Communities Agency but this is subject to a bidding process.

Ref.	Portfolio	Area of Uncertainty
(6)		City Centre Management and Tourism • On 1 April 2009 a new independent City Centre Partnership was created. Proposals to transfer the Tourism service will be considered with a view to implementation in the period 2010/12. • The success of this is subject to appropriate levels of ongoing external funding being achieved.
(7)		Local Land Charges • Income will vary dependant on activity in the housing market, the recent housing downturn has thus brought about a significant reduction in searches. The introduction of Home Information packs has led to a change in the way in which searches are commissioned, with much greater use of personal search companies, some of which have moved into the home information pack market.
(8)		Electoral Administration • Currently we do not budget for by-elections. If there is an unexpected by-election costs of £6,000 would be incurred.
(9)		Office Accommodation Review • work is in progress to review options across the Council's office accommodation following the opening of the new Customer Service Centre together with options for short term staffing in areas associated with the growth agenda.
(10)		Property Disposals - a number of asset disposals are likely during the MTS period, these are highlighted in Section 11. • The current economic downturn makes the level of receipt achievable for any disposal uncertain.
(11)	Environment & Planning (Climate Change & Growth)	Concessionary Fare scheme • The City Council has responded to a Government consultation on options for the future administration of the national concessionary fare scheme and has favoured this being undertaken by Cambridgeshire County Council. Further Government consultation on the funding of the national concessionary fare scheme has also been announced to form part of the wider local government finance settlement starting in 2010.
(12)		Housing and Planning Delivery Grant • An announcement is expected shortly to outline the HPDG support available to the Council for both Revenue and Capital support.
(13)		Development Control Fees • The level of fee income has fallen significantly and continues to be closely monitored.

<table>
<tr><th>Ref.</th><th>Portfolio</th><th>Area of Uncertainty</th></tr>
<tr><td>(14)</td><td></td><td>Flood and Water Management Bill

The severe floods across the UK in summer 2007 prompted a review into flood risk management. The review, undertaken by Sir Michael Pitt, was completed and presented to the Government which responded in December 2008. The recommendations that were supported by the Government were developed into the Flood and Water Management Bill published at the end of April 2009.

The impacts on the Council could be both organisational and financial. Although the overarching responsibility for flood risk management lies with the County Council in this area, it is clear that the City Council will have some increased responsibilities with regard to local flood risk management.</td></tr>
<tr><td>(15)</td><td></td><td>Parking Services

Consultants have and will continue to be used to assist in forecasting income and demand for parking services, as well as with customer survey's. Current projections try and build in potential issues arising from the Grand Arcade and growth in the city and surrounding areas. However with all forecasting there is uncertainty regarding a number of the assumptions made which could impact on the income projections.

• The Council's approach to dealing with 'carbon footprint' issues and the potential for the introduction of congestion charging in the City's boundaries in the longer term could impact on future car park income levels.

• A review of the overall parking portfolio, started in 2008/09, may impact on the future strategy for repair and replacement of car parks and could impact on the need for significant repair and refurbishment work currently required at Park Street Car park in 2011/12.

• Other issues impacting on Parking services include :
- The transfer of CCTV and Shopmobility services into Parking Services' management control.
- Changes in retail occupancy in the city centre
- Traffic management and transport planning strategies, particularly road pricing</td></tr>
<tr><td>(16)</td><td>Environment and Planning (Environmental & Waste)</td><td>Legislation will require new or enhanced enforcement regimes to be implemented, including:

• Contaminated Land - The Environmental Health team has limited resources to undertake investigations into the sites on the register. The provision of further funding will need to be considered to ensure work can be undertaken relating both to Council-owned sites and others. Sites owned by the Council may require remediation with associated cost implications. These costs may be mitigated by grants under the Contaminated Land Capital Projects Programme by DEFRA but is unlikely to cover the full costs or the initial investigation costs.</td></tr>
</table>

Ref.	Portfolio	Area of Uncertainty
(17)		Landfill Tax • The Government's drive to reduce landfill disposal has resulted in significant increases in landfill tax. The Council's commitment to recycling should limit the impact of the increased tax on the Council.
(18)		Dry Recycling • The new Dry recycling contract is based on a gate fee per tonne for the bulking, transport and sorting (at a materials recycling facility) of dry recyclates. There will be two elements of price variation which will affect the gate fee – an annual RPI adjustment and a gate fee adjustment mechanism as a result of change in the market price of recyclates. The latter adjustment may be made at six monthly intervals and will make it difficult to set an accurate annual budget as prices may vary depending on the value of recyclates.
(19)		Food Hygiene • There may be a requirement for additional budget provision in order to ensure appropriate enforcement action can be taken in all appropriate cases.
(20)	Community Services (Housing)	Home Aid • Uncertainty still exists surrounding the level of funding for the Home Aid service in future years, as the countywide service has undergone a fundamental review, with the recommendations yet to be realised at provider level.
(21)		Growth Agenda • Work is currently being undertaken to quantify the impact of expansion in Cambridge and the sub-region over the next ten years. It is likely that there will be additional pressures on services such as Anti-Social Behaviour, Housing Needs and Home Aid.
(22)		University HMO fees • With effect from 1 October 2009, University of Cambridge Colleges will need to register Houses in Multiple Occupation (HMO) or student hostel that is 3 storeys or more in height and has 5 or more residents. The fee is designed to be self financing but there will be significant income and expenditure reflecting the number of properties to be registered and the expected workload. However there will be additional staffing costs that will be incurred that are not recoverable for which a bid will need to be made during the current budget cycle.

Ref.	Portfolio	Area of Uncertainty
(23)	Community Services (Arts & Recreation)	Free Swimming • The City Council undertook to participate in free swimming for the over 60s and our partner, SLM, undertook to fund free swimming for city resident under16s at certain pools • It is not known what future funding will be available and the level at which the city will participate as being a regional swimming destination has cost implications that are not reflected in the Government subsidy.
(24)		Parkside Pool • The outcome of legal assessments regarding the defects is not yet established, there could be financial implications arising from this.
(25)		Cambridge Card • The Council has recently introduced the Cambridge Card and is working in partnership with a number of organisations regarding this item. It is hoped that the scheme will be successful and financial implications minimised.
(26)		Olympics • The Council needs to assess the impact and opportunities arising from the Olympics 2012 in terms of adding value to existing service provision, maximising legacy i.e. making sure that city clubs and facilities can cater for the enthusiasm generated by 2012 and managing the potential impact on infrastructure and services.
(27)	Community Development & Health	Ongoing revenue funding of Community Development facilities • The impact of growth in the city and surrounding area will require the creation of community facilities. The creation of the facilities will be covered by S106 contributions, however the revenue funding of these facilities may require ongoing City Council support.
(28)		Safeguarding children and vulnerable adults • There is significant legislation and guidance requiring both statutory and voluntary agencies to develop robust policies and procedures to safeguard and promote the welfare of children, young people and vulnerable adults and to work in partnerships to develop consistent, joined up and effective practice (including The Children Act 2004, DCFS Guidance, POVA, Safeguarding Vulnerable Groups Act 2006). Policies are currently being implemented although cost implications cannot be quantified at this time.

(c) Housing Revenue Account

Ref.	Portfolio	Area of Uncertainty
(1)	Housing Revenue Account	Review of the HRA Subsidy System and Self-Financing for the HRA • The proposals from the Review of Council Housing Finance are currently subject to consultation, with a new model for the HRA anticipated to be introduced with effect from April 2012. The proposals would see a new self-financing HRA, with financial freedoms to retain rents at a local level, following an initial redistribution of housing debt.
(2)		Right to Buy Sales • The number of sales dropped again in 2008/09. Early indications in 2009/10 suggest that sales are likely to reduce even further. The implications of this for revenue are now significant, as although additional rental income can be assumed for the longer term, there is no longer the ability to capitalise the fixed costs of the right to buy service.
(3)		Day to Day Repairs and Voids • Inflation in the building industry over the last few years, coupled with a greater demand for day to day and void repairs as highlighted by decent homes surveyors in the housing stock, are putting considerable demand on the budget. Additional resources will be required, if the current level of expectation is to be satisfied on an ongoing basis.
(4)		Independent Living Service • Funding for the Independent Living Service is at risk in a number of areas. The level of voids, as a result of the sheltered housing investment strategy, is still significant, producing shortfalls in rent, service charge and support income. This is compounded by concerns in the level of future funding from Supporting People for support, and from the PCT for extra care, combined with the loss of the majority of business from warden agencies as a result of their needs to cut costs. Our contract for the provision of care expires in August 2010, and we await details as to what will follow.
(5)		Floating Support Services • The future provider of Floating Support Services across the county is currently uncertain, with the County Council to undertake a formal tender exercise during the autumn of 2009. It is unclear at this stage whether Cambridge City Council will be in a position to submit a tender for the opportunity to continue to provide existing services in the city.

Ref.	Portfolio	Area of Uncertainty
(6)		Maintenance of Aids and Adaptations • additional capital investment in aids and adaptations in HRA stock, has revenue implications for repairing and maintaining the equipment. This puts additional pressure on the existing day to day repairs budgets.
(7)		Electricity SmartMeters • The introduction of SmartMeters to enable the remote reading of electricity meters is expected to result in some large one-off costs / refunds in respect of meters that have historically been estimated.
(8)		HRA New Build Relaxing of the rules surrounding HRA subsidy and pooling of capital receipts for new build dwellings has resulted in the potential for Local Authorities to build again. Some government grant is available to assist with this, but if we are to proceed, prudential borrowing will also be required to fund the schemes.

(d) Capital

Ref.	Portfolio	Area of Uncertainty
(1)	Housing Capital	Sheltered Housing • The existing Sheltered Housing Modernisation Programme is progressing well, with Talbot House due for completion during 2009/10 and Brandon Court scheduled for refurbishment during 2010/11. There is a need to review the decisions made in respect of the latter stages of the programme, to determine the best use of limited resources in the current financial climate.
(2)		Achievement of Decent Homes • 92% of the stock was considered decent at 1st April 2009, however additional properties become non-decent during the year. • Our target is still to meet Decent Homes at the end of the financial year.
(3)		Housing Health and Safety Rating System (HHSRS). • The impact of this method of assessing housing fitness, introduced part way through the Decent Homes Programme, has put additional pressure on limited capital resources. This assessment system examines a wider scope of issues than has historically been the case when assessing housing fitness which in turn determines Decency. This has resulted in a requirement to address works outside of the home and/or building fabric e.g. garden paths and ancillary buildings.

Ref.	Portfolio	Area of Uncertainty
(4)		Sulphate Attacks • Sulphate attack has been identified in a number of council dwellings, resulting in the possible need to invest £3m to eradicate the problem. Currently £1m is allocated in the Housing Capital Programme over the next ten years, allowing remedial works to be undertaken in void properties. There is the potential for similar sulphate attacks in the structures of a number of other council dwellings, which could result in the need for significant additional investment to undertake these works.
(5)		Disabled Facilities Grants and Private Sector Housing Grants and Loans • Council investment in both DFG's and Private Sector Housing Grants and Loans is dependent upon existing capital balances or capital receipts in year. Historic capital balances will to be fully utilised by the end of 2014/15, and the level of receipts anticipated on an ongoing basis will not be sufficient to support the desired investment.
(6)		Right to Buy Sales • The number of sales dropped dramatically in 2008/09, with only 6 sales completed. Early indications in 2009/10 suggest that the number of completions will fall further. The negative impact of this fall in available capital resources has been built into the Housing Capital Investment Programme, resulting in an inability to fully fund the programme in years 5 to 10.

Major Contracts

Appendix L

Financial Year	End Date	Contract Period	Contract / Agreement	Current Service Provider
EXTERNAL CONTRACTS				
2009/10	31 Jan 2010	3 yrs	Interpretation & Translation Services	CINTRA
	31 Mar 2010	5 yrs	Local Authority Parking Enforcement (LAPE)	Legion Security
	31 Mar 2010	3 yrs	Corn Exchange Catering Concession	Crown Venue Catering
	31 Mar 2010	4 yrs	Tree Surgery Services (5)	Acacia Tree Surgery Ltd and 4 others
2010/11	30 Mar 2011	5 yrs	Building Maintenance etc	Apollo London Ltd
	30 Mar 2011	5 yrs	Decent Homes maintenance – Kitchens and bathrooms (2)	Luminus Group and N&S Building Services
	30 Mar 2011	5 yrs	Decent Homes maintenance – Heating (2)	Aqua Mechanical Services Ltd and Chaps Ltd
	30 Mar 2011	5 yrs	Decent Homes maintenance – Electrical (2)	Coulson Building Group and Eastern Contracting
	30 Mar 2011	5 yrs	Decent Homes maintenance – Roofing (2)	Lodge Roofing and K&C Roofing
	30 Mar 2011	5 yrs	Decent Homes maintenance – Decorating (2)	Mitie Property Services and Cundy Anglia Ltd
2011/12	30 Jun 2011	5 yrs	Information Technology	SERCO
	19 Jul 2011	2 yrs	Corporate Mobile Phones	Orange
	31 Jul 2011	2 yrs	Non half hour Electricity Sites	Opus Energy
	31 Jul 2011	2 yrs	Half hour Electricity Sites	SWALEC
	31 Jul 2011	2 yrs	Gas	Shell Gas Direct Ltd
	31 Jul 2011	3 yrs	Environmental Improvement Schemes & Minor Highway Works	J P Websters
	23 Nov 2011	2 yrs	Supply of casual staff	Comensura
2012/13	30 Apr 2012	4 yrs	Mechanical and Electrical Services	Aqua Planned Maintenance
	30 Apr 2012	4 yrs	Lift Maintenance	Kone Lifts
	30 Apr 2012	4 yrs	Air Cooling Maintenance	Constant Cooling
	30 Apr 2012	4 yrs	Door Entry Maintenance	Power Control Panels
	30 Apr 2012	4 yrs	Fire Safety Equipment Inspection & Maintenance	Cromwell Fire
	23 Nov 2012	3 yrs	Supply of Temporary Staff	Comensura
	1 Mar 2013	4 yrs	Insurance Services	Zurich Municipal

Financial Year	End Date	Contract Period	Contract / Agreement	Current Service Provider
2013/14	30 Sept 2013	7/10 yrs	Swimming Services (subject to completion of 3 year extension to 2013)	Sports & Leisure Management Ltd
2014/15	31 Jun 2014	5 yrs	Gas Maintenance & Inspection	Morrisons
2017/18	2018	10 yrs	Provision of Pay on Foot Parking Equipment	Parkeon Ltd
INTERNAL TRADING ARRANGEMENTS				
2009/10	1 Jan 2010		Street Cleaning/Grounds Maintenance	City Services
2010/11	30 Jun 2010		Building Maintenance / Decent Homes	City Services

Repairs and Renewals Funds **Appendix M**

Portfolio	Repairs and Renewals 2009/10 Balance at 1st April 2009 (£'s)	Contributions to August 2009 (£'s)	Net Expenditure to August 2009 (£'s)	Balance August 2009 (£'s)
Arts & Recreation	(968,633)	(429,890)	138,356	(1,260,167)
Community Development & Health	(985,493)	(40,760)	(16,229)	(1,042,481)
Housing (General Fund)	(236,588)	(49,550)	0	(286,138)
Climate Change & Growth	(738,775)	(210,753)	66,340	(883,189)
Environmental & Waste Services	(408,502)	(186,400)	31,452	(563,450)
Customer Services & Resources	(4,335,551)	(817,250)	107,161	(5,045,640)
Strategy	(85,388)	(53,970)	(104,163)	(243,521)
	(7,758,930)	**(1,788,573)**	**222,917**	**(9,324,586)**
City Services	(4,875,933)	(60,250)	35,267	(4,900,916)
Housing Revenue Account	(1,406,510)	(252,520)	12,227	(1,646,804)

Section 106 (S106) - Projection of Capital Funding Available

Appendix M

	Completed S106 Agreements					Future Forecast		
	Balance b/f (as at 31/3/09) (£'s)	Approvals (Note 1) (£'s)	Net Available (£'s)	Adjustments for completed projects still to be financed from S106 (£'s)	Fund Balance (£'s)	Contributions due from Non-Growth Sites (Note 2) (£'s)	Contributions due from Growth Sites (Note 3) (£'s)	Projected Balance Available (£'s)
Category								
Affordable Housing	(736,286)	135,000	(601,286)	0	(601,286)	(704,014)	0	(1,305,300)
Community Facilities*	(1,739,213)	750,000	(989,213)	453,243	(535,970)	(1,143,312)	(2,230,322)	(4,362,847)
Formal Open Spaces/Outdoor Sports Facilities*	(2,823,501)	392,790	(2,430,711)	643,998	(1,786,713)	(781,021)	(2,692,907)	(5,904,639)
Informal Open Spaces	(1,443,973)	315,820	(1,128,153)	21,031	(1,107,122)	(693,631)	(97,920)	(1,919,704)
Children's Play Area/Provision for Children & Teenagers	(822,175)	150,390	(671,785)	152,611	(519,174)	(481,499)	(164,787)	(1,318,071)
Indoor Sports Facilities	0	0	0	0	0	0	(159,750)	(159,750)
Public Art	(318,807)	132,000	(186,807)	0	(186,807)	0	0	(186,807)
Public Realm	(333,088)	0	(333,088)	0	(333,088)	(341,037)	0	(674,125)
Waste & Recycling*	0	0	0	0	0	0	(393,101)	(393,101)
Misc	(37,993)	0	(37,993)	0	(37,993)	(15,000)	(267,005)	(319,998)
Education and Transport awaiting transfer to the County	(663,320)	663,320	0	0	0			0
(Surplus) / Deficit	**(8,918,356)**	**2,539,320**	**(6,379,036)**	**1,270,883**	**(5,108,153)**	**(4,159,514)**	**(6,005,792)**	**(16,544,342)**

Notes:

1. Includes only those approved capital projects that are in the Capital Plan (2009/10 - 2013/14) to be financed from S106 contributions. There are currently no Affordable Housing approvals beyond 2008/09, however all growth sites have to provide the full amount of affordable housing on site.

2. Includes where S106 agreements are completed, but development has not commenced. Most of these contributions (and those in the Balance b/f column) are non-site specific and can be used to finance a variety of projects promoted by the Local Authority and which meet the requirements of the Planning Obligation Strategy.

3*. These are indicative S106 contributions expected from Growth Sites, currently under negotiation and are mainly tied to specific elements of infrastructure within the new developments. This schedule only reflects those applications that have been to committee. As part of this process, significant revenue contributions are also being secured, but these are not included in this table. Similarly, the Council will also collect contributions that are due to other public bodies i.e. the County Council (for education and transport) and Primary Care Trust (PCT) (for health facilities), but these are not included in this table. However, for the categories above marked *, certain elements are due to the County Council, as they will deliver some of the facilities.

Filename: O:\accounts\Budget\2010-11\03 Medium Term Strategy Document and Workings\02 Appendices\[Appendix M2 - Earmarked and Specific Funds - S106 Analysis.xls]Summary

Technology Investment Fund (TIF) - Projection of Funding Available **Appendix M**

Technology Investment Fund at 14 September 2009	2008/09 (£'s)	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Notes
(Surplus) / Deficit Balance b/f	**(558,482)**	**(239,040)**	**(65,935)**	**(150,255)**	**(234,575)**	**(318,895)**	
Annual contribution	(84,320)	(84,320)	(84,320)	(84,320)	(84,320)	(84,320)	
Other contributions	(5,300)						DCLG Capital grant efficiency information (Council Tax Bills) ***(new since BSR Feb 2009)***
Total surplus available	**(648,102)**	**(323,360)**	**(150,255)**	**(234,575)**	**(318,895)**	**(403,215)**	
less **Existing approvals**							
Earmarked for Customer Access	180,000	174,869	0	0	0	0	Capital Scheme SC328 re-phased (scheme also funded from other sources)
sub-total	**(468,102)**	**(148,491)**	**(150,255)**	**(234,575)**	**(318,895)**	**(403,215)**	
less **Existing approvals:**							
- Committee Rooms : audio-visual equipment	1,904	16,892					Item C1201 - approved at ICT Steering Group on 18 Oct. 2006
- E&P GIS Solution : Phase 3	0	19,000	0	0	0	0	Item C1041 - approved at ICT Steering Group on 18 Oct. 2006 (see item C1793 below)
- Cash Allocation Interface Upgrade	0	0	0	0	0	0	
- VeriSecure Web payment system enhancements	0	183	0	0	0	0	Approved by Exec Councillor and ICT Steering Group on 1 June 2007
- DIP/EDRMS	55,369	0	0	0	0	0	
- Time Recording Management System Upgrade (SC 392)	5,000	0	0	0	0	0	Funding part of £15k the cost (£10k from PDG)
- Flexible Working Infrastructure Roll-Out (SC 394)	77,090	11,110	0	0	0	0	Funding the total costs of £88,200
- Corporate Axis PAYe.net (SC 400)	20,000	0	0	0	0	0	

Technology Investment Fund at 14 September 2009	2008/09 (£'s)	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Notes
less							
2009/10 Budget approvals:							**Approved Budget-Setting Report (BSR) Feb 2009:**
- GIS Phase 3 - funding no longer needed		(19,000)					Item C1793 (see C1041 above)
- Government Connect Compliance Projects	69,699	10,871					Item C1969
- Installation of self service and information desk PCS into the new Tourist Information Centre (TIC) (part of £8k total)		6,500					Item C2010
- Procurement of an information management system covering the decision making process		37,000					Item C1849
less							
2009/10 New items:							
- Secure Mobile Virtual Private Network (VPN)		8,500					Approved by ICT Steering Group on 12 August 2009
(Surplus) / Deficit Balance c/f	**(239,040)**	**(65,935)**	**(150,255)**	**(234,575)**	**(318,895)**	**(403,215)**	

Planning Delivery Grant (PDG) Revenue Expenditure 2006/07 - 2007/08
Housing & Planning Delivery Grant (HPDG) Revenue Expenditure 2008/09 - 2012/13

Appendix M

	2008/09 (£'s)	2009/10** (£'s)	2010/11** (£'s)	2011/12*** (£'s)	2012/13*** (£'s)	Notes
Balance b/fwd	**(193,190)**	**(67,304)**	**(0)**	**(0)**	**(0)**	
Allocation	(679,471)	(480,700)	(480,700)	0	0	HPDG guidance now assumes 33% (previously 25%) of annual allocation is earmarked for capital expenditure, therefore 67% (previously 75%) earmarked for revenue.
Total available	**(872,661)**	**(548,004)**	**(480,700)**	**(0)**	**(0)**	
less						
Existing commitments						
Revenue	417,892	496,024	458,720	0	0	
	(454,769)	**(51,980)**	**(21,980)**	**(0)**	**(0)**	
Approved as part of 2008/09 Budget Process						
- X1523 Growth Web Site (Part - Year 1)	0	15,000	0	0	0	Unspent in 2008/09, c/fwd to 2009/10
- X1529 GIS Partnership - information/system development (Part - Year 1)	19,400	0	0	0	0	
- X1693 Member Training - Planning (Two year bid only)	1,665	7,500	0	0	0	Original approvals reduced as part of 2009/10 budget process
Approved as part of 2008 MTS						
Fund growth posts for one year from HPDG revenue grant	216,400	0	0	0	0	

	2008/09 (£'s)	2009/10** (£'s)	2010/11** (£'s)	2011/12*** (£'s)	2012/13*** (£'s)	Notes
Approved as part of 2009/10 Budget Process						
- RB1944 Use of unallocated HPDG funding to offset Development Control fee income underachievement	102,000	0	0	0	0	
- RB2153 Economic downturn allows temporary reallocation of Major Development Team resource to support programme management work on growth.	35,000	0	0	0	0	
Reduction in Member Training budget (X1693 above)	0	0	0	0	0	
RB2187 - Reduction in Member Training Budget (X1693) reallocated	13,000	0	0	0	0	
S2151 - Reduction in Member Training Budget (X1693) reallocated	0	7,500	0	0	0	
S2131 - Contribution to E&P share of corporate Review of Learning & Development saving		21,980	21,980	0	0	As agreed by E&P DMT 23/7/09
Balance c/fwd	**(67,304)**	**(0)**	**(0)**	**(0)**	**(0)**	

** Minimum grant allocation to meet current commitments. Difficult to accurately forecast 2009/10 & 2010/11 due to the uncertainties in the determination of the grant and the increasing emphasis placed on the number of housing completions within the grant mechanism. Using the new allocation of revenue and capital would require a total grant of £712,150 per annum.
*** HPDG funding only available for current CSR period (to 31/03/11)

Planning Delivery Grant (PDG) Capital Expenditure 2006/07 - 2009/10
Housing and Planning Delivery Grant (HPDG) Capital Expenditure 2008/09 - 2012/13

Appendix M

	2008/09 (£'s)	2009/10** (£'s)	2010/11** (£'s)	2011/12*** (£'s)	2012/13*** (£'s)	Notes
Balance b/fwd	**(187,455)**	**(396,863)**	**(227,653)**	**(354,103)**	**(354,103)**	
Allocation	(327,153)	(231,450)	(231,450)	0	0	HPDG guidance now assumes 33% of annual allocation is earmarked for capital expenditure
Total available	**(514,608)**	**(628,313)**	**(459,103)**	**(354,103)**	**(354,103)**	
less						
Existing commitments						
Approved as part of 2007/08 budget process						
- Environment & Planning Geographic Information System (GIS) Solution Phase 1	7,528	0	0	0	0	
- Environment & Planning Geographic Information System (GIS) Solution Phase 2	38,070	0	0	0	0	
Approved as part of 2008/09 Budget Process						
- C1704 Time Recording Management System upgrade	10,322	0	0	0	0	
Approved as part of 2008 MTS						
Contribution to Corporate Document Management (DIP & EDRMS) project	0	215,160	0	0	0	Capital project rephased from 2008/09 to 2009/10

	2008/09 (£'s)	2009/10** (£'s)	2010/11** (£'s)	2011/12*** (£'s)	2012/13*** (£'s)	Notes
Approved as part of 2009/10 Budget Process						
- C1955 Countryside Management System (CMS) Software	0	4,000	0	0	0	
- C1965 Development Control - Purchase and development of the UNIform e-consultee access module	0	15,000	0	0	0	
- C1966 Development Control - on-going development of existing UNIform system	0	15,000	0	0	0	
- C1968 Building Control - Purchase Public Access module	0	12,500	0	0	0	
- C2009 E&P Planning Services ICT Project Management Costs	0	15,000	0	0	0	
- Environment & Planning Geographic Information System (GIS) Solution Phase 1	(7,528)	0	0	0	0	Variations in the solution implementation costs from the initial budget bid have meant this funding is no longer required
- Environment & Planning Geographic Information System (GIS) Solution Phase 2	(35,437)	0	0	0	0	The Partnership GIS project has resulted in savings on the previously agreed Phase 2 project
- Environment & Planning Geographic Information System (GIS) Solution Phase 3	0	19,000	0	0	0	Previously approved TIF funding now substituted by HPDG funding
- RB2192 / S2152 Landscape Architects fees associated with the Environmental Improvement Programme	104,790	105,000	105,000	0	0	Approved at CMT/Exec 15/01/09
Balance c/fwd	**(396,863)**	**(227,653)**	**(354,103)**	**(354,103)**	**(354,103)**	

** Minimum grant allocation to meet current commitments. Difficult to accurately forecast 2009/10 & 2010/11 due to the uncertainties in the determination of the grant and the increasing emphasis placed on the number of housing completions within the grant mechanism. Using the new allocation of revenue and capital would require a total grant of £712,150 per annum.
*** HPDG funding only available for current CSR period (to 31/03/11)

Local Authority Parking Enforcement (LAPE) **Appendix M**

Local Authority Parking Enforcement at 14 September 2009	2004/05 (£'s)	2005/06 (£'s)	2006/07 (£'s)	2007/08 (£'s)	2008/09 (£'s)	2009/10 (£'s)	Notes
(Surplus) / Deficit Balance b/f	**0**	**(29,458)**	**(165,335)**	**(269,200)**	**(361,669)**	**(410,288)**	
(Surplus) / Deficit from LAPE a/c in year [City Council element] * provisional	(29,458)	(135,877)	(197,700)	(143,620)	(56,160)	0	2008/09 50% share ***(New since BSR Feb 2009)***
Total surplus available	(29,458)	(165,335)	(363,035)	(412,820)	(417,829)	(410,288)	
less							
Existing approvals							
- Provision of Sunday P&R Service	0	0	5,325	0	0	0	Urgency approval 1 Dec 2006
- Purchase of Emergency rescue vehicle for Lion Yard car park	0	0	0	0	13,000	0	Approved February 2007
- Purchase of surface cleaning machine for Lion Yard car park	0	0	0	27,827	0	0	Approved February 2007
- Provision of green parking bays and charging units	0	0	0	0	0	5,000	Approved February 2007 ***(Since BSR: re-phased)***
- Dial-a-Ride bus	0	0	0	17,000	0	0	Approved February 2007
- Feasibility study on scheme to encourage use of low-emission vehicles	0	0	0	0	0	2,500	Approved February 2007 ***(Since BSR: re-phased)***
- Start up costs for Car Club	0	0	0	0	0	6,000	Approved February 2007 ***(Since BSR: re-phased)***
- Contribution to additional cost of 2006/07 Concessionary Fare scheme	0	0	88,510	0	0	0	Approved February 2007
sub-total	(29,458)	(165,335)	(269,200)	(367,993)	(404,829)	(396,788)	
2008/09 Budget approvals:							
- X1735 - Real Time Enforcement	0	0	0	0	80,000	0	
- X1736 - Electric Vehicle Charging	0	0	0	0	0	12,000	***(Since BSR: re-phased)***
- X1737 - Free Car Parks Signage/Lines	0	0	0	0	0	3,000	***(Since BSR: re-phased)***
- X1739 - Traffic Management Act Implementation	0	0	0	6,324	3,676	0	
- X1746 - Consultancy for review of Shopmobility services	0	0	0	0	7,500	0	***underspent***
Other adjustments							
- X1735 - Real Time Enforcement	0	0	0	0	(80,000)	0	
2009/10 Budget approvals:							**Approved Budget-Setting Report (BSR) Feb 2009:**
- Repair and Renewal of Pedestrian Paving at entrance to Queen Anne Terrace Car Park	0	0	0	0	0	3,620	Item X2047
- Energy Service Innovation Fund	0	0	0	0	0	50,000	Item X2071
- Car Club location expansion	0	0	0	0	0	6,000	Item X2072
- Low emission car discount scheme setup and consultation	0	0	0	0	0	25,000	Item X2073

Local Authority Parking Enforcement (LAPE) **Appendix M**

Local Authority Parking Enforcement at 14 September 2009	2004/05 (£'s)	2005/06 (£'s)	2006/07 (£'s)	2007/08 (£'s)	2008/09 (£'s)	2009/10 (£'s)	Notes
- LED car park lighting installation	0	0	0	0	0	10,000	Item X2074
- Grand Arcade Balustrades	0	0	0	0	0	10,000	Item X2075 ***(Since BSR: re-phased and completed in April 2009)***
- A one-off contribution in partnership with Cambridgeshire County Council, the Cambridgeshire district councils and Stagecoach towards the installation of smart card readers on Stagecoach buses.	0	0	0	0	0	15,000	Item C1947
- Installation of a Corrosion Monitoring system into Park Street car park	0	0	0	0	0	47,000	Item C2046
- Application of LAPE surplus towards cost of Concessionary Fares scheme	0	0	0	0	0	142,370	Saving S2099 refers
less							
2009/10 changes since BSR:							
- Adjust for previously purchased Emergency rescue vehicle for Lion Yard Car Park; underspend on shopmobility feasibility; other minor items					(16,635)		Net reductions in spend on the Fund
(Surplus) / Deficit Balance c/f	(29,458)	(165,335)	(269,200)	(361,669)	(410,288)	***(72,798)***	***Additional funding available since BSR***

Fixed-term contracts **Appendix M**

	2008/09 (£'s)	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	Notes
(Surplus) / Deficit Balance b/f	**0** (30,000)	**(30,000)**	**(30,000)**	**(30,000)**	**(30,000)**	
Total surplus available	**(30,000)**	**(30,000)**	**(30,000)**	**(30,000)**	**(30,000)**	
less						
Existing approvals						
sub-total	**(30,000)**	**(30,000)**	**(30,000)**	**(30,000)**	**(30,000)**	
New approvals						
(Surplus) / Deficit Balance c/f	**(30,000)**	**(30,000)**	**(30,000)**	**(30,000)**	**(30,000)**	

Climate Change Fund

	2008/09 (£'s)	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	Notes
(Surplus) / Deficit Balance b/f	**(250,000)**	**(243,900)**	**(207,230)**	**(107,230)**	**(107,230)**	
Total surplus available	**(250,000)**	**(243,900)**	**(207,230)**	**(107,230)**	**(107,230)**	
less						
Existing approvals:						
Pilot of Electric Bin Lifts	2,100					
Chesterton Road Toilet Modernisation	900					
Corn Exhange Christmas Lighting Lamps	600					
Arbury Court WC Rainwater Harvesting	2,500					
Romsey Rec Rainwater Harvesting		2,500				
Energy Audit of Pools & Leisure Centres		3,745				
Grand Arcade Annex Car Park Fan system		21,700				
Public Conveniences & Park St Car Park Energy Survey		2,725				
Watercourses Flood Risk Survey		6,000				
sub-total	**(243,900)**	**(207,230)**	**(207,230)**	**(107,230)**	**(107,230)**	
New approvals:						
LED Lighting at the Grand Arcade Annex Car Park			100,000			Project Appraisal to Environment Scrutiny Committee 06/10/09 (subject to Council Approval 2 October 2009)
(Surplus) / Deficit Balance c/f	**(243,900)**	**(207,230)**	**(107,230)**	**(107,230)**	**(107,230)**	

Budget Assumptions

Appendix N

The main assumptions included in the budget forecast are :-

Ref.	Assumption for 2010/11
(1)	Base – 2009/10 Approved Budget, as amended, with known changes for 2010/11
(2)	General inflation on expenditure - included at 1.0% *Reviewed since BSR which assumed 1% 2010/11 then 4% ongoing. The forecast has been reduced for 2011/12 to 2.5%, then ongoing still at 4%.*
(3)	Updated central provisions have been made for fuel, electricity and gas based on current knowledge of these markets
(4)	Employee budgets include: - cost of pay award allowance 1.00%* - allowance for incremental progression 2.20% total allowance for pay and increments 3.20% - Allowance for incremental progression has been included pending any detailed budget adjustments to reflect performance results. * *2008/09 pay award settled at 0.3% above the level provided in the BSR. Other changes since the BSR are, based on pay award pending, 2009/10 1.0% (down from 1.5%), 2010/11 1.0% (down from 1.5%), 2011/12 1.5% (down from 2.5%), future years remaining at 2.5%.*
(5)	Employee budgets - assume an employee turnover saving of 3.0% of gross pay budget
(6)	Service Level Agreements – calculated based on the impact of the inflation allowances on providing the services (i.e. excluding capital charges, etc.) - SLAs, typically 3.0% - Admin. Buildings, typically 1.0%
(7)	Property Rental income – based on projections from the portfolio, reflecting actual incidence of rent reviews. Overall effect is equal to 2.01% (1.01% above the assumed level of inflation).
(8)	Income and Charges – general assumption of 1.0% built into base, but specific reviews of all charges required by committees.
(9)	Interest rate – based on latest market projections (on average 1.45% for 2009/10)
(10)	Major contracts and agreements, in term are rolled forward based on the specified inflation indices in the contract or agreement.
(11)	Grants and Subsidies are analysed for sensitivity based on possible range of implications dependent on the Government's approach to the withdrawal of protection arrangements.

General Fund Projection 2009/10 to 2013/14

Appendix O

General Fund - Projection - 2009/10 to 2013/14

	General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
	Net Spending (Cttee Totals)	20,607,250	20,536,790	20,121,290	19,733,130	19,675,310	Inflated base budgets (includes savings, inflation and PPF effects from prior years)
add	**Capital Adjustment Account**	500,600	500,600	500,600	500,600	500,600	Replaces Asset Management Revenue Account (AMRA).
less	**Minimum Revenue Provision Adjustment**	(2,708,690)	(2,708,690)	(2,708,690)	(2,708,690)	(2,708,690)	
		18,399,160	18,328,700	17,913,200	17,525,040	17,467,220	
add	**Contribution to :**						
	Efficiency Fund	0	75,000	475,000	200,000	0	To support corporate change programme
	Technology Investment Fund (TIF)	84,320	84,320	84,320	84,320	84,320	IT contract saving contribution
	Capital Plan	3,970,000	3,884,460	1,030,000	1,380,000	1,380,000	Includes all new recommendations within the MTS
		22,453,480	22,372,480	19,502,520	19,189,360	18,931,540	
add	**Anticipated Changes**						
	Previously Approved:						
	Employers Pension contribution	0	903,910	903,910	903,910	903,910	Balance of provision required due to final actuarial report for 2004

General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
Lion Yard - Rent Income	0	0	0	(278,670)	(278,670)	Balance of net change in rents projected after contribution to capital
C Tax Income earmarked for Growth Spend	44,090	52,760	239,990	501,580	741,620	Balance of Earmarked Provision (after bid - see below)
C Tax Income earmarked for Growth Spend - Bid Approved X1888	67,550	140,000	140,000	140,000	140,000	Running costs for the flats/chamberlain Refuse Collection vehicle that was approved as part of last year's budget process. Only required for 6 months of 2009/10.
Lion Yard rent income	0	0	0	121,180	121,180	Reworked for capital and rent projections
Pensions Adjustment	0	(390,880)	(390,880)	(390,880)	(390,880)	Provision for reduced Employer's Pension Contribution rate, following the 31 March 2007 triennial revaluation of the Pension Fund.
Lion Yard Additional Rent	0	(55,000)	(55,000)	(55,000)	(55,000)	
External interest on investments	1,673,450	1,702,450	872,450	367,310	367,310	Revised projection for reduced projected interest rates.
Employers NI Rates	0	0	145,300	152,200	152,200	Impact of pre-Budget Report 2008 measures
Fuel Duties	21,980	24,330	26,680	29,020	29,020	Impact of pre-Budget Report 2008 measures
Pensions Fund Revaluation Provision	0	0	164,250	328,500	328,500	Provision for an increase of 0.75% in both 2011/12 and 2012/13 in the Employer's Pension Contribution rate, in anticipation of the 31 March 2010 triennial revaluation of the Pension Fund.
Reduced DRF / Temporary Borrowing (3 years)	0	0	0	1,100,000	0	Short-term borrowing for cashflow purposes
Icelandic Bank Interest - potential losses	208,000	166,930	303,750	388,130	388,130	Reflecting draft changes to Capital Financing Regulations

General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
New for 2010/11						
2008/09 Pay Award	76,670	77,820	77,820	77,820	77,820	Settled at 0.3% above the level originally provided
2009/10 Pay Award	(103,500)	(207,000)	(414,000)	(414,000)	(414,000)	Change to Feb 2009 provision as follows: 2009/10 (from 1.5% to 1%), 2010/11 (from 1.5% to 1%), 2011/12 (from 2.5% to 1.5%), future yrs at 2.5%.
Inflation Provision	0	0	60,000	60,000	60,000	BSR assumed 1% 10/11 then 4% ongoing, so reduced 11/12 by 1.5% to 2.5%, then 4% ongoing).
Benefits	43,800	64,050	87,770	115,040	115,040	Increased cost of Council Tax and Housing Benefits and Rent Allowances
Commercial Property Income	0	290,000	0	0	0	Delay to opening of Lion Yard extension & rent-free period to tenant
External Interest	267,910	215,230	(142,350)	(158,440)	(199,810)	Projections updated for actual balances, anticipated repayments from Icelandic Banks, interest rates.
Mobile Phones	(10,000)	(20,000)	(20,000)	(20,000)	(20,000)	Savings resulting from retender of contract (GF rental element)

General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
Energy Costs	(122,000)	(206,000)	(84,000)	0	0	Savings from retendering of gas and electricity contracts (GF element) for 2 years of new contract
Insurance Fund	0	(180,000)	0	0	0	One-off reduction in provision following review
Maternity Fund	335,000	0	0	0	0	Pressures on costs of covering maternity leave. Future year effects to be assessed in a review.
NNDR Valuation Appeals	(406,690)	(105,230)	(105,230)	(105,230)	(105,230)	Successful challenges to 2005 valuation list
Icelandic Investments	0	1,494,500	0	0	0	Projected net loss of principal (impact of £7,505,500 anticipated repayments are built into the latest external interest projections)
Prudential Borrowing	0	0	0	(1,100,000)	0	Remove existing requirement for borrowing to meet cashflow pressures (2010/11 add back to DRF and adjust capital financing)
Prudential Borrowing	0	(28,600)	(28,600)	(28,600)	0	Saving on interest costs of Prudential Borrowing (previous budget bid B2180 refers).
Pensions Fund Revaluation Provision	0	0	0	0	164,250	Extension of provision for a 0.75% increase for each year 2013/14 to 2016/17

	General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
		24,549,740	26,311,750	21,284,380	20,923,230	21,056,930	
add	**Future Years PPF Provision**						
	- Future Years PPF Provision	-	-	500,000	500,000	500,000	New provision included in each budget year. Prior years effects are shown in Net Spending (Cttee Totals)
		24,549,740	26,311,750	21,784,380	21,423,230	21,556,930	
less	**Net savings Requirement**	-	(985,000)	(1,750,000)	(1,250,000)	(725,000)	New savings required in each budget year - Executive Decision
	Total Net Spending Requirement	**24,549,740**	**25,326,750**	**20,034,380**	**20,173,230**	**20,831,930**	

General Fund - Funding Statement - 2009/10 to 2013/14

	General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
	Total Net Spending Requirement	**24,549,740**	**25,326,750**	**20,034,380**	**20,173,230**	**20,831,930**	
less	**External Support**						
	- Formula Grant	(12,376,490)	(12,438,370)	(12,500,560)	(12,563,070)	(12,625,880)	Formula Grant (RSG and NNDR Pool share)
		12,173,250	12,888,380	7,533,820	7,610,160	8,206,050	
less	**Collection Fund (Surplus) / Deficit**						
	- Council Tax Collection Fund	47,140	41,600	0	0	0	Based on latest review of Collection Funds
		12,220,390	12,929,980	7,533,820	7,610,160	8,206,050	
less	**Income from Council Tax**	(6,425,060)	(6,699,580)	(7,155,980)	(7,777,000)	(8,407,760)	
	Contribution (To) / From Reserves	5,795,330	6,230,400	377,840	(166,840)	(201,710)	

Memo Items :

	2009/10	2010/11	2011/12	2012/13	2013/14
Council Tax					
- Taxbase	39,536	40,221	41,508	43,167	44,658
- Band 'D' Council Tax	£162.51	£166.57	£172.40	£180.16	£188.27
- Implied annual Council Tax increase	-	2.50%	3.50%	4.50%	4.50%

General Fund - Reserves Projection - 2009/10 to 2013/14

	General Fund category	2009/10 (£'s)	2010/11 (£'s)	2011/12 (£'s)	2012/13 (£'s)	2013/14 (£'s)	Comments / Notes
	Balance as at 1 April (b/fwd)	12,182,770	6,867,460	1,098,600	1,509,680	2,490,510	
less	Contribution To / (From) Reserves	(5,795,330)	(6,230,400)	(377,840)	166,840	201,710	
less	Temporary Use / (Payback) of Reserves						Net use of Reserves for Cash Flow purposes
	- Customer Access	541,860	655,050	655,050	655,050	664,670	Payback by 2014/15
	- Guildhall Working Party - Option 1	(71,840)	(203,510)	123,870	148,940	176,680	Payback by 2017/18
	- Memorials	10,000	10,000	10,000	10,000	10,000	Payback by 2017/18
	Balance as at 31 March (c/fwd)	6,867,460	1,098,600	1,509,680	2,490,510	3,543,570	

Key Risk Analysis Issues

Appendix P

Ref.	Risk Area	Risk / Issue	Controls / Mitigation Action
(1)	Effects of Legislation / Regulation	• Implications of new legislation / regulation or changes to existing are not identified. • Funding is not identified to meet the costs associated with statutory requirements. Specifically from 2009/10: • The Concessionary Fares scheme does not provide funding to cover the full cost to the authority.	• Effective processes are in place across the Council to ensure that implications are identified and raised. • Additional / specific funding enhancements for new services are earmarked for that purpose, to ensure effective implementation • The Council has processes in place to manage the demands of local and national agendas, including the MTOs and the MTS. • Close monitoring of the actual usage, and hence cost, of the new national scheme is being undertaken. This MTS outlines plans to put in place funding to cover the projected additional costs of the scheme from 2009/10 onward. • The Council will be working with other, similarly affected authorities, and with national groups (such as SCDT and LGA) to lobby for changes to the scheme and associated adjustments to funding levels.

Ref.	Risk Area	Risk / Issue	Controls / Mitigation Action
(2)	Service / Spending Plans	• The Council approves Plans which are not sustainable into the future, leading to increasing problems in balancing budgets.	• Council has adopted medium and long-term modelling (up to 25 years) for both the GF and HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications • Council has a policy of requiring R&R Funds to be in place to cover all major assets with a finite life, with long-term programmes for key areas • The MTS includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications • Target levels of reserves are set for both GF and HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures
(3)	Growth Agenda	• Government support is not provided for the costs of delivering Growth • Insufficient capital funding is available to effectively deliver Growth • Growth results in ongoing revenue costs which cannot be funded • Growth is adversely affected by economic slow down in construction/housing market.	• The degree of cost which would need to be underwritten by the Council was identified as an explicit part of decision-making, and options to mitigate this level of costs outlined • The additional income from Grant and Council Tax resulting from Growth have been earmarked to offset associated costs • Growth projections continue to be examined closely in light of the recent impact of the 'credit crunch', and where appropriate budgets being adjusted.

Ref.	Risk Area	Risk / Issue	Controls / Mitigation Action
(4)	External income / funding streams	• Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure Following the end of the current Spending Review period : • Changes to the grant mechanism under adversely affect the Council : - removal, or phased withdrawal of, the Floor - Grant increases are lower than anticipated - Other changes in methodology have an adverse effect • Population figures used as part of the Formula Grant methodology fall due to changes in assessment, or at the next Census • The projected levels of car park usage, and hence income, are not achieved. • Possible adverse affect on usage of car parks due to changes in County Transport policies, e.g. Congestion charging is introduced • Fees and charges income is adversely affected by the economic downturn • The economic downturn reduces the ability to fund capital pressures from the sale of assets • Swine Flu impacts on the level of income from events through cancellations	• Modelling over the medium and long-term is conducted for key income sources including Government grants, including sensitivity analysis on potential changes • Council seeks to influence national settlements through provision of information to negotiation bodies such as LGA and SDCT • Formula Grant is based on a relatively prudent level of increase at 0.5% p.a. • The effect of the Floor being removed is regularly evaluated, and taken into account in agreeing an appropriate level of reserves to be retained. This is linked to the particular impact associated with the growth agenda • Proposed changes in grant methodology are carefully reviewed. The Council also considers the interim projections of the County Group to identify actual underlying population trends • Specialist consultancy support is used to model car park income over the medium- term, in light of the significant level of income involved • Regular reviews of income projections and achievement are undertaken by all services.

Ref.	Risk Area	Risk / Issue	Controls / Mitigation Action
(5)	Use of resources including Projects and Partnerships	• There is ineffective use of the resources available to the Council • The move to Comprehensive Area Assessment in 2009 adversely affects the Councils performance rating. • Failure to deliver Council Major Projects, ie return on capital, project on time etc. • Change in emphasis on Partnership delivery activity (through Local Area Agreement Board) is not recognised or shared with our key Partners	• Council employs robust business planning in key activity areas • Council has adopted a standard project management framework • All services are required to produce Service Plans, linked directly to resources • MTOs are used to prioritise available resources ensuring best match with objectives • Performance and contractor management procedures have been updated • Organisational development and workforce planning activity is being targeted • The Council has been recognised as a high performer under the national Use of Resources assessment, scoring a maximum rating of 4 in 2008 • Partnership review by the Local Area Agreement Board.
(6)	Financial planning lacks appropriate levels of prudency	• Financial policies, in general, are not sufficiently robust • Funding to support the approved Capital Plan is not available	• Council has adopted key prudency principles, reflected in : - policy on applying capital receipts only at point of receipt - ongoing revenue funding for capital is reviewed for affordability as part of the 25-year modelling process - adoption of strict medium / long-term planning

HRA Summary Forecast 2009/10 to 2013/14 — Appendix Q

Description	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Supervision & Management - General	4,965	4,989	5,110	5,208	5,306
Customer Access Strategy / EDRMS	286	(93)	(90)	(85)	(82)
Supervision & Management - Special	1,967	2,027	2,099	2,197	2,299
Repairs & Maintenance	5,771	5,945	6,185	6,478	6,831
HRA Subsidy (including MRA)	11,165	11,519	12,884	14,536	16,388
Depreciation - transferred to Major Repairs Res.	7,407	7,407	7,407	7,407	7,407
Other Expenditure	381	387	400	421	443
Total Expenditure	**31,942**	**32,181**	**33,995**	**36,162**	**38,592**
Rental Income	(29,070)	(29,617)	(31,411)	(33,293)	(35,531)
Service Charges	(1,922)	(1,941)	(1,989)	(2,068)	(2,150)
Other Income	(364)	(368)	(377)	(392)	(407)
Total Income	**(31,356)**	**(31,926)**	**(33,777)**	**(35,753)**	**(38,088)**
Net Cost of Services	**586**	**255**	**218**	**409**	**504**

HRA Summary Forecast 2009/10 to 2013/14 (continued)

Description	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Net Cost of Services b/f	**586**	**255**	**218**	**409**	**504**
AMRA					
Loan Interest	18	18	18	18	18
Interest Receivable	(128)	(94)	(237)	(270)	(245)
Mortgage Interest Receipts	(2)	(1)	(1)	(1)	0
Redemption Premium charged to Revenue	546	546	346	301	0
Net Operating Expenditure	**1,020**	**724**	**344**	**457**	**277**
Appropriations					
Depreciation Adjustment	(2,359)	(2,343)	(2,275)	(2,136)	(2,039)
Direct Revenue Financing of Capital	3,001	2,363	2,683	2,443	2,172
FRS17 Adjustment	(236)	(244)	(252)	(264)	(277)
(Surplus) / Deficit for Year	**1,426**	**500**	**500**	**500**	**133**
Balance b/f	**(6,059)**	**(4,633)**	**(4,133)**	**(3,633)**	**(3,133)**
Total Balance c/f	**(4,633)**	**(4,133)**	**(3,633)**	**(3,133)**	**(3,000)**

Remits for Capital Programmes — Appendix R

PR1	**HOUSING CAPITAL INVESTMENT PROGRAMME** **Approved Timescale: Ongoing**

Remit :
The Housing Capital Investment Programme is the City Council's annual approved allocation for funding of Housing investment in Cambridge. The Executive Councillor for Housing, with scrutiny by the Community Services Scrutiny Committee, approves the investment of HRA capital resources in our own stock (meeting decent homes, improving sheltered schemes and other capital investment) and in housing in the private sector (disabled facilities grants, private sector grants and loans and the provision of new affordable housing). PR1a relates to S106 funded schemes.

PR3	**CITY CENTRE MANAGEMENT PROGRAMME** **Approved Timescale: to 2010/11** **Lead Officer: E Thornton**

Remit :
The City Centre Management Programme is designed to provide pump-priming finance for capital schemes which improve the commercial and retail environment in the City Centre. The programme enables the Council to work in partnership with the private and voluntary sectors to 'kick start' projects that would not otherwise take place. The Council will seek matching external funding equal to the annual total of the programme.

PR4	**SUSTAINABLE CITY PROGRAMME** **Approved Timescale: to 2010/11** **Lead Officer: S Pidgeon**

Remit :
The Sustainable City Programme is designed to encourage bids for capital schemes from a broad range of local organisations which improve the sustainability of Cambridge City. Judgements about the relative contribution made by different schemes to sustainability will be made against their predicted or potential impact on various 'sustainability' indicators adopted by the Council. Matching external funding, equal to at least half of the total of the annual programme, will be sought by the Council.

PR6	**SAFER CITY PROGRAMME** **Approved Timescale: 1996/97 to 2009/10** **Lead Officer: L Kilkelly**
Remit : The Safer City Programme is designed to provide capital money for which local residents and tenants groups can bid for small-scale crime prevention measures. The maximum grant available to any one group in any year will be £7,500.	

PR7	**CYCLEWAYS** **Approved Timescale: to 2010/11** **Lead Officer: C Rankin**
Remit : The City Council has promoted cycling by investing in improvements to cycle facilities for over 20 years. The work has consisted of the introduction of new facilities as well as improvements to existing facilities. With greater emphasis now on the need to provide good alternatives to the car, this work is becoming increasingly important. The City Council works jointly with the County Council on developing and promoting cycling and the two authorities have adopted a joint strategy for looking at areas for improvements. The County Council normally provides additional funding which at least matches the amount allocated by the City Council. A priority list of schemes to be funded from this programme has been agreed by the Cambridge Traffic Management Area Joint Committee.	

PR10	**ENVIRONMENTAL IMPROVEMENTS PROGRAMME** **Approved Timescale: to 2010/11** **Lead Officer: D Foley-Norman**
Remit : This programme, allocated to area committees based on population, allows local people and organisations, Councillors and officers to put forward ideas to improve their neighbourhood. Both small and large-scale schemes can be considered if there is local support and if the proposal is likely to be a significant and long-term improvement to the street or place. This programme incorporates funding previously held on Capital Programmes for Pavement replacement, Traffic Calming road safety schemes and Pedestrian Crossings.	

PR14	**ENVIRONMENTAL SAFETY FUND**
	Approved Timescale: **2001/02 to 2009/10**
	Lead Officer: **D Roberts**
Remit : This budget is provided to improve Street lighting in areas where it was likely to result in a reduction in crime and / or fear of crime. Used together with additional funding from the County Council on busier traffic routes where there is likely to be a reduction in night-time Road Traffic Accidents, especially to cyclists, or on footpaths on green spaces where there is an identified problem with crime.	

PR16	**PUBLIC CONVENIENCES**
	Approved Timescale: **2002/03 to 2010/11**
	Lead Officer: **B Kerry**
Remit : This budget is to provide the complete replacement or major reconstruction of public conveniences in accordance with the strategy agreed by Environment Committee in June 2001. Phase 2 of the programme covers works to : Chesterton Road, Arbury Court, Cherry Hinton Hall, Romsey Recreation Ground, Kings Hedges Recreation Ground and Barnwell Road.	

PR17	**CITY SERVICES VEHICLE REPLACEMENT**
	Approved Timescale: **Ongoing**
	Lead Officer: **T Ainley**
Remit : This reflects the vehicle replacement programme, and associated provision of earmarked repair and renewal funding, which has been set up to cover the vehicle fleet operated by City Services.	

PR18	**BUS SHELTERS**
	Approved Timescale: **2004/05 to 2011/12**
	Lead Officer: **D Roberts**
Remit : The Council currently owns 63 shelters across the City, of varying age and construction type. This budget is to provide for up to 5 new or replacement bus shelters each year. The exact number will depend on size, layout and location of the shelters.	

PR19	**CAR PARKS INFRASTRUCTURE AND EQUIPMENT REPLACEMENT** **Approved Timescale: Ongoing** **Lead Officer: S Maxwell**
Remit : This reflects the scheduled repair and renewal works which have been programmed for all the City's car parks. The programmed works are covered by the specific earmarked repair and renewal funds, operated by the Council.	

PR20	**ICT INFRASTRUCTURE REPLACEMENT AND UPGRADE** **Approved Timescale: Ongoing** **Lead Officer: J Nightingale**
Remit : This reflects the scheduled replacement and upgrade works required to maintain the Council's ICT infrastructure. The programmed works are covered by the specific earmarked repair and renewal funds, operated by the Council.	

PR22	**LOCAL NATURE CONSERVATION** **Approved Timescale: Ongoing** **Lead Officer: G Belcher**
Remit : The Local Nature Conservation programme is for the improvement and promotion of long-term nature conservation and biodiversity in the City through the implementation of the adopted Nature Conservation Strategy (2006) and ongoing work on Local Nature Reserves (LNR). Projects will be assessed according to partnership opportunities, LNR site management plan priorities and availability of external match funding.	

PR23	**ADMIN BUILDINGS ASSET REPLACEMENT PROGRAMME** **Approved Timescale: Ongoing** **Lead Officer: J Stocker**
Remit : This reflects the scheduled repair and renewal works which have been programmed for all the Council's Administrative Buildings. The programmed works are covered by the specific earmarked repair and renewal funds, operated by the Council.	

PR24	**COMMERCIAL PROPERTIES ASSET REPLACEMENT PROGRAMME** **Approved Timescale: Ongoing** **Lead Officer: D Prinsep**
Remit : This reflects the scheduled repair and renewal works which have been programmed for all the Council's Commercial Properties. The programmed works are covered by the specific earmarked repair and renewal funds, operated by the Council.	

PR25	**NEW TOWN COMMUNITY DEVELOPMENT CAPITAL GRANTS PROGRAMME** **Approved Timescale: Ongoing** **Lead Officer: K Hay**
Remit : To provide funding and grant aid for capital projects that will improve community provision, services and development for residents living in the New Town area of the city.	

Capital Plan – Approved Items

Appendix S

			Budget					
Description	**Scheme Approval**	**Spend to 08/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**Spend 09/10 to July**
CATEGORY TOTALS (all figures in £'000s)								
Schemes *	**26,361**	**11,594**	**10,907**	**4,359**	**0**	**0**	**0**	**986**
Programmes *	**4,022**	**12,167**	**24,140**	**16,807**	**10,862**	**8,385**	**8,690**	**469**
TOTAL CAPITAL PLAN	**30,383**	**23,761**	**35,047**	**21,166**	**10,862**	**8,385**	**8,690**	**1,455**

**** Includes MTS Sept 2009 recommendations, subject to Council approval 22 October 2009***

Capital Plan – Approved Schemes

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to 08/09	09/10	10/11	11/12	12/13	13/14	Spend 09/10 to July	Comments
					Budget					All figures in £'000s	
SC033B	CCTV Street Lighting	D Roberts	47	7	40	0	0	0	0	0	Held in reserve for implementation of lighting strategy in association with the County Council. Additional £6k external contribution received.
SC072	Poster Boards	N Jones	33	28	6	0	0	0	0	0	Approved City Board 29/3/99. Funded from use of reserves. Work almost complete. Funding for Phase 2 approved at 31/01/00 City Board. Additional £13k approved City Board 29/1/01
SC106	Enhance Existing Community Facilities - East Chesterton	K Hay	150	106	39	0	0	0	0	0	Approved at City Board 29/1/01. Funded from use of reserves. £100k transferred from SC105 - approved at City Board 9/7/01. Grant of £100k awarded to St. George's Church for hall refurbishment.
SC121	Sports Development	I Ross	332	325	8	0	0	0	0	0	Earmarked fund set up for further devlopmts from underspend on Parkside Pool Dev. £403,062). Apprd at City Board 26/3/01. Report to June 2001 CD&L Committee. £110k in 2004/05 tfr'd to SC206. Addl £39k funding from Sport England Nov 06.
SC159	Midsummer Common - Access & Path Re-enforcement	I Ross	55	53	2	0	0	0	0	0	Funded from S106 scheme.
SC163	Compulsory Purchase Orders (CPOs)	S Anderson	1,336	11	400	400	0	0	0	0	£200k approved at City Board 9/7/01. £435k approved at Strategy Scrutiny 28/01/03. Funded from Usable Capital Recipts
SC166	Improvements to Shop Front Forecourts	D Prinsep	141	133	8	0	0	0	0	0	Approved at Strategy Scrutiny 28/01/03. Funded from use of reserves. Scheme out to tender. Akeman St Shops (£23k) & Local Shops Improvement Works (£74k) approved at Strategy Scrutiny 26/1/04. Funded from use of reserves.
SC183	Coleridge Rec & Kings Hedges Rec Skateboard Park	I Ross	100	0	96	0	0	0	0	0	Funded from S106 scheme. Project appraisal to 3/7/03 CD&L Committee.
SC192	Development Land on the North Side of Kings Hedges Road	D Prinsep	5,007	4,821	748	0	0	0	0	33	Apprd Strategy Scrutiny 17/11/03 funded from Property Improvemt Strategy Fund. Stamp duty land tax apprd Strategy Scrutiny 26/1/04 funded from Property Strategy Fund. Capital rec £2155k to purch land. MTS apprd £1841 from Cap Receipt.

Capital Plan – Approved Schemes

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to 08/09	Budget 09/10	10/11	11/12	12/13	13/14	All figures in £'000s Spend 09/10 to July	Comments
SC196	CCTV Control Room Upgrade & Equipment Replacement	M Beaumont	366	273	0	0	0	0	0	117	Approved at Strategy Scrutiny 26/1/04. Funded from R&R. Further approval 9.11.04 - £336k R&R, £30k External funding. Funding amended to £334k R&R, £12k External funding.
SC210	Hard Surface Cherry Hinton Hall Car Park	I Ross	68	64	4	0	0	0	0	0	Funded from S106 (£50k) and R&R (£18k). Project Appraisal to Community Development & Leisure Scrutiny 29 April 04.
SC215	Christ's Piece - Trees/Landscaping	A French	11	3	9	0	0	0	0	0	Funded from S106
SC216	Nightingale Avenue - MUGA	I Ross	205	62	145	0	0	0	0	8	Funded from S106. Project appraisal approved 6.7.06 £60k.
SC221a	Lion Yard - Contribution to Works	D Prinsep	3,268	18	2,429	821	0	0	0	4	App 9/9/04, £1m UCR. Add £2,610k MTS 06 LABGI. Since approved at Council 2008 - Project reprofiled and contribution to Phase 2 approved at Full Council 21/02/08.
SC221b	Lion Yard - Contribution to Works Phase 1+	D Prinsep	641	0	641	0	0	0	0	0	Approved S&R 1/9/08.
SC221c	Lion Yard - Contribution to Works - Phase 2	D Prinsep	458	0	0	521	0	0	0	0	Approved at Full Council 21/02/08 (See SC221a). ***MTS Sept 2009 recommendation additional £63k 2010/11 (application of 2009/10 LAPE), subject to Council approval 22 October 2009***
SC226	Refurbishment of Play Areas - Numerous (NOV 04) Church End, Coleridge, Ditton Fields, Ramsden Square, Queen Edith's	I Ross	236	240	14	0	0	0	0	97	Approved Scrutiny 18.11.04. S106 funded.
SC234	Histon Road Cemetery Landscaping	A Wilson	31	16	17	0	0	0	0	1	Approved at Env Scrutiny 16.11.04. S106 funded. Moved from Bereavement to Active Comms 01.04.08
SC240	Barnwell West Nature Reserve	D Roberts	15	2	13	0	0	0	0	0	S106 funded
SC282	Kettle's Yard	N Cutting	40	0	40	0	0	0	0	0	Council contribution to Kettle's Yard extension programme. Timing of contribution will be dependent on other funding agencies' timescales

Capital Plan – Approved Schemes

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to 08/09	Budget 09/10	10/11	11/12	12/13	13/14	All figures in £'000s Spend 09/10 to July	Comments
SC283	City Centre Youth Venue	K Hay	20	0	150	0	0	0	0	0	Approved at July 2005 Committee £20k funded from S106. Further £150k funding approved from S106 6.07.06, subject to project appraisal.
SC289	Storage receptacles for residents with white sack refuse	J Robertson	12	0	12	0	0	0	0	0	Approved at Scrutiny 10.1.06 £11.5k funded from Other Sources
SC312	Automated Energy Monitoring System	J Stocker	35	12	23	0	0	0	0	0	Approved at Scrutiny 17.1.06 £35k funded from Reserves.
SC328	Customer Access - BPR & Procurement	N Roberts	369	359	10	0	0	0	0	0	Included in MTS July 2006. £948k funded from TIF, £131k from R&R, £1183 from UOR. Funding split over SC335 - 339. Nov 06 funding changes decreased R&R by £66k, increased UOR £51K and HRA £288k. Further £160k from UOR MTS 07.
SC329	Corporate Document Management (DIP & EDRM)	J Nightingale	978	264	370	344	0	0	0	38	Included in MTS July 2006. Funding from HRA £147k, Efficiency Fund £172k, E/R £300, UOR £288k, TIF £71.
SC334	King George V Rec Ground Pavilion Refurbishment (Subject to appraisal)	K Hay	258	187	124	0	0	0	0	161	Approved July 06 Scrutiny subject to appraisal. £150k funded from S106. Further £107k funding agreed following project appraisal CD&L 16.11.06.
SC335	Customer Access Strategy - IT Workstream	T Allen	788	435	352	0	0	0	0	8	CAS approved MTS July 06. See SC328.
SC336	Customer Access Strategy - Accommodation Design and Refurbishment	J Stocker	939	966	20	0	0	0	0	(14)	CAS approved MTS July 06. See SC328.
SC337	Customer Access Strategy - Telecommunications	T Allen	190	175	15	0	0	0	0	0	CAS approved MTS July 06. See SC328.
SC338	Customer Access Strategy - Web Development	A Perry	35	22	12	0	0	0	0	0	CAS approved MTS July 06. See SC328.
SC339	Customer Access Strategy - Accommodation Moves	J Stocker	100	110	0	0	0	0	0	2	CAS approved MTS July 06. See SC328.
SC341	Legal Case Management System	S Pugh	45	54	0	0	0	0	0	2	Approved CS&R committee 14.11.06 £30k from R&R. Additional £15k from R&R approved 21.1.08.

Capital Plan – Approved Schemes

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to 08/09	Budget 09/10	10/11	11/12	12/13	13/14	All figures in £'000s Spend 09/10 to July	Comments
SC342	Guildhall Working Party Project	D Prinsep	1,180	139	1,041	0	0	0	0	266	Approved CS&R Committee 14.11.06 £600 from Use of Reserves and £13k Other. Additional LABGI funding £567k MTS Sept 08.
SC343	Cambridge Southern Fringe - Land at Clay Farm	D Prinsep	25	32	3	0	0	0	0	0	Approved CS&R committee 14.11.06 £25 from Property Strategy Fund.
SC344	St Matthew's Piece Legal Fees	D Prinsep	20	7	13	0	0	0	0	26	Approved CS&R committee 14.11.06 £20k from Property Strategy Fund.
SC346	Equipment for Eastern Gate Court Community Centre	K Hay	90	0	90	0	0	0	0	0	£90k approved at Scrutiny Committee 6.7.06 funded from S106.
SC347	Histon Road - Refurbishment of play area	I Ross	75	49	26	0	0	0	0	0	Funded from S106 - Non Key Decision Nov 06
SC348	Allotment Improvements	I Ross	29	11	24	0	0	0	0	0	£29k funded from S106 transferred from various Allotment improvements schemes (SC94, SC154 & SC182).
SC349	Fencing and Security at Jesus Green Pool	I Ross	30	0	30	0	0	0	0	0	Approved Jan 07 Committee. £30k funded from R&R.
SC350	Improvements to pump out facility at Jesus Green	D Kaye	60	56	4	0	0	0	0	0	Approved at January 07 Committee. £20 funded from R&R, £40 from Use of Reserves.
SC351	Memorial Choice	T Lawrence	100	43	67	0	0	0	0	0	£100k from Use of Reserves approved at January 07 Committee.
SC353	Grafton East Car Park refurbishment	P Necus	2,400	2,130	270	0	0	0	0	129	Phase 1 approved Scrutiny Committee 16.1.07 £140k from R&R, £10k UOR. Phase 2 transferred from Hold List MTS 2007 - further £2,250k from UOR.
SC354	Guildhall Power Circuits Renewal	J Stocker	60	0	60	0	0	0	0	0	Approved at Council 14.2.07 £60 funded from UOR.k
SC356	Cambridge Northern Fringe East - Development Appraisal	D Prinsep	20	0	20	0	0	0	0	0	£20k approved at Council 14.2.07, funded by the Property Strategy Fund.
SC357	Improvement to Audio Visual Equipment - Committee Rooms & Council Chamber	J Nightingale	20	3	17	0	0	0	0	0	£20k approved at Council 14.2.07 funded from TIF.
SC360	Hobson House - Refurbishment of Rear Building	J Stocker	25	13	4	0	0	0	0	0	£25k approved at Council 14.2.07 funded from UOR.

Capital Plan – Approved Schemes

					Budget					All figures in £'000s	
Capital Ref	**Description**	**Lead Officer**	**Scheme Approval**	**Spend to 08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**13/14**	**Spend 09/10 to July**	**Comments**
SC361	Disabled Access and Facilities - Guildhall Halls	G Saxby	80	0	80	0	0	0	0	0	£80k approved at Council 14.2.07 funded from UOR.
SC362	Lighting and Power in Committee Rooms	J Stocker	15	0	15	0	0	0	0	0	£15k approved at Council 14.2.07 funded from UOR.
SC366	Green Parking Bays	P Necus	5	0	5	0	0	0	0	0	£5k approved by Council 14.2.07 funded from LAPE surplus.
SC368	GIS Phase 2 & 3	M Greensmith	57	3	19	0	0	0	0	0	£38k approved by Council 14.2.07. £38k funded from PDG, £19k from TIF.
SC379	Mercury Abatement	T Lawrence	2,023	4	100	1,920	0	0	0	0	From Hold List MTS 07. £2,023k - funded £1,500 UOR, £58 R&R, £466 Other. (inc irrecoverable VAT) ***MTS Sept 2009 recommendation defer and re-phase, subject to Council approval 22 October 2009***
SC383	Replacement of Carpet & Shock Pad on the Astroturf at Abbey Pool	I Ross	200	0	200	0	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves & R&R
SC384	Improvements to Abbey Leisure Complex	I Ross	120	0	120	0	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves & R&R.
SC385	Energy Efficiency Programme - Meadows	K Hay	48	14	32	16	0	0	0	16	Approved at Council 21/02/08. Funded from Reserves.
SC386	HMOs - Management Orders	S Anderson	50	0	50	0	0	0	0	0	Approved at Council 21/02/08. Funded from Temporary Use of Reserves.
SC387	Purchase of Refuse Collection Vehicle for flats	M Parsons	140	0	140	0	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves.
SC388	Street Litter Recycling	B Kerry	14	7	7	0	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves.
SC389	Fire Safety in the Guildhall Halls	D Prinsep	50	0	40	0	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves.
SC390	Improving Recycling Volumes from Admin Buildings	D Prinsep	18	6	22	0	0	0	0	3	Approved at Council 21/02/08. Funded from Reserves.
SC391	La Mimosa Punting Station	D Prinsep	10	0	10	0	0	0	0	0	Approved at Council 21/02/08. Funded from Use of Reserves. Project Appraisal to Strategy & Resources 21/01/08.

Capital Plan – Approved Schemes

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to 08/09	Budget 09/10	10/11	11/12	12/13	13/14	Spend 09/10 to July	Comments
					Budget					**All figures in £'000s**	
SC394	Flexible Working Infrastructure Roll-Out	J Nightingale	88	77	11	0	0	0	0	16	Approved at Council 21/02/08. Funded from TIF.
SC396	Ravensworth Gardens - Remedial & Improvement Work	D Kaye	25	0	25	0	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves.
SC399	Barnwell East LNR Conservation Grazing Project	E Selway	24	25	0	0	0	0	0	(1)	Project Appraisal approved at Environment Scrutiny Cttee 1 July 2008. Funded from S106.
SC401	The Youth Bus	K Hay	70	0	35	0	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 24 July 2008. Funded from Other Sources (LPSA Reward Grant.)
SC402	King George Vth Rec Ground Pavilion Redevelopment - Phase 2	K Hay	162	0	162	0	0	0	0	19	Project Appraisal approved at Community Services Scrutiny Cttee 24 July 2008. Funded from S106.
SC403	Improvements to the Riverbanks on Jubilee Gardens, Jesus Green, Midsummer Common & Stourbridge Common	I Ross	71	0	71	0	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 10 April 2008. Funded from R&R.
SC404	Play Boat	K Hay	87	0	87	0	0	0	0	0	Funded by Big Lottery
SC405	Improvements to play areas & open space at land behind St Matthews Street	I Ross	120	0	120	0	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 24 July 2008. Funded from S106 & R&R.
SC406	The Junction Development Programme	K Hay	130	0	130	0	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 24 July 2008. Funded from S106.
SC408	Byron's Pool LNR Biodiversity Works	G Belcher		115	0	0	0	0	0	18	Approved Nov 08. £91k Funded from Housing Growth Fund.
SC409	Romsey Recreation Ground Play & Recreation Facilities	I Ross	160	0	160	0	0	0	0	0	Approved Scrutiny Committee 13.11.08 - £145k S106, £15k R&R.
SC410	Mill Road Cemetery	A Wilson	50	0	50	0	0	0	0	0	Approved November Scrutiny 2008 - £49 Heritage Lottery, £1 Trustees.
SC411	Government Connect Compliance Projects	J Nightingale	81	70	11	0	0	0	0	9	
SC412	Joint Urban Design Team Accommodation	G Richardson	50	43	7	0	0	0	0	11	Approved under urgent action. Funded from LDV/Cambridgeshire Horizons

Capital Plan – Approved Schemes

					Budget					All figures in £'000s	
Capital Ref	**Description**	**Lead Officer**	**Scheme Approval**	**Spend to 08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**13/14**	**Spend 09/10 to July**	**Comments**
SC413	Urban Adventure Play Projects	K Hay	55	0	55	0	0	0	0	0	Approved Council 26.2.09, £55k Deferred Capital.
SC414	Landlord Accreditation Scheme	Y O'Donnell	100	0	50	50	0	0	0	0	Approved Council 20.2.09, £100k Other Sources (East of England RA).
SC415	Smartcard Readers in Stagecoach Buses	D Roberts	15	0	15	0	0	0	0	15	Approved Council 26.2.09, £15k from LAPE.
SC416	UNIform e-consultee Access Module	J Summers	15	0	15	0	0	0	0	0	Approved Council 26.2.09, £15k from H&PDG.
SC417	Development of UNIform System	J Summers	15	0	15	0	0	0	0	0	Approved Council 26.2.09, £15k from H&PDG.
SC418	Public Access Module	I Boulton	13	0	13	0	0	0	0	0	Approved Council 26.2.09, £12.5 from H&PDG.
SC419	Planning Services ICT Project Management	P Boucher	15	0	15	0	0	0	0	0	Approved Council 26.2.09, £15k from H&PDG.
SC420	Corrosion Monitoring System at Park Street	P Necus	47	0	47	0	0	0	0	0	Approved Council 26.2.09, £47k from LAPE.
SC421	E&P Server Replacements	P Boucher	55	0	55	0	0	0	0	0	Approved Council 26.2.09, £70k from R&R.
SC422	Countryside Management System	D Roberts	4	0	4	0	0	0	0	3	Approved Council 26.2.09, £4k from H&PDG.
SC423	Recycling Bins for Flats	J Robertson	185	0	105	80	0	0	0	0	Approved Council 26.2.09, £185k from UOR.
SC424	Wheelie Bins for Dry Recycling Scheme	J Robertson	694	0	694	0	0	0	0	0	Approved Council 26.2.09, £694k. £450k from County Council, £244 from UOR.
SC425	Decision Making Process Management System	G Clift	37	0	37	0	0	0	0	0	Approved 26.2.09, £37k from TIF.
SC426	Revenue & Benefit Services File Server	J Frost	60	0	60	0	0	0	0	0	Approved Council 26.2.09, £60k from R&R.
SC427	Oracle Financials Server	J Minns	67	0	67	0	0	0	0	0	Approved Council 26.2.09, £67k from R&R
SC428	TIC Self Service Information Desk	E Thornton	8	0	8	0	0	0	0	0	Approved Council 26.2.09, £8k. £6k from TIF, £2k R&R.
SC429	Telephony System Upgrade	J Nightingale	70	0	70	0	0	0	0	0	Approved Council 26.2.09, £70k from R&R.
SC430	Relocation of Streetscene	D Coventry	31	0	31	0	0	0	0	0	Approved Council 26.2.09, £31k from R&R.
SC432	Mill Road Cemetery Memorial Artwork	G Richardson	62	0	62	0	0	0	0	0	Subject to Council approval 22 October 2009

Capital Plan – Approved Schemes

Capital Ref	Description	Lead Officer	Scheme Approval	Spend to 08/09	Budget 09/10	10/11	11/12	12/13	13/14	All figures in £'000s Spend 09/10 to July	Comments
SC433	Snowy Farr Memorial Artwork	G Richardson	70	0	70	0	0	0	0	0	Subject to Council approval 22 October 2009
SC434	Floodlit Astroturf - Chesterton Community College	I Ross	20	0	20	0	0	0	0	0	Subject to Council approval 22 October 2009
SC435	Biodiversity Projects Year 2&3	E Selway	232	0	220	12	0	0	0	0	Subject to Council approval 22 October 2009
SC436	Pye's Pitch Rec Facilities	I Ross	100	0	25	75	0	0	0	0	Subject to Council approval 22 October 2009
SC431	Grand Arcade Annex Car Park Fan system	P Necus	22	0	22	0	0	0	0	0	***MTS Sept 2009 recommendation, subject to Council approval 22 October 2009***
SC437	Secure Mobile VPN	J Nightingale	9	0	9	0	0	0	0	0	***MTS Sept 2009 recommendation, subject to Council approval 22 October 2009***
SC439	LED Lighting – Grand Arcade Annex Car Park	P Necus	120	0	0	120	0	0	0	0	***Environment Scrutiny Committee recommendation, subject to Council approval 22 October 2009***
Capital-GF Projects			**26,481**	**11,594**	**10,907**	**4,359**	**0**	**0**	**0**	**986**	

Capital Plan – Approved Programmes

					Budget					All figures in £'000s	
Capital Ref	**Description**	**Lead Officer**	**Capital Scheme Approval**	**Spend to 08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**13/14**	**Spend 09/10 to July**	**Comments**
PR001	Housing Capital Investment Programme	J Hovells		0	18,629	14,543	9,151	7,620	7,564	0	Detailed review of schemes is undertaken by Housing Committee.
PR001a	Housing Capital Investment Programme S106 Funded	J Hovells		0	135	0	0	0	0	0	Programme of Section 106 spend on affordable housing
PR003	City Centre Management Programme	E Thornton	174	292	30	30	0	0	0	0	Since approved at Council 2008 - Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR004	Sustainable City Programme	S Chubb	290	377	30	30	0	0	0	0	Since approved at Council 2008 - Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR006	Safer City Programme	P Griffin	302	461	50	0	0	0	0	6	Three year extension of programme approved at City Board 31/01/00. Three year extension of programme approved at Strategy Scrutiny 28/01/03. Extn to programme to 2009/10 £50k pa.
PR007	Cycleways	C Rankin		864	486	150	50	0	0	2	Since approved at Council 2008 - Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR010	Environmental Improvements Programme	D Foley-Norman		868	105	105	0	0	0	105	Scheme apprvd 8/5/00 City Board,was shown as SC90. Additional £150k pa apprvd at City Board 29/1/01.Funding for prog timescales revised to run through until 10/11.Resources for 11/12 trf'd to avail funding as apprvd at Full Council 21/02/08

Capital Plan – Approved Programmes

					Budget					All figures in £'000s	
Capital Ref	Description	Lead Officer	Capital Scheme Approval	Spend to 08/09	09/10	10/11	11/12	12/13	13/14	Spend 09/10 to July	Comments
PR010a	Environmental Improvements Programme - North Area	D Foley-Norman		267	337	124	0	0	0	38	Budget now allocated to area committees. Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR010b	Environmental Improvements Programme - South Area	D Foley-Norman		130	258	84	0	0	0	22	Budget now allocated to area committees. Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR010c	Environmental Improvements Programme - West/Central Area	D Foley-Norman		165	278	91	0	0	0	2	Budget now allocated to area committees. Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR010d	Environmental Improvements Programme - East Area	D Foley-Norman		162	355	121	0	0	0	1	Budget now allocated to area committees. Funding for programme timescales revised to run through until 2010/11, resources for 2011/12 transferred to available funding as approved at Full Council 21/02/08.
PR010di	Environmental Improvements Programme - Riverside/Abbey Road Junction	D Foley-Norman		39	21	0	0	0	0	1	Initial design fees (£60k) to be funded from contribution from East Area EIP
PR014	Environmental Safety Fund	D Foley-Norman		74	66	0	0	0	0	0	Approved at City Board 9/7/01. Agreed at Environment Scrutiny 11/11/03 that fund be used to improve street lighting in those areas with highest violent crime figures.

Capital Plan – Approved Programmes

					Budget					All figures in £'000s	
Capital Ref	**Description**	**Lead Officer**	**Capital Scheme Approval**	**Spend to 08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**13/14**	**Spend 09/10 to July**	**Comments**
PR016	Public Conveniences	B Kerry		1,998	259	38	0	0	0	100	Since approved at Council 2008 - Additional £6k for Rainwater Harvesting funded from reserves & £110,900k for additional expenditure on Chesterton Road Public Conveniences funded from £69,400 Reserves, £40,000 Reserves & £1,500 Other. ***MTS Sept 2009 recommendation additional £35k 2009/10, subject to Council approval 22 October 2009***
PR017	City Services - Vehicle Replacement Programme	T Ainley		5,357	1,667	706	1,420	540	960	67	Apprvd C/Bd 29/01/01 funded from R&R. Further apprvls at C/Bd 26/11/01. Ext of prog apprvd in 03/04 MTS. £338.5k 03/04 apprvd 28/01/03. £95k Refuse Veh. apprvd at Strat. 7/7/03. £338k apprvd Strat. 26/1/04. Tfr'd 2 PVCu vans from 05/06 Co
PR018	Bus Shelters	D Roberts	250	151	114	55	55	0	0	3	Approval at Strategy Scrutiny 26/1/04. Four year prog to 2007/08. Funded from use of reserves. Further funding approved Scrutiny 10.1.06 to 2011/12 funded from Reserves. Addl £30k per annum funded from Reserves, apprvd at Council 21/02/08.
PR019	Car Parks Infrastructure and Equipment Replacement Programme	P Necus	1,748	664	829	255	0	0	0	90	R&R Programme approved MTS 2006. Schemes 292, 298, 299, 302, 303, 304, & 305 transferred to Programme.
PR020	ICT Infrastructure Programme	J Nightingale	380	166	114	100	100	100	80	10	Programme of £960k over 5 years from 2006/07 funded from R&R approved MTS July 2006. £580 transferred to specific projects Nov 06.
PR022	Local Nature Conservation	G Belcher	30	6	6	6	0	0	0	0	Approved at Council 21/02/08. Funded from Reserves.
PR023	Admin Buildings Asset Replacement Programme	J Stocker	427	103	164	75	60	30	31	4	Approved at Council 21/02/08. Funded from R&R.
PR024	Commercial Properties Asset Replacement Programme	D Prinsep	421	23	97	275	26	95	55	19	Approved at Council 21/02/08. Funded from R&R.

Capital Plan – Approved Programmes											
					Budget					All figures in £'000s	
Capital Ref	**Description**	**Lead Officer**	**Capital Scheme Approval**	**Spend to 08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**13/14**	**Spend 09/10 to July**	**Comments**
PR025	New Town Community Development Capital Grants Programme	K Hay		0	110	20	0	0	0	0	Project Appraisal approved at Community Services Scrutiny Cttee 24 July 2008. Funded from S106
Capital-Programmes			**4,022**	**12,167**	**24,140**	**16,807**	**10,862**	**8,385**	**8,690**	**469**	

Housing Capital Programme

Appendix S(b)

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
External Support					
GO-East Housing Capital Allocation	(91)	0	0	0	0
Disabled Facility Grants (CLG Grant)	(262)	(262)	(262)	(262)	(262)
Major Repairs Allowance (MRA)	(5,048)	(5,013)	(5,005)	(5,004)	(4,960)
HCA New Build Grant	(118)	(177)	0	0	0
CLG Assessment Centre Grant	(2,245)	0	0	0	0
Total External Support	(7,764)	(5,452)	(5,267)	(5,266)	(5,222)
City Council					
Usable Capital Receipts	(79)	(74)	(70)	(69)	(69)
Other Land Sales Capital Receipts	(1,850)				
Usable Capital Receipts - Low Cost Shared Ownership	(300)	(300)	(300)	(300)	(300)
Direct Revenue Financing	(3,001)	(2,363)	(2,683)	(2,443)	(2,172)
Prudential Borrowing	0	(283)	0	0	0
Total City Council Funding	(5,230)	(3,020)	(3,053)	(2,812)	(2,541)
Total Available Finance	**(12,994)**	**(8,472)**	**(8,320)**	**(8,078)**	**(7,763)**
Less Expenditure on Housing within the HRA					
Spend on Own Stock - Decent Homes	9,577	5,153	4,640	4,425	4,469
Other Spend on Own Stock	2,622	2,200	1,850	1,900	1,800
HRA New Build	127	895			
Cambridge Standard Works	305	200	200	200	200
Other HRA Capital Spend (Incl. Low Cost Home Ownership)	330	330	330	330	330
Sheltered Housing Modernisation	1,544	5,000	1,150	0	0
Total Expenditure on HRA	14,505	13,778	8,170	6,855	6,799
Resources (remaining) / required after funding expenditure on the HRA	**1,511**	**5,306**	**(150)**	**(1,223)**	**(964)**

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Less Expenditure on GF Housing					
Private Sector Housing Grants and Loans	195	195	195	195	195
Long Term Vacants	20	20	20	20	20
Assessment Centre Project	3,359	0	0	0	0
Disabled Facilities Grants (DFG) Spend	550	550	550	550	550
Affordable Housing – New Build	0	0	216	0	0
Total Expenditure on GF Housing	4,124	765	981	765	765
Resources (remaining) / required after funding expenditure on HRA & GF Housing	**5,635**	**6,071**	**831**	**(458)**	**(199)**
Capital receipts b/f	**(13,675)**	**(7,380)**	**(1,753)**	**(1,138)**	**(704)**
Contribution (to) / from Capital Balances	**5,635**	**6,071**	**831**	**(458)**	**(199)**
Ear-marked for additional investment in affordable housing	**660**	**(444)**	**(216)**		
Ear-marked for future HRA investment				**892**	**633**
Capital Balance c/f	**(7,380)**	**(1,753)**	**(1,138)**	**(704)**	**(270)**

Capital Funding Availability Projection 2009/10 to 2013/14 **Appendix T**

Source	Funding Type	Financial Year 2009/10 £'000s	2010/11 £'000s	2011/12 £'000s	2012/13 £'000s	2013/14 £'000s
External Support	Specified Capital Grants (SCG)	(689)	(934)	(526)	(530)	(530)
	Deferred Capital Contributions e.g. Lottery Grant	(142)	0	0	0	0
	Other Sources	(782)	(100)	(50)	0	0
	Major Repairs Allowance (MRA)	(5,048)	(5,008)	(4,995)	(4,989)	(4,942)
	Section 106	(1,780)	(90)	0	0	
	Prudential Borrowing (HRA)	0	(283)	0	0	0
	TOTAL - External Support	**(8,441)**	**(6,415)**	**(5,571)**	**(5,519)**	**(5,472)**
City Council	Usable Capital Receipts	(4,311)	(291)	(173)	(139)	(104)
	HRA Capital Balances	(5,022)	(5,809)	(929)	230	318
	DRF - HRA	(2,985)	(2,382)	(2,528)	(2,192)	(2,306)
	DRF - GF Services	(78)	0	0	0	0
	DRF - Use of Reserves	(3,970)	(3,884)	(1,030)	(1,380)	(1,380)
	Repair & Renewals Fund	(3,959)	(1,598)	(1,606)	(765)	(1,126)
	Earmarked Reserves	(5,305)	(962)	0	0	0
	Earmarked Reserves – Technology Investment Fund	(321)	0	0	0	0
	DRF – Temporary Use of Reserves	(117)	0	0	0	0
	Other Sources	(538)	(63)	0	0	0
	TOTAL - City Council	**(26,606)**	**(14,989)**	**(6,266)**	**(4,246)**	**(4,598)**
	Total Available Finance	**(35,047)**	**(21,404)**	**(11,837)**	**(9,765)**	**(10,070)**

Key:
DRF Direct Revenue Financing
HRA Housing Revenue Account
GF General Fund

Capital Bids – Hold List

Appendix U

Ref.	Proposed Scheme / Programme & Comments	Cost to CCC (£ 000's)	2010/11 (£ 000's)	2011/12 (£ 000's)	Funding Source		
					Cap	R&R	Rev
Environment Scrutiny Committee - Climate Change & Growth							
H28	**Park Street Car Park** *New Bid – MTS September 2007*	1,000	0	1,000	✓	×	×
TOTAL		**1,000**	**0**	**1,000**			

Cash Limit Calculation - 2010/11

Appendix V

Portfolio / (Scrutiny Committee)	Adj. Gross Expend. (£'s)	Inflated Base Budget (£'s)	Reductions Required (£'s)	Cash Limit (£'s)
Arts and Recreation (Community Services)	4,447,290	5,174,700	114,740	5,059,960
Community Development & Health (Community Services)	5,191,090	4,541,950	133,930	4,408,020
Housing (Community Services)	1,718,220	2,425,790	44,330	2,381,460
Climate Change & Growth (Environment)	7,775,580	5,842,000	200,610	5,641,390
Environmental & Waste Services (Environment)	5,834,110	6,577,610	150,520	6,427,090
Customer Services and Resources	11,295,350	(7,252,900)	291,420	(7,544,320)
Strategy	1,916,670	3,818,550	49,450	3,769,100
Committee Total	**38,178,310**	**21,127,700**	**985,000**	**20,142,700**
add Priority Policy Fund		0		
add Unavoidable cost		3,939,270		
add Other items (Temporary use of reserves)		(461,540)		
add Contribution to capital		3,884,460		
add Contribution to Efficiency Fund		75,000		
add Contribution to Technology Investment Fund (TIF)		84,320		
less Capital Adjustments Account		(2,208,090)		
less FRS17 adjustment		(590,910)		
less Use of Reserves		(5,768,860)		
less Council Tax income		(6,657,980)		
less Total External Support		(12,438,370)		
Reduction Target		**985,000**		

Reduction calculation :

Based on excluding contractual obligations

- target rate : **2.58%**

Sensitivity Analysis

Appendix W

Topic	Quantum	MTS Assumption	Risk
General Fund & HRA			
Employer's Pension Contribution	£33m	BSR includes provision for increases of 0.75% from 2011/12 to 2016/17	Negative market effects on the value of assets in the Pension Fund leading to increased employer contribution requirements above the level of provision already made
Pay Settlement	£33m	1.0% in both 2009/10 and 2010/11, 1.5% in 2011/12 and then 2.5% ongoing	Actual pay award settlements are agreed at a higher level
Section 106 expenditure	c. £9.0m	All Section 106 funding is used in compliance with terms of agreements	Failure to meet conditions of individual schemes leads to the requirement to repay contributions and accrued interest to developers. Developers seek to renegotiate current agreements in order to improve the viability of their schemes putting at risk the ability to deliver essential infrastructure
Energy costs	£1.1m	Officer assessment of current conditions and trends, based on latest contracts	Volatility of world market prices
Future Capital Receipts	Income	HRA Capital – Sheltered Programme assumes sale of Tiverton House.	Market conditions significantly reduce the value of Council assets with the associated reduced level of funding available for new capital investment. Purchaser's ability to buy is limited due to financing constraints.
Investment Income	+/- 1% is £497,680 in 2009/10, falling to £362,470 for 2010/11.	Detailed assumptions are shown in Section 6 and Appendix G. These are based on a mid-range level provided by market analysts.	Rates fall further than anticipated or for a longer period. A shorter period of recession or a less steep decline in rates would result in increase in investment income. (Positive)

Topic	Quantum	MTS Assumption	Risk
General Fund			
Concessionary Fares	c. £1.5m cost to the Council	Responsibility remains with the District Council and usage levels remain static in future years	Growth leads to increased numbers using the service but not reflected in additional grant. Service is transferred to the County Council with only the existing level of government funding transferring resulting in a reduction of £1.5m in budget pressure (Positive)
Housing Benefits		Officer assessment of current conditions and trends	Council funded element of provision of the service. Potential increase in Housing Benefit fraud
Council Tax Income	£6.4m p.a.	2.5% increase for 2010/11, 3.5% for 2011/12 and 4.5 from 2012/13 are built into projections	Capping criteria are set retrospectively and breaching the criteria could lead to a requirement for rebilling and associated costs together with the loss of Council Tax income. Economic climate may require an increase in enforcement activity.
Car Parking Income	c. £6.7m	Based on Officer and external consultants' projections of usage	Economic downturn reduces usage and/or increased use of Park & Ride and impact of new guided bus
Bereavement Services Income	£1.5m	Current mortality rates built into BSR assumptions	Falling mortality rate Opening of competitor facilities (new Crematorium opening in town of March during 2010) further planning applications are anticipated in view of the expansion of Cambridge sub region and the comparatively low investment required for a profitable new build crematorium with private sector operating costs
Planning Fee Income	c. £1.1m	Income projections have been reduced in line with anticipated reductions in applications	Economic downturn is greater or longer than anticipated
Building Control Fee Income	c. £0.6m		
Corn Exchange Income	c. £1.2m	Based on Officer projections of attendance	Economic downturn leads to fall in attendances
Recycling Income	c. £0.5m	Based on latest market projections reflecting fall in future prices	World prices

Topic	Quantum	MTS Assumption	Risk
Folk Festival Income	c. £1.2m	Based on assumption that all tickets will be sold (as in previous years)	Economic downturn leads to fall in attendances and/or failure to secure sponsorship
Market Income	c. £0.6m	Officer assessment of current market conditions and future trends	Increased level of voids as a result of the current economic climate.
Housing & Planning Delivery Grant (HPDG)	c. £0.7m (Capital & Revenue)	Grant received from 2009/10 onwards is sufficient to meet existing posts working on the growth agenda	Economic downturn leads to falling number of new properties resulting in reduced allocations. (Risk: £482k of revenue used to fund posts)
Local Authority Parking Enforcement (LAPE) - share of surplus	variable	Surpluses have been used to fund appropriate projects within the City [see Appendix I (6)]. It has been assumed that no further funding will be available from 2009/10 onwards and that recoverable overheads will not now be fully absorbed from 2010/11 onwards.	The County Council have confirmed that they will take LAPE back into their management with effect from 1 April 2010, and thus retain any surplus. This will mean that overheads currently associated with the running of this service may not be recovered in full by the City Council
Local Authority Business Growth Incentive	Variable (£80k for 2009/10)	The final LABGI determination has now been received and it has been assumed that it will be invested against Capital projects.	The new LABGI scheme is much lower than the original one and whilst distributions were not budgeted, there will be a reduction in future funding in respect of this scheme.
Commercial Property Income	c. £9.0m	Officer assessment of current market conditions and future trends	Economic conditions lead to increase in voids and/or increased level of unrecoverable debts. Council primarily has smaller units which are proving to be less vulnerable in the current economic climate (Positive)
Land Charges Income	c. £0.2m	Reductions based on latest experience have been incorporated	Increased proportion of personal searches and reduced number of overall searches due to market conditions. Potential loss of ability to charge for Personal Searches following a decision by the Information Commissioner.

Topic	Quantum	MTS Assumption	Risk
HRA			
Housing Rent Collection		Budgeted costs based on historic enforcement activity.	Economic climate may require an increase in enforcement activity.
Homelessness Service	c. £0.6m	Officer assessment of current conditions and trends	Economic downturn leads to pressures on the service including use of temporary accommodation such as B&B
Housing Rents		Based on assumption that actual rent increases are imposed in line with guideline rent increases as per the HRA Subsidy Determination.	HRA Subsidy Determination indicates pre-setting of guideline rents for 2010/11. To avoid penalty actual rent increases would need to follow, but this may not reflect the economic climate and imposing the increase on tenants may far exceed increases anticipated if compared with inflation rates at the time.
Supporting People & Care funding	c. £1.4m	Government and PCT funding will continue as previously received	Ongoing pressure to reduce the cost of provision of support services to individuals. Care Services to be re-tendered from April 2010. A reduction in funding would lead to a proportional increase in overheads across other HRA services
HRA Review		Any major changes will not be implemented until 2011/12. The council is actively involved in the work of the review.	Revenue funding for the HRA is improved by the introduction of a self-financing system. Change in government policy leads ability to build own social housing stock. (Both positive)

Significant Events

Appendix X

Topic	Indicative Value	2009/10	2010/11	2011/12	2012/13	2013/14
Corporate						
Spending Review		CSR 2007 Year 2	CSR 2007 Year 3	SR2010 Deferred	SR 2011	SR2011
Local Authority Business Growth Incentive (LABGI)	c£80k	Reformed Scheme Year 1	Reformed Scheme Year 2	tba	tba	tba
VAT Partial exemption	c. £250k if breached		Limit breached in year of Mercury Abatement works			
Elections	n/a		6 May 2010: City 3 June 2010: last date for General Election	5 May 2011: City	3 May 2012: City	
National Census	n/a		Census date: 27 March 2011	Census results may feed into the government funding settlement for 2013/14, but it is likely that this will inform the 2014 Spending Review (2015/16 onwards)		
CLG / Treasury Review of Council Housing Finance	n/a	July 2009 DCLG HRA Review		Earliest anticipated implementation of major review outcomes		
Pension Fund Triennial Actuarial Review	+/- 1% £83k HRA £219k GF		Triennial revaluation on position at 31 March 2010	First anticipated change in employer contributions resulting from revaluation		
Customer Access Strategy		Service Tranches 5 & 6 go live	Net revenue savings used to payback initial investment by 2014/15			

Topic	Indicative Value	2009/10	2010/11	2011/12	2012/13	2013/14
Service Related						
City Centre Management & Tourism		City Centre Management Service transfers to the new City Centre Partnership April 2009	Tourism Service transfers to the new City Centre Partnership by April 2010			
Concessionary Fares	Net annual council contribution £2.1m		Anticipated outcome of Government review of Concessionary Fares responsibility and funding	Potential implementation of new arrangements		
Local Authority Parking Enforcement (LAPE)	c. £140k		Return to County Council from 1 April 2010 (subject to IT infrastructure being in place)			
New Dry Recycling programme		Service starts November 2009				
Major Projects						
Decent Homes	>£5m	Decent Homes standard scheduled for achievement by 31 March 2010.				

Topic	Indicative Value	2009/10	2010/11	2011/12	2012/13	2013/14
Refurbishment of Brandon Court	c. £3.6m		Works start July 2010	Anticipated completion		
Guildhall Working Party	c. £1.2m	Building works completed and new tenants *in situ*	Net revenue savings used to payback initial investment by 2017/18			
Jesus Green Development	Dependent on scheme proposed	Public consultation regarding future use. Consider funding options.	Commencement of improvement works			
Zion Baptist Church (Night Shelter)	c. £3.5m	Procurement starts with Council acting as agent		Building completion and hand back by January 2012		
Lion Yard extension	Council contribution c. £3.9m	Scheduled for completion and opening Autumn 2009	Net increase in revenue stream share to Council			
Mercury Abatement	c. £1.5m	Procurement starts	Installation (Summer 2010)	Net revenue savings used to payback initial investment by 2024/25		
Major Procurement Exercises						
ICT Contract	c. £2.0m pa	Start options appraisal for full tender		Contract expires June 2011		

Topic	Indicative Value	2009/10	2010/11	2011/12	2012/13	2013/14
Energy Contracts	c. £1.1m pa		Start options appraisal for full tender	Contracts expire July 2011		
Leisure Contract Renewal	c. £0.6m pa		Leisure contract extension commences October 2010		Start options appraisal for full tender	
Decent Homes – Capital works	c. £4.5m		Hard market test to maintain zero non-decent homes			
Decent Homes - Maintenance contracts	c. £4.2m		Soft market test of maintenance contracts. May lead to hard market test			
Insurance	c. £0.4m pa			Start options appraisal for tender or contract extension	Contract expires March 2013	

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