STRATEGY AND RESOURCES

Friday, 17 December 2021

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

10:00

Multi Function Room, New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE
[Venue Address]

AGENDA

Open to Public and Press by appointment only

CONSTITUTIONAL MATTERS

1. **Apologies for absence and declarations of interest**

Guidance on declaring interests is available at *http://tinyurl.com/ccc-conduct-code*

2. **Minutes – 2nd November 2021 and Action Log** **5 - 6**

Item Title

Strategy and Resources meeting 02/11/2021

3. **Petitions and Public Questions**

OTHER DECISIONS

4. **Joint Agreement and Peer Review Action Tracking** **7 - 24**

KEY DECISIONS

5.	**Integrated Finance Monitoring Report for the period ending 31st October 2021**	**25 - 70**
	OTHER DECISIONS	
6.	**Business Planning Proposals for 2022-27 - Current position**	**71 - 218**
7.	**Treasury Management Report – Quarter Two Update 2021-22**	**219 - 232**
8.	**Corporate Services Performance Report Quarter 2 2021-22**	**233 - 250**
9.	**Mill and Rumbolds Farmhouse, Somersham – Replacement dwelling**	**251 - 256**
10.	**CUSPE Policy Challenges Research on Models of Local Government after COVID-19**	**257 - 286**
11.	**Strategy and Resources Committee Agenda Plan and Training Plan and Appointments to Outside Bodies and Internal Advisory Groups and Panels**	**287 - 290**

Attending meetings and COVID-19

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The Strategy and Resources comprises the following members:

Councillor Lucy Nethsingha (Chair) Councillor Elisa Meschini (Vice-Chair) Councillor Chris Boden Councillor Steve Count Councillor Steve Criswell Councillor Lorna Dupre Councillor Mark Goldsack Councillor Richard Howitt Councillor Samantha Hoy Councillor Peter McDonald Councillor Mac McGuire Councillor Edna Murphy Councillor Tom Sanderson Councillor Josh Schumann and Councillor Graham Wilson

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STRATEGY AND RESOURCES COMMITTEE MINUTES-ACTION LOG

This is the updated action log as at 9th November 2021 and captures the actions arising from the most recent Strategy and Resources Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 2nd November 2021

Minute number	Item title	Responsible officer(s)	Action	Comments	Completed
27.	Integrated Finance Monitoring Report for the period ending 31 August 2021	S Howarth J McMillan	To provide a list of County Farms properties requiring additional prudential borrowing.	No other properties that form part of the county farms estate are expected to require additional prudential borrowing at this time and other than Mill Farmhouse no other such properties are included in the current or draft capital programmes.	Complete
		T Kelly J McMillan	To provide an update report on the costs associated with the Mill Farmhouse to the December meeting of Strategy and Resources.	On the agenda for the Strategy and Resources Committee meeting.	Complete
		S Howarth	To include a column reflecting the budget in the tables of page 9 of the report so that comparisons could be made with the current situation in relation to the number of people and unit cost.	To be included in subsequent IFMR items at committee.	Complete

28.	Gas Supply Contract Renewal	S French S Wilkinson	Members to receive a report at a future meeting on the pros and cons of green gas as it was important to understand what 'green wash' looked like.	A report for discussion will be presented to the Green Investment Advisory Group. The outcome of this discussion will be circulated to all Members.	Complete
30.	Service committee review of the draft 2022-23 capital programme	T Kelly	To confirm whether the expansion of Soham Village College was still in the Capital Programme.	It is confirmed that the Soham secondary provision is proposed for removal from the capital programme following a wave 12 free school application.	Complete
		J Lewis	The Chair asked for a briefing note to be prepared for all Members on the schools' capital programme and how it related to the Government's Free School Programme and DfE actions in this area.	The briefing note is prepared and will be circulated as soon as possible.	Ongoing
	Strategy and Resources Committee Agenda Plan & Training Plan & Appointments to Outside Bodies & Internal Advisory Groups & Panels	M Staton	One Member asked for more information on the no car zones item for the March meeting	Information e-mailed to the Committee on 10 November 2021.	Complete

Agenda Item No: 4

Joint Agreement and Peer Review Action Tracking

To:	Strategy and Resources Committee
Meeting Date:	17th December 2021
From:	Amanda Askham, Director of Business Improvement and Development
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable

Outcomes:

The outcome of good monitoring against agreed actions is a transparent view of progress against plans, informed decision making on resource allocation and an agile response when adjustments are necessary.

The Joint Agreement Action Plan describes activity to deliver the priorities and approaches for delivering improved outcomes for the people of Cambridgeshire set out in the Joint Agreement.

Peer Review is an improvement approach for Local Government. Therefore, the outcome from successfully following through on the recommendations of the report will be improved corporate performance.

Recommendations:

That the committee reviews the monitoring against actions identified in the joint agreement and peer review action plans.

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1. Background

1.1 On 14th May 2021, a Joint Agreement was signed by the leaders of the Liberal Democrat, Labour and Independent groups. The Joint Administration agreement prioritises COVID-19 recovery for all of Cambridgeshire and puts healthy living and tackling the climate emergency central to the Council's agenda. It shows the Administration's commitment to forming strong and positive partnerships in the areas of public health, support for business, climate change and net-zero, public transport, and building affordable, sustainable homes.

1.2 The Joint Administration's thematic action plan was approved by Strategy and Resources committee in July 2021, so that the Council could start delivering on the Administration's Joint Agreement immediately. In September 2021, the Joint Agreement Tracker and first milestone updates were discussed.

1.3 At the same time, the Council invited a team of Peers from the Local Government Association (LGA) to undertake a Corporate Peer Review. Peer review is a proven improvement approach for Local Government, delivered by a team of experienced councillors and officers selected to reflect CCC's requirements and focus. The Corporate Peer Review report presented 11 key recommendations and 5 further shared services recommendations. From these recommendations, Members and Officers developed an action plan.

1.4 This report provides an update on all milestones due in both the Joint Agreement and Peer Review action plans since the last reporting period.

2. Joint Agreement Action Plan Tracker

2.1 The Joint Agreement Tracker is presented in two sections: activity, and policy development. The expectation is that policy changes will result in future actions, the delivery and impact of which will be monitored by each committee under a revised performance framework.

2.2 The following tables provide updates against each milestone due in the period October - December 2021:

Table 1. Activity

Ref.	Action	Milestone	Committee	Lead Officer(s)	Success criteria	Baseline position May 2021	Achieved	Update / comments by lead officer
CE.5	Agreement of system-wide outcomes monitoring framework by Children & Maternity Health Executive Board	Oct '21	CYP	Raj Lakshman	Outcomes framework agreed by Board	No system wide outcomes framework in place	In progress	Five key strategies have been co-produced. BSIL, Strong Families & Strong Communities, Children's Mental Health, SEND and Autism. Work is underway to develop key performance indicators to support the outcomes within these strategies. This will become part of the Health and Wellbeing Strategy Children and Young People priority
C.6	Deliver Diversity & Inclusion training to Safeguarding partnership Board members	Oct '21	Safeguarding Board	Jo Procter	Training delivered		Completed	Developed and in place. We worked with local children and young people across the County to gain their experiences of unconscious bias - this related to a range of areas including; race, sexuality, accents and gender. We used their experiences to develop

								virtual training (SWAY) entitled "Children's Experiences of Unconscious Bias" which was launched mid October 2021. This has been shared across the partnership and to date, has been viewed over 1,100 times. The training explains what unconscious bias is, how its formed and provides tools for people to understand what their unconscious biases may be.
C.2	Place Leads Partnership to take the lead in identifying and addressing community inequalities; aligning closely with the two Integrated Partnerships which are the key community delivery arms for the Integrated Care System (ICS).	Oct '21	CSMI	Adrian Chapman	Ongoing updates of work of Place Leads Partnership	Significant health inequalities between different parts of county and within communities, particularly where there is income deprivation	In progress	The Place Leads group have had a series of discussions to identify shared core priorities for focus, aligned to the HWBB/ICS Awayday outcomes. A half-day workshop is being arranged, to which other key partners will be invited, and this will work up the detailed delivery plans necessary to focus on tackling the most entrenched inequalities.
T.5	Commence procurement for replacement of Cambridge Sub Regional Transport Model (CSRM) in partnership with GCP and CPCA.	Oct '21	H&T	Jeremy Smith	Procurement advert placed and process started		In progress	Bid for funding of model replacement made to Combined Authority
H.9	Identify and provide more support for both informal Carers and Young Carers	Nov '21	CSMI	Adrian Chapman	Number of carers supported increases	2,900 carers supported during 2020-21, reported in	In progress	<u>YOUNG CARERS</u> A co-chaired Young Carers County Wide Steering group, Youth Advisory board and a

						adults statutory returns 400 young carers (as noted in either social care assessment or child and family assessment) receiving support at the end of March 2021		range of training established and delivered. Two Young Carers represented CCC young people for the Chief Executive recruitment. Partnership with LECA Littleport Academy young carers group to celebrate outstanding contributions during the pandemic. Created a support and well-being resource with delivery of 55, to date, “Well-being boxes”. Partnership with Centre 33 to deliver Young Carer awareness training with over 20 participants. <u>INFORMAL CARERS</u> Identification of informal carers and connecting to existing support continues. A support toolkit will launch in December. Breaks for Carers pilot recruited several volunteers last month; extending project by two months within the current funding. Carers reporting how much they value the break, and that the new social contact for their loved one is appreciated. Working towards gaining the Carers accreditation

CE.2	Work with schools to increase breakfast clubs in schools during the school term	Nov ‘21	CYP	Jonathan Lewis	Increase number of breakfast clubs in summer term 2022 compared to summer term 2021	Data not previously collected.	In progress	Update being taken to November CYP Committee on current provision and suggested next steps.
CE.4	Ensure the pre-birth to five multi-disciplinary teams (Best Start in Life) work with children with Special Educational Needs & Disability (SEND) and their families.	Nov ‘21	CYP	Wendi Ogle-Welbourn	Increasing numbers of SEND families engaged by pre-birth to five multi-disciplinary teams	1,058 children open to SEND Early Support in Q4 2020-21	In progress	A key performance indicator in the BSIL outcomes framework is the early identification of SEND and appropriate intervention.
F.5	Real Living wage – short term steps: in-year uplift for those directly employed below RLW. Then detailed consideration of longer-term implications of full RLW Foundation accreditation to include incremental progress year-by-year for contractors.	Nov ‘21	S&R	Tom Kelly & Janet Atkin	In-year uplift paid to eligible employees in 2021-22; full RLW accreditation considered by Staffing and Appeals	1.7% of directly employed CCC employees paid below RLW	In progress	In year uplift for 92 staff directly employed below the RLW has been processed for November payroll. Currently being considered through the budget setting process.
F.9	Establishment of a Strategic Programme Management Office (SPMO)	Nov ‘21	S&R	Amanda Askham	SPMO established	No SPMO in place	In progress	Proposal developed
T.7	Develop and adopt new standards for pedestrian and cycling infrastructure informed	Dec ‘21	H&T	Sue Procter	New standards adopted as		In progress	Standards will be incorporated in draft Active Travel Strategy which will be taken to H&T Committee for

	by Local Transport Note (LTN)120.				policy by H&T			approval to consult in early 2022
T.13	Conclude the work of the HGV Members Working Group and agree an HGV management policy which must limit HGVs rat-running through villages and urban communities	Dec '21	H&T	Sue Procter	New HGV policy adopted by H&T	HGV Members Working Group ongoing	In progress	There were changes to membership following the May elections and a pause while new Members were nominated. The group has now met twice (in September and October) and has elected Cllr Lorna Dupre as Chair. The terms of reference have been agreed
F.6	Lobbying for fairer funding for Cambridgeshire and national policy reform progress	Dec '21 & Feb '22	S&R	Tom Kelly	Ongoing lobbying work formally acknowledged	Lobbying ongoing	In progress	CCC has participated in joint lobbying as part of F20 (funding floor) with a range of authorities with lowest per capita funding, and with neighbouring Schools Forums regarding high needs. We are making further such representations in the run-up to local government finance settlement.
NEW CE.7	Campaign to keep state nursery schools open, to keep schools in local authority control, and for fair funding for Cambridgeshire schools.	Dec '21	CYP	Jon Lewis/ Christine Birchall	Ongoing campaign and lobbying work formally acknowledged No reduction in numbers of schools in LA control (excl. those	Number of schools in LA control Fair funding campaign ongoing	NEW	National funding announcement has allocated ongoing additional funding for Nursery schools until 2025. We have contributed to a joint letter to government with others LAs concerning schools funding. This was signed by the chair of schools forum and included input from both the Leader of

					changed due to inadequate rating forced changed or new school)			the Council and Chair of the Children and Young People's Committee.
NEW CE.8	Advocate hard and publicly for better SEND funding	Dec '21	CYP	Jon Lewis/ Christine Birchall	Ongoing campaign and lobbying work		NEW	Planning in progress to scope campaign

<u>Table 2. Policy Development</u>

Ref.	Action	Milestone	Committee	Lead Officer(s)	Success criteria	Baseline position May 2021	Achieved	Update / comments by lead officer
F.10	Review of Performance Framework and reporting	Nov '21	S&R	Amanda Askham	Reviewed Performance Framework reported to S&R and adopted	N/a as new review	In progress	Proposed framework on Jan '22 S&R agenda
G.4	Review of corporate strategy and strategic framework	Nov '21	S&R	Amanda Askham	Corporate Strategy and Strategic Framework reported to S&R and adopted	Corporate Strategy in place to deliver previous administration's priorities.	In progress	Corporate strategy on Jan '22 S&R agenda
F.4	Position of This Land to be considered within LGA Peer Challenge and an action plan produced	Update Sep '21 Review completed Dec '21	S&R	Tom Kelly	Action plan reported to S&R	N/a as new review	In progress	Peer Challenge supported appointment of specialist reviewer – Avison Young. Reporting to Chair/Vice Chair at end of November. Action plan developed with

								This Land in response and reported at January S&R.
F.1	On behalf of Cambridgeshire, its businesses, and citizens we will develop and facilitate a COVID -19 recovery strategy starting with: - a review of emerging evidence of Needs and Impacts on Cambridgeshire	Reporting quarterly from Sep '21	S&R	Amanda Askham	Needs assessment documents published	Previous review of impacts and needs discussed by General Purposes Committee in 2020	In progress	First suite of data published Sept '21 Second suite published Dec '21
H.4	Implement a clear action plan to deliver "health in all policies" including criteria for evaluating policies	Oct '21	A&H	Jyoti Atri	Action plan implemented	Health implications included as mandatory section of committee papers	In progress	In progress. Business case developed and shared with the RIT and initial scoping meeting held to set action plan. BID team pulling together existing frameworks/guidance to align policies and are supporting to produce the framework for evaluating policies.
T.3	Work in partnership with the Greater Cambridge Partnership on a review of the road hierarchy	Oct '21	H&T	Sue Procter	Review of road hierarchy reported to H&T	Review underway and ongoing	In progress	The review of the road hierarchy in the Cambridge area is being led by the GCP and is underway, with County Officers supporting. Member briefing and wider officer engagement will take place in December and further work will follow on from this in 2022.
T.12	Review the 20mph policy and the qualifying criteria	Oct '21	H&T	Sue Procter	Review reported and criteria agreed by H&T	N/a as new review	In progress	A paper will be presented at January H&T re 20mph prioritisation.

H.2	Develop a primary and early intervention Prevention Strategy that will build on existing work and involve communities, the ICS and other partners across the system.	Nov ‘21	A&H	Val Thomas	Strategy reported to A&H	No system-wide Primary and Early Intervention Strategy in place	In progress	Cardiovascular Diseases Prevention Strategy in draft – developed with ICP. To form part of an overarching Prevention Plan
NEW F.12	Review process for decision making on spending and investments to ensure that all decisions are: - made in the context of meeting the Net Zero strategy - equally weighted for social, environmental and financial criteria - assessed for their impact on residents living in deprivation and on the population as a whole, with a commitment to fairness in overall allocation	Nov '21	S&R	Tom Kelly	Review completed and mechanisms for changing decision-making criteria in place	N/a as new review	New	Social value portal procured and mobilisation underway through workshops. This is the national social value measurement framework and is widely used in the sector and will enable weighting for social and environmental criteria in procurement in a robust way. Impact assessments for proposals (including equalities) will form part of the Jan 2021 budget papers at S&R. There are significant investments in net zero across the business plan including increases in allocation to energy projects and nearly zero buildings standard for construction. This will form part of the strategic framework (Jan S&R) and progress further for business planning 2023-28

C.7	Full review of the library service to ensure it is meeting the needs of our residents	Dec ‘21	CSMI	Adrian Chapman	Review reported to CSMI	N/a as new review		The first phase of the library service review will be presented to Cosmic on 2/12/22. Recommendations include forming a cross party time limited Member working group to take the contents of the review and develop firm recommendations linked to JA priorities, ahead of being presented back to Committee in March.
E.1	Review the Climate Change and Environment Strategy (Sustainability Strategy) to bring forward net-zero target towards 2030 and alignment of key resources including the Environment Fund.	Dec ‘21	E&GI	Sheryl French/ Quinton Carroll	Revised Climate Change and Environment Strategy to E&GI with clear action plan and milestones	N/a as new review	Carbon emissions	Engagement with Members, partners, community and business completed during October/November 2021 and first draft strategy for comment will be shared w/c 23rd November and presented to December E+GI committee.
E.4	Review biodiversity across the Council’s land and property assets to identify a programme for ‘doubling nature’	Dec ‘21	E&GI	Quinton Carroll / Tony Cooper	Proposed programme reported to E&GI	N/a as new review	Biodiversity indicators	Baseline survey scoped out for commencement in spring 2022
CE.6	Develop an integrated approach to support Children and Young People’s mental health and wellbeing	Dec ‘21	CYP	Raj Lakshman	Multi partner agreement/process identified to support CYP mental health and wellbeing outcomes		In progress	YOUnited service which provides a single integrated front door to access counselling services and more specialist CAMH services has been launched. A CYP Mental Health Strategy is being developed.

								Progress is reported into the Early Help Partnership Board and Children and Maternity Collaborative.
E.3	Produce a Tree and Woodland strategy	Dec '21	E&GI	Quinton Carroll / Emily Bolton / Tony Cooper	Tree and Woodland Strategy to E&GI	CUSPE report highlighted importance of trees; work on strategy ongoing.	In progress	Member reference group established and chaired by Cllr Ferguson. Strategy to be presented to March E&GI Committee
T.14	Bring proposals back to committee for Residents' Parking Schemes in consultations with GCP and in-line with the Integrated Parking Strategy	Dec '21	H&T	Sue Procter	Proposals reported and considered by H&T	Residents' Parking Schemes paused in March 2021 whilst awaiting Integrated Parking Strategy.	In progress	November H&T agreed that GCP would consider Residents Parking in parallel to the Integrated Parking Strategy Work.
H.3	Identify what the Safeguarding Partnership Board can do for vulnerable individuals who do not meet statutory threshold for services	Dec '21	Safeguarding Board	Jo Procter	Report to Safeguarding Board		In progress	We have commenced work on this action. The MARM process is currently being updated. We have produced resources on Hoarding and a NRPF multi agency protocol and Virtual training (SWAY) to accompany it.

3. Peer Review Action Plan Tracker

3.1 All milestones in the Peer Review action plan due in this reporting period are on track. The Peer Review Team will carry out a six-month review visit in March 2022.

3.2 The following tables provide updates against each milestone due in the period October - December 2021:

Table 3: Corporate Peer Challenge Key Recommendations

	Recommendation	Action	Milestone	Committee	Lead Officer(s)	Update
1.3	Take action to recalibrate member roles, behaviours and conduct.	Member training, development and ongoing support has been arranged with support from the LGA – first training (Role of Statutory Officers) 8th December 2021	Oct '21	S&R	SMT	Complete First workshop delivered; any further needs will be met through the Members' training programme.
1.4	Sustainable capacity in the Chief Executive role needs to be established for Cambridgeshire	New CCC only Chief Executive has been appointed.				Complete
1.5	Embrace the opportunity to reset, clarify and rebuild the different roles for the CA, the GCP, CCC and District and Town & Parish Councils in place shaping and place delivery, and take the lead where appropriate.	Partnerships across the Cambridgeshire system are deepening already, with improved relationships and a clearer route to delivery of shared objectives. The Council has been working with partners across Cambridgeshire and Peterborough to produce a	Oct '21	S&R	Gillian Beasley/ SMT	On going First Leaders' workshop took place in October '21 with a follow up scheduled for January '22 (Political leaders from all

	Clarify the Council's role and ambitions in creating the conditions for sustainable and inclusive economic growth and allocate resource and leadership to this work.	series of data and information sets which describe the impacts of the pandemic. We will add this information to what we already know about the needs and strengths of our population and work with partners, through the leadership of the Joint Administration, to agree the priorities for our place. We will do this through workshops and discussions with a range of partners. This will include a review of governance and board arrangements across the system for Leaders to consider at a planned Leaders' Summit in October.				tiers of LA, the Combined Authority, the Greater Cambridge Partnership, and partners in the Health system). First suite of COVID datasets shared Oct' 21, next release Jan '22
1.6	Review 'This Land'	See Joint Agreement Tracker	Dec '21	S&R	Tom Kelly	
1.8	Further develop the current organisational resource to better support wider transformation and innovation.	The Council's priorities are being finalised, taking into consideration the Administration's Joint Agreement, the priorities of each committee, the challenging financial position and impacts of COVID, Brexit and the Climate Emergency. There will be a robust review of the organisational capacity and skills needed to deliver these	Dec '21	S&R	SMT	On going Rapid Improvement Team (RIT) established Jul '21to review all proposals and capacity requests. Business cases for change

		priorities with a focus on an outward looking, open minded and innovative culture. Members and officers will be encouraged to take up training opportunities with the LGA and other organisations to gain a wide perspective on the role of Local Government and the opportunities for innovation. As action plans under each priority are developed, capacity, investment and skills to deliver will be identified.				aligned to joint agreement, corporate priorities and business planning process. Corporate project methodology agreed. POWA platform developed for project recording and monitoring.

Table 4: Corporate Peer Challenge Shared Services Recommendations						
2.1	Organise an independently facilitated workshop for both sets of politicians and senior management to explore: a) All the options for shared arrangements and their relative pros and cons both for the councils and for their respective roles in the emerging ICS and in opportunities for Place shaping.	Chairs and senior officers are working together to understand the current arrangements and the business cases underpinning these arrangements. A facilitated workshop for politicians and senior managers is being set up to explore the issues laid out in a, b and c of this recommendation and will be supported by the LGA and Local Partnerships	Sep '21 Oct '21	ALL S&R ALL	SMT Gillian Beasley/ SMT SMT	Complete Complete First workshop delivered Nov '21 Complete

	b) The implications of decoupling existing joint management posts. c) The balance of shared management against the requirement for sufficient strategic capacity for each council.	From this workshop, plans for the development of shared arrangements will be agreed, considering the additional recommendations below.	Oct – Dec '21			Local Partnerships have worked with the Leader and Senior Officers to agree an action plan which includes recommendations 2.2 - 2.5 below
2.2	Develop a vision and roadmap for shared services which includes a strategic plan with clear oversight and clear benefits realisation.	To follow Member/Officer facilitated workshop	Nov'21 - Mar '22			In progress
2.3	Ensure that the strategic map respects the strategic directions of both councils and is able to deliver different policies across each council.	To follow Member/Officer facilitated workshop	Nov'21 - Mar '22			In progress
2.4	Consider developing the internal transformation team to own and drive the work in a consistent manner.	To follow Member/Officer facilitated workshop	Nov'21 - Mar '22			In progress
2.5	Develop some shared services to deliver greater efficiencies through shared data and client record systems and a shared service Target	To follow Member/Officer facilitated workshop	Nov'21 - Mar '22			In progress

	Operating Model where appropriate.					

4. Alignment with corporate priorities

4.1 The Corporate Strategic Framework is being reviewed as part of the annual planning cycle, with the priorities and ambitions described in the Joint Agreement forming the foundations of the new strategy.

5. Significant Implications

5.1 Delivery of the Joint Agreement and Peer Review action plans will have implications for all areas of the Council and actions are being developed and delivered in all committees.

6. Source documents

6.1 Joint Agreement
6.2 Joint Agreement Action Plan
6.3 Joint Agreement Tracker
6.4 Peer Review and Peer Review Action Plan

Integrated Finance Monitoring Report for the period ending 31 October 2021

To: Strategy & Resources Committee

Meeting Date: 17 December 2021

From: Chief Finance Officer

Electoral division(s): All

Key decision: Yes

Forward Plan ref: 2021/025

Outcome: The Committee will have received information setting out the current financial position of the Council, enabling it to assess delivery of the Council's business plan. It will also have made decisions around the allocation of resources. Overall, this will contribute to good financial management and stewardship of public funds.

Recommendation: Strategy & Resources Committee (S&R) is recommended to:

a) Earmark a total of £1.55m to offset one-off revenue costs related to waste diversion while plant works are carried out, as set out in section 6.1;

b) Approve the £2m transfer to earmarked reserves for adults risks as set out in section 6.2;

c) Note the Combined Authority funding reduction of £1.9m in line with the reduced scope of the Wisbech Town Centre Access Study scheme, as set out in section 7.6; and

d) Note and comment on the Finance Monitoring Report for Corporate Services (Appendix 4).

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1. Purpose

1.1 To present financial and performance information to assess progress in delivering the Council's Business Plan.

2. Overview

2.1 The following summary provides the Authority's forecast financial position at year-end and its key activity data for care budgets.

Finance and Key Activity

Revenue budget forecast outturn		Capital programme forecast outturn
-£7.027m (-1.6%) forecast year end variance, however, there continues to be uncertainty about the pandemic impact in the coming months Green	This is a £4.034m increase in the forecast revenue underspend compared to last month. There is a £0.287m decrease in the forecast capital year-end expenditure compared to last month.	-£7.3m (-4.2%) forecast year end variance Green

Number of service users supported by key care budgets

Older people aged 65+ receiving long term services	Budgeted no. of care packages 2021/22	Actual Oct 21	Actual May 21	Trend in service user numbers since May 21	Trend in average weekly unit cost since May 21
Nursing	585	532	492	Increasing	Stayed the same
Residential	987	877	864	Increasing	Stayed the same
Community	2,387	1,954	1,932	Increasing	Stayed the same

Working Age Adults receiving long term services	Budgeted no. of care packages 2021/22	Actual Oct 21	Actual May 21	Trend in service user numbers since May 21	Trend in average weekly unit cost since May 21
Nursing	60	65	69	Stayed the same	Increasing
Residential	346	358	358	Stayed the same	Increasing
Community	2,836	2,920	2,868	Increasing	Increasing

Children in Care	Budgeted no. of placements 2021/22	Actual Oct 21	Actual May 21	Trend in service user numbers since May 21	Trend in average weekly unit cost since May 21
Children in Care placements	314	301	308	Decreasing	Increasing
Fostering and Supervised Contact	297	258	226	Decreasing	Decreasing
Adoption	477	421	430	Decreasing	Stayed the same

Further details can be found in the quarterly service committee performance reports.

2.2 The key issues included in the summary analysis are:

- The overall revenue budget position is showing a forecast year-end underspend of -£7.027m. The forecast underspends are largely within People & Communities (P&C) (-£4.7m), Funding Items (-£1.6m), CS Financing (-£0.7m) and Place & Economy (P&E) (-£0.03m). There is a small forecast pressure within Corporate Services (CS) (+£0.006m) See section 3 for details.

- The Capital Programme is forecasting a year-end underspend of -£7.3m at year-end. This includes use of the capital programme variations budget. See section 7 for details.

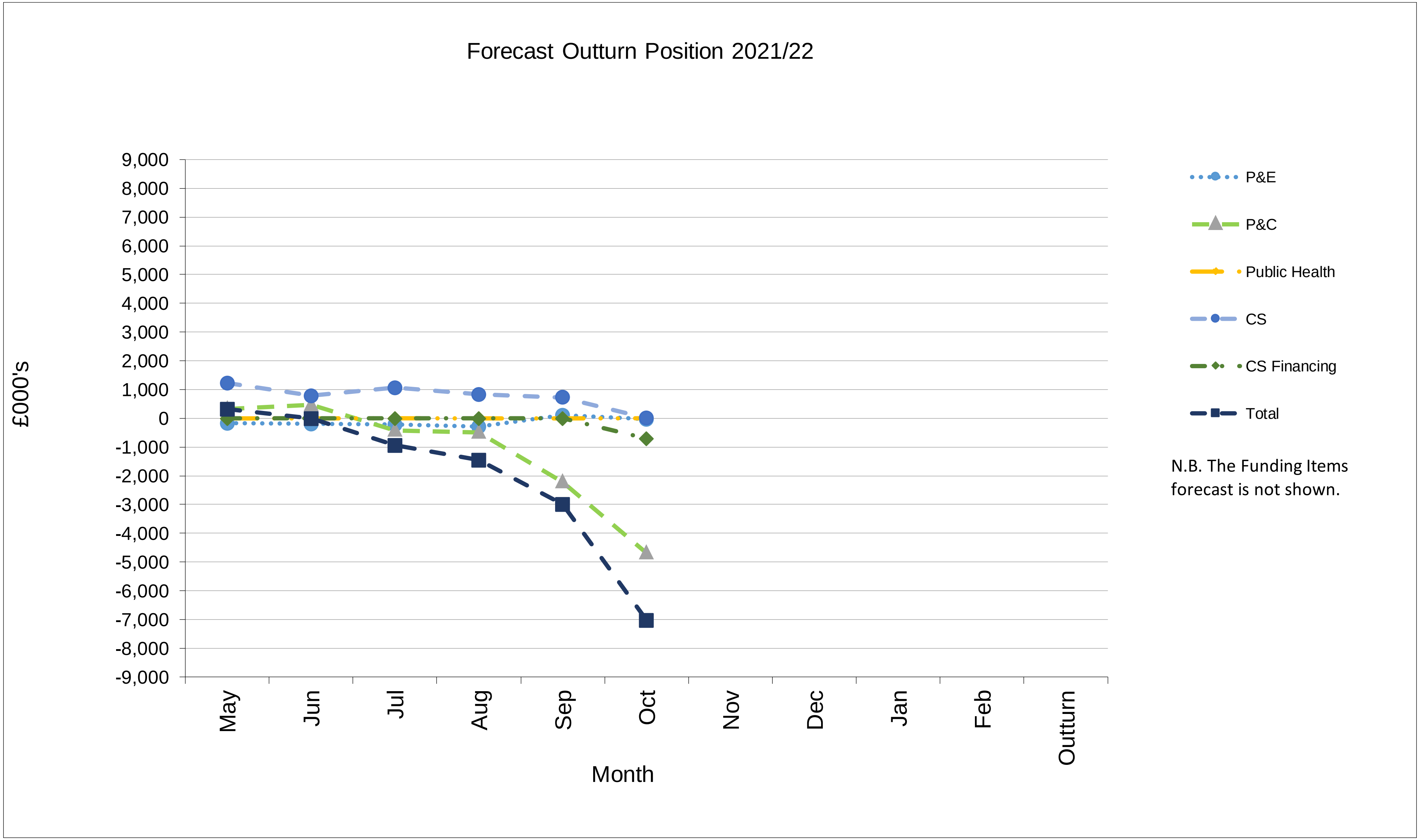
3. Revenue Budget

3.1 A more detailed analysis of financial performance is included below:

Key to abbreviations
CS Financing – Corporate Services Financing
DoT – Direction of Travel (up arrow means the position has improved since last month)

Original Budget as per Business Plan £000	Forecast Variance (Sept) £000	Service	Current Budget for 2021/22 £000	Actual (Oct) £000	Forecast Variance (Oct) £000	Forecast Variance (Oct) %	Overall Status	DoT
64,317	108	Place & Economy	64,257	26,096	-31	0.0%	Green	↑
302,530	-2,225	People & Communities	299,771	149,125	-4,693	-1.6%	Green	↑
0	0	Public Health	0	-27,091	0	-	Green	↓
25,489	729	Corporate Services	26,614	13,871	6	0.0%	Amber	↑
31,295	0	CS Financing	31,295	3,212	-705	-2.3%	Green	↑
423,632	**-1,389**	**Service Net Spending**	**421,937**	**165,214**	**-5,423**	**-1.3%**	Green	↑
11,745	-1,604	Funding Items	13,440	13,440	-1,604	-	Green	↔
435,377	**-2,993**	**Grand Total Net Spending**	**435,377**	**178,653**	**-7,027**	**-1.6%**	Green	↑
155,583		Schools	155,583					
590,960		**Total Spending 2021/22**	**590,960**					

1 The budget figures in this table are net.
2 For budget virements between Services throughout the year, please see Appendix 1.
3 Public Health's budget is stated to be zero as it is entirely funded by ring-fenced grant, mainly the Public Health Grant. Public Health is expected to be underspent by £1,468k on its service budget, but this will be carried-forward into the public health grant reserve.
4 The 'Funding Items' budget comprises the £9.2m Combined Authority Levy, the £424k Flood Authority Levy and £3.8m change in general and corporate reserves budget requirement. The forecast outturn on this line reflects any variance in the amount received from corporate grants and business rates from what was budgeted; a negative outturn indicates a favourable variance, i.e., more income received than budgeted.


Forecast Outturn Position 2021/22
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
-1,000
-2,000
-3,000
-4,000
-5,000
-6,000
-7,000
-8,000
-9,000
£000's
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Outturn
Month
P&E
P&C
Public Health
CS
CS Financing
Total
N.B. The Funding Items forecast is not shown.

3.2 Summary of Forecast Covid-19 Related Costs by Directorate for 2021/22

Directorate	Net Covid-19 Pressure £000
Place & Economy	837
People & Communities	11,597
Corporate Services	3,068
Total	**15,502**

These Covid-19 related costs are a mixture of additional expenditure, reduced income, and savings not delivered as a result of the pandemic. They are also net of any external funding received to cover specific functions and pressures (such as the Contain Outbreak Management Fund). Increasingly, some of these additional costs have been included within initial budgets and as such do not impact on the services' forecast outturns reported elsewhere within this report. However, the overall costs related to Covid-19 are still required to be categorized and reported to central government.

3.3 Key exceptions this month are identified below.

Exceptions relate to Forecast Outturns that are considered to be in excess of +/- £250k.

3.3.1 Place & Economy:

-£0.031m (-0.0%) underspend is forecast.

- Highways Development Management

Outturn Variance £m	Outturn Variance %
-0.268	(-%)

A -£0.268m underspend is forecast. There is an expectation that section 106 fees will come in higher than budgeted for new developments which will lead to an overachievement of income. However, this is an unpredictable income stream and the forecast outturn is updated regularly.

- A combination of more minor variances sum with the above to lead to an overall forecast outturn of -£0.076m. For full and previously reported details, see the P&E Finance Monitoring Report.

3.3.2 People & Communities:

-£4.693m (-1.6%) underspend is forecast at year-end.

- Strategic Management - Adults

Outturn Variance £m	Outturn Variance %
0.237	(+4%)

A £0.237m pressure is forecast. This is a change of £1.234m on the underspend position previously reported last month. The Strategic Management – Adults line holds a range of central grant funding and Health funding including the Better Care Fund allocations. Funding from government grants is offsetting increased pressures in Learning Disabilities which have emerged in recent months. In addition, this line is holding a central risk assumption for demand changes that might emerge over the winter months across all care types. This will be monitored on a regular basis as we move through the remaining months of this financial year.

- Learning Disabilities

Outturn Variance £m	Outturn Variance %
+2.149	(+3%)

A £2.149m pressure is forecast. This is an increase of £0.655m on the pressure previously reported last month. Levels of need have risen greatly over the last year, and this is exacerbated by several new service users with LD care packages with very complex health and care needs, requiring significant levels of care that cost much more than we budget for an average new care service. The increase in forecast in October is largely due to care package changes for the existing cohort of service users, although £166k of the increase in Young Adults' pressure is due to service users transitioning to adults services; over 60% of this cost is to meet health needs. While £107k of the increase in the pressure for Huntingdonshire and Fenland localities is due to two service users being discharged from hospital into community placements. LD services in Cambridgeshire work in a pooled budget with the NHS, so any increase in cost in-year is shared.

A detailed review of activity information and other cost drivers has been undertaken as at the end of October and the forecast position updated accordingly. We will continue to review the position as we move through the autumn and winter months and the forecast remains subject to variation as circumstances change.

- Physical Disabilities

Outturn Variance £m	Outturn Variance %
-1.500	(-9%)

A -£1.500m underspend is forecast. This is an increase of £0.500m on the underspend position previously reported last month. Previously identified pressures resulting from increased demand for community-based care have been recognised through the business planning process and are manageable within current budget. Net demand in the current year is below budgeted levels and has stabilised over recent months.

A peak in demand for bed-based care in the last quarter of 2020/21 has now reversed, with numbers returning to pre-pandemic levels. This, in conjunction with an increase in income due from clients contributing towards the cost of their care, ongoing work to secure appropriate funding for service users with health needs and the slow-down in demand for community-based care, has resulted in the reported underspend.

- Older People's Services

Outturn Variance £m	Outturn Variance %
-6.000	(-10%)

A -£6.000m underspend is forecast. This is an increase of £3m on the underspend position previously reported last month. This is a significant reduction since last month, reflecting increased certainty regarding the financial impact of current year activity at this stage of the year. This position allows for the proposed transfer of £2.0m to a risk reserve. (See also section 9.1)

As was reported throughout 2020/21, the impact of the pandemic has led to a notable reduction in the number of people having their care and support needs met in care homes. This short-term impact has carried forward into forecasting for 2021/22 and includes a reduction in care spend relating to the final months of 2020/21 that has manifested since year-end. Spend today is below the level budgeted for and therefore budget is available for rising demand or costs. This is causing the forecasted underspend on the Older People's budget, but the financial position of this service is considerably uncertain. There is a growing number of people who have survived Covid, being left with significant needs, and many vulnerable adults have developed more complex needs as they have not accessed the usual community-based or early help services due to lockdown. The impact on delayed health care treatments such as operations will also impact individual needs and health inequalities negatively. It is anticipated that demand will increase as we complete more annual reviews, many of which are outstanding due to the pandemic.

Hospital Discharge systems continue to be pressured and we expect some substantial cost increases as both NHS funding is unwound fully, and the medium-term recovery of clients assessed as having primary health needs upon hospital discharge return to social care funding streams.

We will continue to review in detail activity information and other cost drivers to validate this forecast position. This remains subject to variation as circumstances change and more data comes through the system.

- Children in Care Placements

Outturn Variance £m	Outturn Variance %
+1.500	(+7%)

A £1.500m pressure is forecast. This is an increase of £0.250m on the pressure previously reported in July and relates in full to a change since last month. Despite a relatively stable position in the number of Children in Care (CiC) we are seeing increasing cost pressures due to changes in complexity of need, and continuing cost inflation within the sector. Specifically, changes in legislation from 1st September which required all local authorities to ensure no young people in care under the age of 16 were placed within unregistered provision. The consequence of this has been a knock-on effect within the residential and fostering markets responding to increased demand as young people moved on from unregistered provision. This has led to a significant increase in weekly cost for some placements. Also, we are seeing an increase in complexity of need within both existing and new placements. This increased demand, coupled with an overall shortage of availability, has led to price increases within the sector.

- Strategic Management – Children & Safeguarding

Outturn Variance £m	Outturn Variance %
-0.900	(-33%)

A -£0.900m underspend is forecast. There has been an over-achievement of the vacancy savings target across the service. This is due to a combination of the difficulty in recruiting to social worker posts and also posts becoming vacant with recruitment to vacancies taking longer than anticipated in the current climate.

- SEND Financing - DSG

Outturn Variance £m	Outturn Variance %
+13.684	(+18%)

A £13.684m pressure is forecast within the high needs block of the Dedicated Schools Grant (DSG). This is an increase of £2.440m on the pressure previously reported in May and relates in full to a change since last month. Due to the continuing increase in the number of children and young people with Education, Health and Care Plans (EHCPs), and the complexity of need of these young people, the overall spend on the High Needs Block element of the DSG funded budgets has continued to rise. The revised forecast in-year pressure reflects the latest identified shortfall between available funding and current budget requirements.

- Financing - DSG

Outturn Variance £m	Outturn Variance %
-13.429	(-15%)

£13.429m will be required to be drawn down from the DSG reserve to meet the in-year pressure on DSG funded services (mainly the high needs block). This reserve is currently negative (a deficit on the DSG). Within P&C, spend of £90.8m is funded from the ring-fenced Dedicated Schools Grant. The final DSG balance brought forward from 2020/21 was a deficit of £26.4m.

This is a ring-fenced grant and, as such, pressures do not currently affect the Council's bottom line. We continue to work with the Department for Education (DfE) to manage the deficit and evidence plans to reduce spend.

- Home to School Transport – Special

Outturn Variance £m	Outturn Variance %
+0.250	(+2%)

A £0.250m pressure is forecast. This reflects the significant increase in numbers of pupils with Education, Health and Care Plans (EHCPs). The revised position is due to the continuing demand for places at Special Schools and High Needs Units combined with an increase in complexity of transport need, often resulting in children being transported in individual taxis with a Passenger Assistant. This is compounded by an underlying national issue of driver availability which is seeing less competition for tendered routes and therefore promoting increased costs. This year we have also had numerous contracts handed back by operators. This is unprecedented. Replacement tenders for those routes have then resulted in higher costs being charged by the new operator for the same service.

- Executive Director

Outturn Variance £m	Outturn Variance %
-0.917	(-51%)

A -£0.917m underspend is forecast. This is an increase of -£0.485m on the underspend position previously reported in May, of which -£0.264m relates to a change since last month. A provision of £900k was made against this budget line on a one-off basis in 2021/22 for the costs of Personal Protective Equipment (PPE) needed to deliver a variety of services across social care and education services. When budgets were agreed for 2021/22 there was uncertainty about what, if any, PPE would be provided directly by government rather than having to purchase it ourselves. The government subsequently confirmed that their PPE scheme would continue, and therefore PPE spend by the Council has been minimal.

- A combination of more minor variances sum with the above to lead to an overall forecast outturn of -£4.693m. For full and previously reported details, see the P&C and PH Finance Monitoring Report.

3.3.3 Public Health:

-£1.468m underspend is forecast for year-end.

- NHS Health Checks Programme - Prescribed

Outturn Variance £m	Outturn Variance %
-0.377	(-60%)

A -£0.377m underspend is forecast. GP Health Checks are commissioned from GPs and as with other GP commissioned services payment is based on unit cost and activity. Planned activity in the first half of the year has not been achieved due to the ongoing impact of the pandemic and the GP involvement in the Vaccination Programme activity. This activity below commissioned levels is expected to continue for some time to come.

- The overall -£1.468m underspend being reported in the Public Health directorate will be transferred to the Public Health ring-fenced grant reserve at year-end, leading to a balanced budget overall. For full and previously reported details, see the P&C and PH Finance Monitoring Report.

3.3.4 Corporate Services:

+£0.006m (+0.0%) pressure is forecast for year-end.

- Investment in Social Care Capacity

Outturn Variance £m	Outturn Variance %
-0.650	(-50%)

A -£0.650m underspend is forecast. The Investment in Social Care Capacity budget is a contingency budget held to offset any pressures resulting from Covid-19 in adult or children's social care. As a result of the pandemic significant additional grant funding has been received that has mitigated pressures, and in 2021/22 budget allocations to social care departments appear sufficient. This underspend reflects that no call on this budget was made in the first 6 months of the year. This has been re-planned as part of business planning for 2021-26 with this budget permanently reduced and an additional investment made in the demand impact of the pandemic recovery.

- A combination of more minor variances sum with the above to lead to an overall forecast outturn of +£0.006m. For full and previously reported details, see the CS Finance Monitoring Report.

3.3.5 CS Financing:

-£0.705m (-2.3%) underspend is forecast for year-end.

- Debt Charges

Outturn Variance £m	Outturn Variance %
-0.705	(-2.3%)

A £0.705m underspend is forecast. This is primarily due to a forecast underspend on interest payable partially offset by a higher than budgeted Minimum Revenue Provision (MRP). Following a review of cashflow forecasts and borrowing requirements, the interest payable forecast has been revised giving a £1,493k forecast underspend. The Council has been able to take advantage of lower rates on both PWLB and Local Authority borrowing for new loans and also when refinancing some of its existing loans. The cashflow position will continue to be monitored closely over the remaining months of the year and levels of borrowing will be adjusted accordingly. The Council is required to repay an element of the accumulated General Fund capital spend each year through a revenue charge (the MRP). Following analysis of capital schemes completed in 2020/21 and how they were funded, the MRP payment for 2021/22 has been recalculated and the forecast year-end position is £900k higher than budgeted.

- For full and previously reported details, see the CS Finance Monitoring Report.

3.3.6 Funding Items:

-£1.604m underspend is forecast for year-end. There are no exceptions to report this month.

Note: exceptions relate to Forecast Outturns that are considered to be in excess of +/- £250k

4. Savings Tracker

4.1 The “Savings Tracker” report is a tool for summarising delivery of savings. Within the tracker the forecast is shown against the original saving approved as part of the 2021-22 Business Planning process. Currently, the Council is on track to deliver £8.0m of savings against its original plan. Blue rated savings total £0.7m, exceeding the target on those initiatives. Green rated savings total £4.5m. The Savings Tracker as at the end of quarter 2 is included as Appendix 3 to this report. It is also important to note the relationship with the reported position within this report. As pressures arise in-year, further mitigation and/or additional savings will be required to deliver a balanced position.

A summary of Business Plan savings achieved in previous years as per the savings tracker is shown below for comparison:

Financial Year	Business Plan Original Savings £m	Savings Delivered £m	Total Variance £m
2016-17	43.4	35.5	7.9
2017-18	33.4	27.1	6.3
2018-19	38.3	27.8	10.5
2019-20	15.8	13.2	2.6
2020-21	15.9	8.9	7.1
TOTAL	146.8	112.5	34.3

4.2 A summary of 2021-22 Business Plan savings by RAG rating is shown below:

RAG Status	Number of Savings	Total Original Savings £000	Total Variance £000	RAG Status	Number of Savings	Total Original Savings £000	Total Variance £000	RAG Status	Number of Savings	Total Original Savings £000	Total Variance £000	RAG Status	Number of Savings	Total Original Savings £000	Total Variance £000	RAG Status	Number of Savings	Total Original Savings £000	Total Variance £000	Total Original Savings	Total Variance
Blue	1	-564	-164	Green	26	-4,494	0	Amber	4	-2,939	746	Red	1	-1,192	587	Black	6	-2,185	2,185	-11,374	3,354

5. Key Activity Data

5.1 The latest key activity data for: Children in Care Placements; Special Educational Needs (SEN) Placements; Adults & Safeguarding; Adult Mental Health; Older People (OP); and Older People Mental Health (OPMH) can be found in the latest [P&C and PH Finance Monitoring Report](#) (section 5).

6. Funding Changes

6.1 Waste diversion revenue costs

This committee was advised in July of significant revenue and capital pressures facing the Waste service due to the need to complete works to remain compliant with emissions regulations, and funding for these has been built into the draft business plan that is currently being considered by committees. Some of this financial pressure was temporary as it relating to short-term costs from waste diversion while work was carried out on the waste processing facility.

The service forecast to spend £850k of revenue expenditure to address the in-year cost of the emissions works, partly using the £638k of Covid budget which wasn't required for the purpose allocated. However, the works have now slipped into 2022/23 and so it is proposed to earmark this £850k for the works when they take place.

In addition, the Waste service is in a better financial position than expected in 2021/22 due to the identification of several rebates due to the Council for the incorrect attribution to CCC of some costs relating to street-sweeping and trade waste in the current and previous financial years. This totals £700k. In order to reduce the budget gap we face next year, it is proposed to earmark this £700K funding to be used as necessary to offset any one-off costs of meeting the emissions standards that were factored into the draft business plan for 2022/23.

Strategy & Resources Committee is asked to earmark a total of £1.55m to offset one-off revenue costs related to works to meet emission standards.

6.2 Strategic Management – Adults

At their meeting on 9 December 2021, Adults & Health Committee agreed a recommendation to request that S&R Committee agree a transfer of £2m from revenue this financial year into a reserve held to mitigate risks within Adult Social Care. This revenue funding is available as budgets within Adults Services have seen to date much less growth from increased demand than was expected over 2021/22. More detail on this is set out in the P&C Finance Monitoring Report linked above.

As part of business planning for 2022/23, a significant budget rebaselining of adult social care budgets is proposed to contribute to closing the budget gap. Based on current estimates, this is a realistic adjustment. However, there remains significant uncertainty in the financial position for those services in the short-term, particularly from the unknown effects of Winter, workforce pressures within the social care provider market, and the future of government funded personal protective equipment and infection control measures.

This level of uncertainty mean that it would be prudent while we can to earmark further funding towards risks in adult social care budgets. Use of this reserve would need to be agreed by this committee, and if the reserve is not required in the short-term it could be released back into revenue or transferred to another corporate reserve. This transfer is factored into the forecast set out for Older People's Services in section 3.3.2 above.

Strategy & Resources Committee is asked to approve the £2m transfer to earmarked reserves for adults risks as above.

7. Capital Programme

7.1 Capital financial performance

A summary of capital financial performance is shown below:

Original 2021/22 Budget as per Business Plan £000	Forecast Variance - Outturn (Sept) £000	Service	Revised Budget for 2021/22 £000	Actual-Year to Date (Oct) £000	Forecast Variance - Outturn (Oct) £000	Forecast Variance - Outturn (Oct) %	Total Scheme Revised Budget (Oct) £000	Total Scheme Forecast Variance (Oct) £000
96,983	-	P&E	105,884	19,763	-	0.0%	575,099	32
44,588	-3,407	P&C	43,473	12,007	-3,507	-8.1%	535,133	-1,181
10,261	-3,594	Corporate Services	23,758	10,643	-3,781	-15.9%	196,254	-337
-	-	Outturn adjustment	-	-	-	-	-	-
151,832	**-7,001**	**Total Spending**	**173,115**	**42,413**	**-7,288**	**-4.2%**	**1,306,486**	**-1,486**

Notes:

1. The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted. A breakdown of the use of the capital programme variations budget by service is shown in section 7.2.
2. The reported P&E capital figures do not include Greater Cambridge Partnership, which has a budget for 2021/22 of £40.0m and is currently forecasting a balanced budget at year-end.
3. The 'Total Scheme Forecast Variance' reflects the forecast variance against budget of the total expenditure for all active capital schemes across all financial years.

7.2 2021-22 capital programme variations budgets

7.2.1 A summary of the use of the 2021-22 capital programme variations budgets by services is shown below. These variation budgets are set annually and reflect an estimate of the average variation experienced across all capital schemes, and reduce the overall borrowing required to finance our capital programme. There are typically delays in some form across the capital programme due to unforeseen events, but we cannot project this for each individual scheme. We therefore budget centrally for some level of delay. Any known delays are budgeted for and reported at scheme level. If forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when rephasing exceeds this budget.

Service	Capital Programme Variations Budget £000	Forecast Variance - Outturn (Oct) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (Oct) £000
P&E	-25,237	-12,062	12,062	47.8%	0
P&C	-5,805	-9,312	5,805	100.0%	-3,507
CS	-5,620	-9,401	5,620	100.0%	-3,781
Outturn adjustment	-	-	7,288	-	-
Total Spending	**-36,662**	**-30,775**	**30,775**	**83.9%**	**-7,288**

7.2.2 As at the end of October, Corporate Services and People & Communities schemes have exceeded the capital variations budgets allocated to them, forecasting in-year underspends of -£3.8m and -£3.5m respectively. The current overall forecast position is therefore a -£7.3m underspend; the forecast will be updated as the year progresses.

7.3 Capital Current Year Key Exceptions

A more detailed analysis of current year key exceptions this month by programme for individual schemes of £0.25m or greater is identified below.

7.3.1 Place & Economy:

A balanced budget is forecast at year-end.

- Section 106 Northstowe Bus Only Link

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
318	7	-311	0	-311	0	-311

An in-year underspend of -£0.3m is forecast. There have been delays in seeking alternative construction procurement following high costs of the original target price.

- Local Infrastructure Improvements

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
1,085	636	-449	0	-449	0	-449

An in-year underspend of -£0.4m is forecast. There are no projects which are individually over £100k, but there are 46 Local Highways Improvement (LHI) schemes which are to be delayed and carried forward to 22/23 (amounting to £449,842). Most of the delays are on the schemes which need to be safety audited; currently turnaround is around 10-12 weeks (usually 6-8 weeks) prior to proceeding to formal consultation or target costing. Other delays to date have been due to approval times from parish councils. The delays have also been exacerbated by project team resources.

- A1303 Swaffham Heath Road Crossroads

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
480	80	-400	0	-400	0	-400

An in-year underspend of -£0.4m is forecast. Construction is not expected to begin until early 22/23 and is subject to ongoing land negotiation.

- Delivering the Transport Strategy Aims- Highways Schemes

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
2,808	1,474	-1,334	0	-1,334	0	-1,334

An in-year underspend of -£1.3m is forecast. Most schemes have been delayed due to late agreement in September 2021, resulting in not enough time to complete pre-construction and investigations.

- Other Cycling schemes

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
355	68	-287	0	-287	0	-287

An in-year underspend of -£0.3m is forecast. Schemes that are to be funded by the Integrated Transport block were agreed in September 2021 and as a consequence those schemes with significant detailed design and longer lead-in times are now expected to be delivered in 2022/23.

- Countywide Safety Fencing renewals

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
1,115	195	-920	0	-920	0	-920

An in-year underspend of £-0.9m is forecast. The construction phase of the A505/ M11 Duxford safety fencing renewals has been delayed due to design complexities and coordination with National Highways. The scheme is now expected to be delivered in 22/23.

- Countywide Surface Dressing programme

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
989	314	-675	0	-675	0	-675

An in-year underspend of -£0.7m is forecast. As detailed within the Carriageway & Footway Maintenance section below, three schemes are being brought forward as they are the most deliverable schemes that can be accommodated at this stage in the financial year.

- Carriageway & Footway Maintenance schemes under £500k

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
3,848	3,360	-488	-48	-440	0	-440

An in-year underspend of -£0.5m is forecast. With the current levels of predicted underspend and unallocated funding, the following three schemes are being bought forward from the published Capital Maintenance Programme:

- Brockly Road, Elsworth £180,000
- Church Street, Guilden Morden £132,000
- Balsham Road, Linton £168,000

These schemes are the most deliverable schemes that can be accommodated at this stage in the financial year.

- £90m Highways Maintenance schemes - Other

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
6,566	6,194	-372	13	-385	0	-372

An in-year underspend of -£0.4m is forecast. This is primarily due to rephasing of the following schemes:

- Littleport – Road space issues with Highways England / Suffolk network; 50% of the scheme will be carried out when the diversion route falls within Cambridgeshire (predicted at £452k spend in 2021/22, £450k spend 2022/23).
- Parson Drove/Murrow Bank (£390k) – Works to be programmed in 2022/23 to realise efficiencies by working alongside a 2022/23 Gull Road scheme.

- Pothole grant funding

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
6,841	6,275	-566	0	-566	0	-566

An in-year underspend of -£0.6m is forecast. This is due to delays in the surface treatment programme and the reduced window for delivery during the winter months. Time taken to produce target costs may mean that some schemes may not be achievable this year, which may lead to some schemes in this programme being delivered in the next financial year, attributing to this variance.

- Ring Fort Path

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
308	40	-268	18	-286	0	-268

An in-year underspend of -£0.3m is forecast. Due to ongoing land acquisition negotiations the scheme is not likely to be in a position to start on-site during 2021/22. The expected expenditure for the remainder of 2021/22 is a reflection of land purchase costs and legal fees.

- Scheme Development for Highways Initiatives

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
437	13	-424	0	-424	0	-424

An in-year underspend of -£0.4m is forecast. Funding was allocated to enable scheme development for new schemes, however this year no new schemes have been identified that require scheme development work. It is therefore expected that this funding would roll forward into next year.

- Waterbeach Waste Treatment Facilities

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
4,500	0	-4,500	0	-4,500	0	-4,500

An in-year underspend of -£4.5m is forecast. A new scheme has been added to the capital programme to take account of amendments to the Waterbeach waste treatment facilities following changes to the Industrial Emissions Directive to reduce emissions to levels which are able to meet the sector specific Best Available Technique conclusions (BATc) and comply with new Environmental Permit conditions issued by the Environment Agency. This work is not now expected to begin until 2022/23.

- Decarbonisation Fund

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
4,074	4,607	533	5	528	0	533

An in-year pressure of £0.5m is forecast. This is a change of £0.54m on the position previously reported in June, of which £0.53m relates to a change since last month. Twenty low carbon heating projects are currently underway, one of which is now completed. The total scheme forecast is unaffected.

- P&E Capital Variation

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
-25,237	-13,175	12,062	450	11,612	0	12,062

As agreed by the Capital Programme Board, any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall up to the point when rephasing exceeds this budget. Therefore, the net £12.1m underspend is balanced by use of the capital variations budget. The £11.6m change since last month relates primarily to the variances as reported above, together with more minor variances.

- For full and previously reported details, see the P&E Finance Monitoring Report.

7.3.2 People & Communities:

A -£3.507m (-8.1%) underspend is forecast at year-end.

- Basic Need- Secondary

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
5,822	3,820	-2,002	-1,952	-100	89	-2,090

- An in-year underspend of -£2.0m is forecast across Basic Need- Secondary schemes. This is an increase of £0.3m on the underspend position previously reported in May, of which £0.100m relates to a change since last month. The main scheme included in the £0.3m change since May is the one outlined below, together with other more minor variances below £250k:

  - New secondary capacity to serve Wisbech

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
1,984	500	-1,484	-1,484	0	0	-1,484

An in-year underspend of £1.5m is forecast. This is an increase of £0.1m on the underspend position previously reported in May, which relates to a change since August. Rephasing has taken place after significant delays in the announcement by the Department for Education (DfE) of the outcome of Wave 14 free school applications. Subject to approval of the 2022-23 Business Plan, this project will now only commence as a Social, Emotional and Mental Health (SEMH) needs provision.

- For full and previously reported details, see the P&C and PH Finance Monitoring Report.

7.3.3 Corporate Services:

A -£3.781m (-15.9%) underspend is forecast at year-end.

- Capitalisation of Transformation Team

Revised Budget for 2021/22 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
1,682	1,342	-340	-150	-190	-340	0

An in-year underspend of -£0.3m is forecast. The forecast for this scheme has been updated to reflect staff vacancies.

- For full and previously reported details, see the CS Finance Monitoring Report.

7.4 Capital Total Scheme Key Exceptions

A more detailed analysis of total scheme key exceptions this month by programme for individual schemes of £0.25m or greater is identified below:

7.4.1 Place & Economy:

A +£0.03m (0.0%) total scheme pressure is forecast. There are no exceptions to report this month; for full and previously reported details, see the P&E Finance Monitoring Report.

7.4.2 People & Communities:

A -£1.2m (-0.2%) total scheme underspend is forecast. There are no exceptions to report this month; for full and previously reported details, see the P&C and PH Finance Monitoring Report.

7.4.3 Corporate Services:

A -£0.3m (-0.2%) total scheme underspend is forecast.

- Capitalisation of Transformation Team

Total Scheme Revised Budget £’000	Total Scheme Forecast Spend - Outturn (Oct) £’000	Total Scheme Forecast Spend - Outturn Variance (Oct) £’000	Variance Last Month (Sept) £’000	Movement £’000
8,382	8,042	-340	-150	-190

A total scheme underspend of -£0.3m is forecast on the Capitalisation of Transformation Team scheme as noted earlier in section 7.3.3.

- For full and previously reported details, see the CS Finance Monitoring Report.

7.5 Capital Funding Changes

A breakdown of the changes to funding has been identified in the table below.

Funding Source	B'ness Plan Budget £m	Rolled Forward Funding1 £m	Revised Phasing £m	Additional/ Reduction in Funding £m	Revised Budget £m	Outturn Funding £m	Funding Variance £m
Department for Transport (DfT) Grant	16.1	3.5	-2.0	4.0	**21.6**	21.3	-0.3
Basic Need Grant	0.0	1.0	0.0	0.0	**1.0**	1.0	0.0
Capital Maintenance Grant	3.1	2.2	0.0	0.7	**6.1**	6.1	0.0
Devolved Formula Capital	0.8	1.3	0.0	-0.0	**2.0**	2.0	0.0
Specific Grants	20.3	4.0	-2.4	3.8	**25.7**	22.5	-3.2
S106 Contributions & Community Infrastructure Levy	23.5	-0.3	-3.8	0.7	**20.1**	19.2	-0.9
Capital Receipts	1.6	0.0	0.0	-0.3	**1.3**	1.3	-0.0
Other Contributions	16.0	0.6	-2.8	6.8	**20.6**	19.0	-1.6
Revenue Contributions	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0
Prudential Borrowing	70.4	21.6	-18.6	1.3	**74.7**	73.4	-1.3
TOTAL	**151.8**	**33.8**	**-29.6**	**17.0**	**173.1**	**165.8**	**-7.3**

1 Reflects the difference between the anticipated 2020/21 year-end position used at the time of building the initial Capital Programme budget, as incorporated within the 2021/22 Business Plan, and the actual 2020/21 year-end position.

7.6 Key funding changes (of greater than £0.25m or requiring approval):

Funding	Service	Amount (£m)	Reason for Change
Additional/ Reduction in Funding (Other contributions)	P&E	-£1.9	Following a decision made by the Combined Authority in August, the scope of the Wisbech Town Centre Access Study scheme has been reduced to delivering Design and Land purchase only. This scheme is fully funded by contributions from the Combined Authority. Any funding above the cost of the scheme will have to be repaid. The funding budget is therefore being reducing accordingly, covering the spend in this year. Strategy & Resources Committee is asked to note the Combined Authority funding reduction of £1.9m

Funding	Service	Amount (£m)	Reason for Change
			in line with the reduced scope of the Wisbech Town Centre Access Study scheme as above.

7.7 IT – Education Replacement System

Scheme outline

Advance notice is being given to committee members of a requirement for additional prudential borrowing of £2,460k for the IT - Education Replacement System scheme. This will span three financial years, starting in 2021-22, increasing the 2021-22 prudential borrowing requirement by £70k. This programme gathers the system information workflows across the Education Directorate, including the student journey and the touch points across the teams. With a myriad of systems in use there is a business challenge in maintaining consistent, accurate data, especially within shared data sets. Where the current systems are identified as not fit for purpose in supporting education services, the projects under the Education Systems Programme will then procure and implement the most suitable IT system solution, ensuring that separate reporting for both Cambridgeshire County Council and Peterborough City Council is preserved. £4.1m is the total cost expected across Cambridgeshire and Peterborough for this scheme. The scheme will need to be funded by borrowing; the annual cost of borrowing starting in 2024/25 is estimated at £511k and decreases each year thereafter.

Preliminary work is taking place around this scheme, which is funded through the existing IT budget. However, as this major investment is a key decision we will bring a more detailed report on this scheme back to Strategy and Resources committee in January 2022.

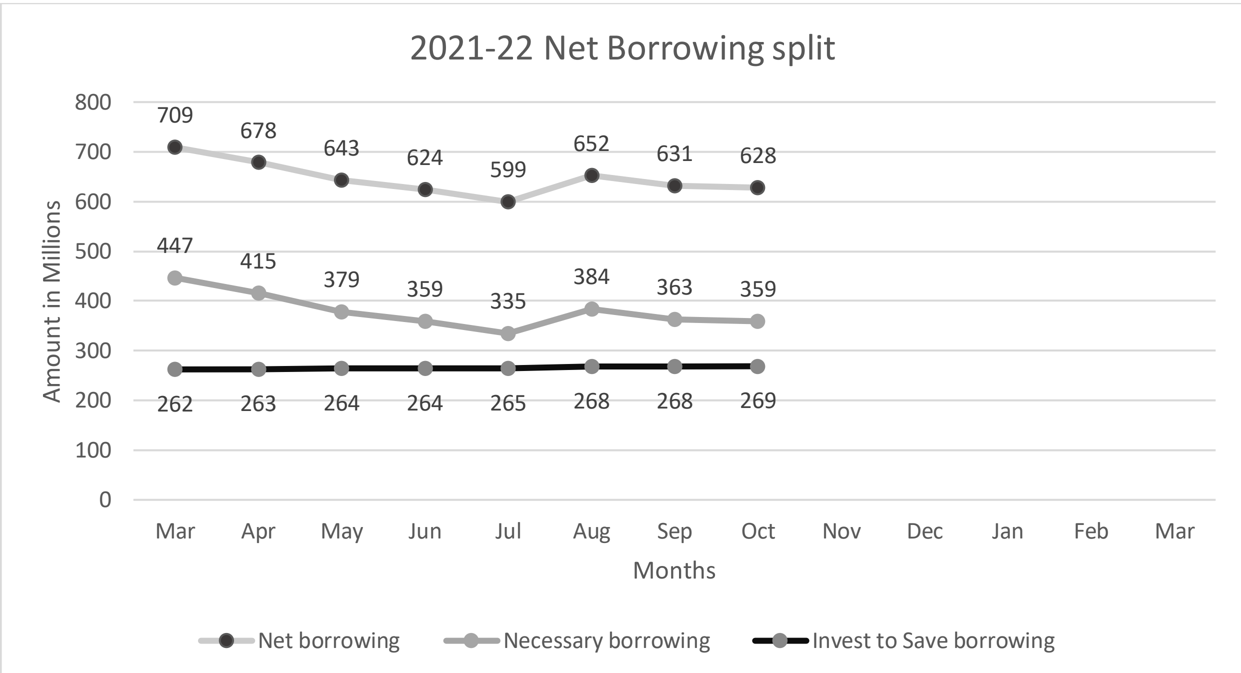
8. Balance Sheet

8.1 A more detailed analysis of balance sheet health issues is included below:

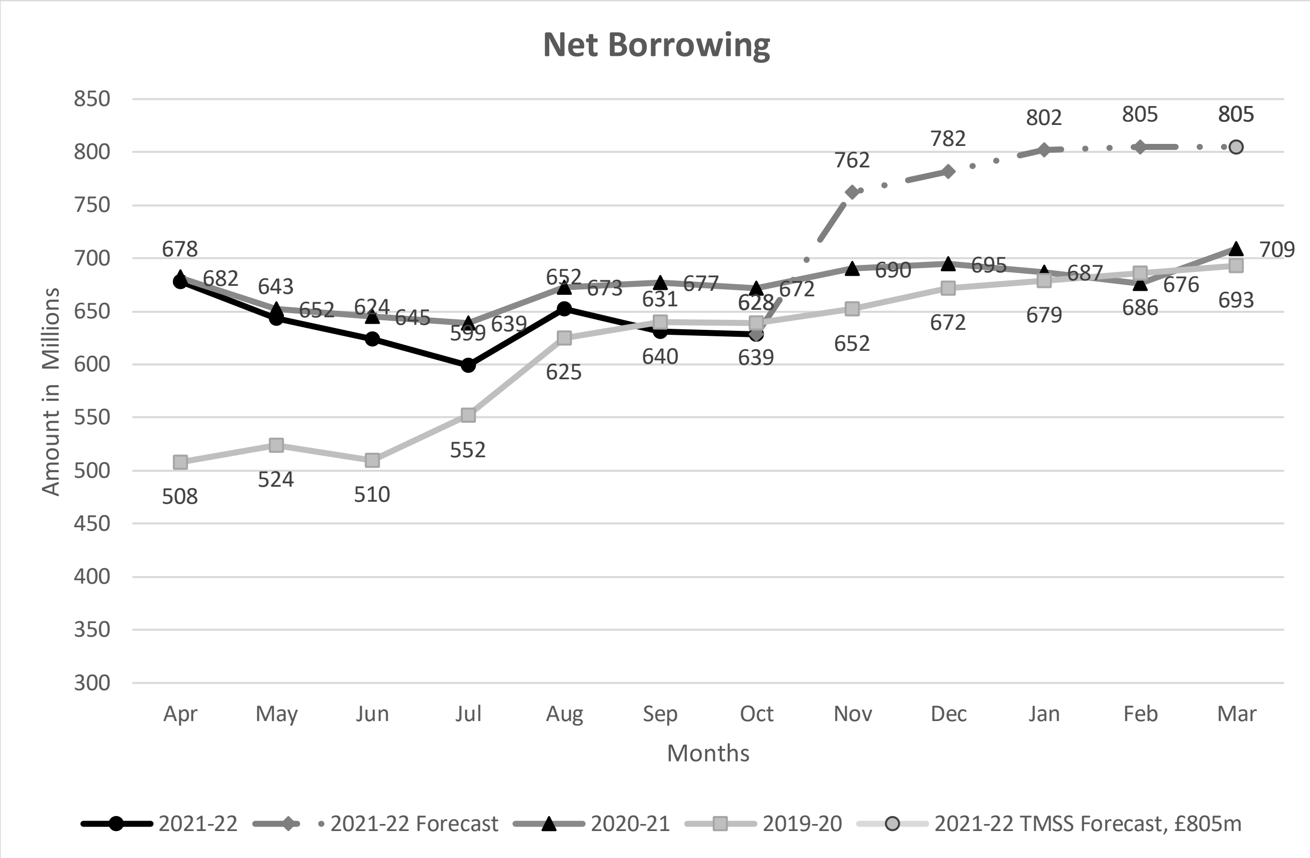
Measure	Year End Target	Actual as at the end of Oct 2021[1]
% of income collected (owed to the council) within 90 days: Adult Social Care	85%	87%
Level of debt outstanding (owed to the council) 91 days +, £m: Adult Social Care	£3.37m	£10.20m
Level of debt outstanding (owed to the council) 91 days +, £m: Sundry	£1.71m	£3.34m
% of Undisputed Commercial Supplier Invoices Paid Within 30 Days	95.0%	96.2%
% of Undisputed Commercial Supplier Invoices Paid Within Terms	85.0%	78.5%

[1] The debt figures exclude Cambridgeshire & Peterborough CCG debts as these are considered collectable and are subject to separate reconciliation. The amount of debt owed by Cambridgeshire & Peterborough CCG exceeding one year hold was £4.62m (a reduction from £6.1m reported in 2020-21). The overdue amounts primarily relate to funding contributions to nursing care and for aftercare provided under section 117 of the Mental Health Act. The CCG now funds care homes for nursing care directly, rather than via the Council, so this issue relates to historic sums accrued between 2017 and 2019. Individual payments continue to be received and officers are working to reconcile these to payments owed and allocate against specific invoiced amounts. Both the Council and the CCG continue to work together to agree, expedite and reconcile payments for clients eligible for NHS funding.

8.2 The graph below shows the estimated split of the net borrowing between necessary borrowing and Invest to Save borrowing. Of the gross borrowing in 2021-22, it is estimated that £269m relates to borrowing for Invest to Save or Invest to Earn schemes, including loans we have issued to 3rd parties in order to receive a financial return.



8.3 The graph below shows net borrowing (borrowings less investments) on a month-by-month basis and compares the position with previous financial years. At the end of October 2021, investments held totalled £138.4m (excluding all 3rd party loans, Equity and This Land) and gross borrowing totalled £766.4m, equating to a net borrowing position of £628.0m.



8.4 The Council's cash flow profile – which influences the net borrowing requirement - varies considerably during the year, due to the timing difference between outgoing payments (payroll, supplier payments etc.) and income streams (grants, council tax etc.). As illustrated by 2020-21 actual net borrowing positions, cash flows at the beginning of the year are typically stronger than at the end of the year, as many grant receipts are received in advance of spend (and due to the current Covid-19 pandemic the Council is in receipt of further grants compared to before the pandemic). The 2021-22 net borrowing position is expected to take a similar path, rising more substantially towards the end of the financial year as capital projects are progressed to completion and financed.

8.5 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the forthcoming year. It identifies the expected levels of borrowing and investments based upon the Council's financial position and forecast capital programme. When the 2021-22 TMSS was set in February 2021, it anticipated that net borrowing would reach £805.0m by the end of this financial year.

8.6 From a strategic perspective, the Council continues to temporarily utilise cash-backed resources in lieu of additional borrowing (known as internal borrowing) and where borrowing is undertaken loans are raised for shorter terms, both to generate net interest cost savings and consequently holding less investments reduces the Councils exposure to credit risk. However, this approach carries with it interest rate risk and officers continue to monitor options as to the timing of any potential longer-term borrowing should underlying interest rates be forecast to rise in a sustained manner.

8.7 There is a link between the capital financing borrowing requirement, the net borrowing position and consequently net interest costs. However, the Debt Charges budget is prudently formulated with sensitivity to additional factors including projected levels of cash-backed reserves, forecast movements in interest rates, and the overall borrowing requirement for the Council over the life of the Business Plan and beyond.

8.8 Further detail around the Treasury Management activities can be found in the latest Treasury Management Report.

8.9 The Council's reserves include various earmarked reserves (held for specific purposes), as well as provisions (held for potential liabilities) and capital funding. A schedule of the Council's reserves and provisions can be found in Appendix 2.

9. Alignment with corporate priorities

9.1 Communities at the heart of everything we do

There are no significant implications for this priority.

9.2 A good quality of life for everyone

There are no significant implications for this priority.

9.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

9.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

9.5 Protecting and caring for those who need us

There are no significant implications for this priority.

10. Significant Implications

10.1 Resource Implications

This report provides the latest resources information for the Council and so has a direct impact.

10.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

10.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

10.4 Equality and Diversity Implications

There are no significant implications within this category.

10.5 Engagement and Consultation Implications

No public engagement or consultation is required for the purpose of this report.

10.6 Localism and Local Member Involvement

There are no significant implications within this category.

10.7 Public Health Implications

There are no significant implications within this category.

10.8 Environment and Climate Change Implications on Priority Areas

10.8.1 Implication 1: Energy efficient, low carbon buildings.

Status: Neutral

Explanation: There are no significant implications within this category

10.8.2 Implication 2: Low carbon transport.

Status: Neutral

Explanation: There are no significant implications within this category

10.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Status: Neutral

Explanation: There are no significant implications within this category

10.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Status: Positive

Explanation: In section 6.1 S&R is requested to earmark £1.55m to offset one-off revenue costs related to works to meet waste emissions standards.

10.8.5 Implication 5: Water use, availability and management:

Status: Neutral

Explanation: There are no significant implications within this category

10.8.6 Implication 6: Air Pollution.

Status: Neutral

Explanation: There are no significant implications within this category

10.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.

Status: Neutral

Explanation: There are no significant implications within this category

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? No
Name of Officer: Not applicable

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? No
Name of Legal Officer: Not applicable

Have the equality and diversity implications been cleared by your Service Contact? No
Name of Officer: Not applicable

Have any engagement and communication implications been cleared by Communications? No
Name of Officer: Not applicable

Have any localism and Local Member involvement issues been cleared by your Service Contact? No
Name of Officer: Not applicable

Have any Public Health implications been cleared by Public Health? No
Name of Officer: Not applicable

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer? Yes
Name of Officer: Emily Bolton

11. Source documents

11.1 Source documents

P&E Finance Monitoring Report (October 21)
P&C and PH Finance Monitoring Report (October 21)
CS Finance Monitoring Report (October 21)
Capital Monitoring Report (October 21)
CCC Debt Reporting Pack (October 2021)
CCC Prompt Payment KPIs (October 2021)

Appendix 1 – transfers between Services throughout the year

(Only virements of £1k and above (total value) are shown below)

Budgets and Movements	P&C £'000	P&E £'000	CS Financing £'000	Corporate Services £'000	Financing Items £'000
Opening Cash Limits as per Business Plan	302,530	64,317	31,295	25,489	11,745
Adult's and Children's Recruitment transfer to HR	-177			177	
Permanent element of 2021-26 BP mileage saving C/R.6.104	-164	-5		169	
Centralisation of postage budget	-93	-40		133	
Redundancy and Pensions Corporate Services budget move to P&C	846			-846	
ICT Service (Education) transfer from CS to P&C	-200			200	
Communications transfer	-21			21	
Budget rebaselining as approved by S&R, 6th July	-2,411			716	1,695
Transfer of Qtr 1 Mileage Savings	-234	-7		240	
PPE budget to Property	-7			7	
Transferring three Property budgets from P&C to Corporate services	-93			93	
Transfer of Qtr 2 Mileage Savings	-205	-9		214	
Current budget	**299,771**	**64,257**	**31,295**	**26,613**	**13,440**
Rounding	0	0	0	0	0

Appendix 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2021 £000s	Movements in 2021-22 £000s	Balance at 31 Oct 2021 £000s	Forecast Balance at 31 March 2022 £000s	Notes
- County Fund Balance	26,094	1,619	27,713	34,741	
1 P&C	0	0	0	0	
2 P&E	0	0	0	0	
3 CS (LGSS Cambridge & Shared Services)	925	-22	903	903	
General Reserves subtotal	27,019	1,597	28,617	35,644	
4 Insurance	4,830	-94	4,737	4,737	
Specific Earmarked Reserves subtotal	4,830	-94	4,737	4,737	
5 P&C	0	0	0	0	
6 P&E	0	0	0	0	
7 Corporate Services	0	0	0	0	
Equipment Earmarked Reserves subtotal	0	0	0	0	
8 P&C	8,547	153	8,700	7,241	
9 PH	4,624	0	4,624	3,231	
10 P&E	5,184	-17	5,167	3,626	
11 Corporate Services	3,867	581	4,448	2,850	
12 Transformation Fund	30,653	-4,545	26,108	21,628	Savings realised through change in MRP policy.
13 Innovate & Cultivate Fund	687	37	724	365	
14 Corporate- COVID	26,987	0	26,987	26,987	Includes remainder of COVID-19 Support Grant 1st, 2nd, 3rd and 4th tranches
15 Council Tax Counter-Fraud work	0	464	464	464	£464k as approved by S&R 2nd Nov 2021.
16 Specific Risks Reserve	2,140	0	2,140	2,140	
17 This Land Credit Loss & Equity Offset	5,850	0	5,850	5,850	
18 Revaluation & Repair Usable (Commercial Property)	2,940	0	2,940	2,940	
19 Collection Fund Volatility & Appeals Account	3,690	0	3,690	3,690	
20 Grant carry forwards	18,646	-18,646	0	0	Carry forward of unspent grant to spend in accordance with purposes for which the grant was given. At 2020-21 year-end £14.6m related to specific Covid related grants.
Other Earmarked Funds subtotal	113,815	-21,973	91,842	81,012	
SUBTOTAL	**145,664**	**-20,469**	**125,195**	**121,392**	
21 P&C	3,592	0	3,592	0	
22 P&E	7,315	941	8,256	0	
23 Corporate Services	10,861	1,151	12,012	0	
24 Corporate	49,816	18,958	68,775	52,063	Section 106 and Community Infrastructure Levy balances.
Capital Reserves subtotal	71,584	21,050	92,635	52,063	
GRAND TOTAL	**217,249**	**581**	**217,830**	**173,455**	

In addition to the above reserves, specific provisions have been made that set aside sums to meet both current and long-term liabilities that are likely or certain to be incurred, but where the amount or timing of the payments are not known. These are:

Fund Description	**Balance at 31 March 2021 £000s**	**Movements in 2021-22 £000s**	**Balance at 31 Oct 2021 £000s**	**Forecast Balance at 31 March 2022 £000s**	**Notes**
1 P&E	0	0	0	0	
2 P&C	1,955	-425	1,530	1,530	
3 Corporate Services	2,093	0	2,093	2,093	
Short Term Provisions subtotal	4,048	-425	3,623	3,623	
4 Corporate Services	3,613	0	3,613	3,613	
Long Term Provisions subtotal	3,613	0	3,613	3,613	
GRAND TOTAL	**7,661**	**-425**	**7,236**	**7,236**	

Appendix 3 - Savings Tracker 2021-22 Quarter 2

RAG	Reference	Title	Description	Service	Committee	Original Saving 21-22	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 21-22	Variance from Plan £000	% Variance	Direction of travel	Forecast Commentary
Green	A/R.6.114	Learning Disabilities Commissioning	A programme of work commenced in Learning Disability Services in 2016/17 to ensure service-users had the appropriate level of care; some additional work remains, particularly focussing on high cost placements outside of Cambridgeshire and commissioning approaches, as well as the remaining part-year impact of savings made part-way through 2019/20.	P&C	Adults	-250	0	-62	-62	-126	-250	**0**	**0.00**	↔	Saving delayed to later in the year but mitigated by the identification of out of county placements that should be 100% health funded.
Amber	A/R.6.176	Adults Positive Challenge Programme - demand management	New Saving 21/22 £100k Carry-forward saving 20/21 £2,239k Through the Adults Positive Challenge Programme, the County Council has set out to design a new service model for Adult Social Care, which will continue to improve outcomes whilst also being economically sustainable in the face of the huge pressure on the sector. This is the second year of saving through demand management, building on work undertaken through 2019/20, focussing on promoting independence and changing the conversation with staff and service-users to enable people to stay independent for longer. The programme also has a focus of working collaboratively with partner organisations in 2020/21. In later years, the effect of the Preparing for Adulthood workstream will continue to have an effect by reducing the level of demand on services from young people transitioning into adulthood.	P&C	Adults	-2,339					-1,983	**356**	**15.22**	↑	In year saving on track. Brought forward demand management saving continues to be impacted by the pandemic, particularly in the Reablement workstream with the service continuing to support the NHS.
Green	A/R.6.179	Mental Health Commissioning	A retender of supported living contracts gives an opportunity to increase capacity and prevent escalation to higher cost services, over several years. In addition, a number of contract changes have taken place in 2019/20 that have enabled a saving to be taken.	P&C	Adults	-24	-6	-6	-6	-6	-24	**0**	**0.00**	↔	On track
Green	A/R.6.185	Additional block beds - inflation saving	Through commissioning additional block beds, referred to in A/R.5.005, we can reduce the amount of inflation funding needed for residential and nursing care. Block contracts have set uplifts each year, rather than seeing inflationary increases each time new spot places are commissioned.	P&C	Adults	-606	-152	-151	-152	-151	-606	**0**	**0.00**	↔	On track
Amber	A/R.6.186	Adult Social Care Transport	Savings can be made in transport costs through a project to review commissioning arrangements, best value, route optimisation and demand management opportunities. This may require transformation funded resource to achieve fully.	P&C	Adults	-250	0	0	-15	-35	-50	**200**	**80.00**	↓	Potential savings have been identified through route optimisation. It is still expected that savings of £250k should be achieved, but the majority will be delayed until 22/23 because of the complexity of ensuring the route optimisation identified meets service users' needs.
Green	A/R.6.187	Additional vacancy factor	Whilst effort is made to ensure all critical posts are filled within People and Communities, slippage in staffing spend always occurs. For many years, a vacancy factor has existed in P&C budgets to account for this; following a review of the level of vacancy savings achieved in recent years we are able to increase that vacancy factor.	P&C	Adults	-150	-40	-40	-40	-30	-150	**0**	**0.00**	↔	On track.
Green	A/R.6.188	Micro-enterprises Support	Transformation funding has been agreed for new approach to supporting the care market, focussing on using micro-enterprises to	P&C	Adults	-30	0	0	-15	-15	-30	**0**	**0.00**	↔	On Track

RAG	Reference	Title	Description	Service	Committee	Original Saving 21-22	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 21-22	Variance from Plan £000	% Variance	Direction of travel	Forecast Commentary
			enable a more local approach to domiciliary care and personal assistants. As well as benefits to an increased local approach and competition, this work should result in a lower cost of care overall.												
Green	A/R.6.210	Unaccompanied Asylum Seeking Young People: Support Costs	During 2020/21, the Government increased the weekly amount it provides to local authorities to support unaccompanied asylum seeking young people. This means that the grant now covers more of the costs of meeting the accommodation and support needs of unaccompanied asylum seeking young people and care leavers. Accordingly, it is possible to make a saving in the contribution to these costs that the Council has historically made from core budgets of £300K per annum. Also the service has worked to ensure that placement costs are kept a minimum, without compromising quality, and that young people move from their 'care' placement promptly at age 18 to appropriately supported housing provision.	P&C	C&YP	-300	-75	-75	-75	-75	-300	**0**	**0.00**	↔	On Track
Green	A/R.6.211	Adoption and Special Guardianship Order Allowances	A reduction in the number of children coming into care , due to implementation of the Family Safeguarding model and less active care proceedings, means that there are fewer children progressing to adoption or to permanent arrangements with relatives under Special Guardianship Orders. This in turn means that there are fewer carers who require and/or are entitled to receiving financial support in the form of adoption and Special Guardianship Order allowances.	P&C	C&YP	-500	-125	-125	-125	-125	-500	**0**	**0.00**	↔	On Track
Green	A/R.6.212	Clinical Services; Children and young people	Changes to the clinical offer will include a reduction in clinical staff input in the Family Safeguarding Service (previously social work Units) due to changes resulting from the implementation of the Family Safeguarding model, including the introduction of non-case holding Team Managers and Adult practitioners. Additional investment is to be made in developing a shared clinical service for Cambridgeshire and Peterborough for corporate parenting, however a residual saving of £250k can be released. In 2022-23 this will be re-invested in the Family Group Conferencing Service (see proposal A/R.5.008)	P&C	C&YP	-250	-62	-62	-62	-64	-250	**0**	**0.00**	↔	On Track
Black	A/R.6.255	Children in Care - Placement composition and reduction in numbers	Through a mixture of continued recruitment of our own foster carers (thus reducing our use of Independent Foster Agencies) and a reduction in overall numbers of children in care, overall costs of looking after children and young people can be reduced in 2021/22.	P&C	C&YP	-246	0	0	0	0	0	**246**	**100.00**	↔	On Track
Black	A/R.6.266	Children in Care Stretch Target - Demand Management	Please see A/R.6.255 above.	P&C	C&YP	-1,000	0	0	0	0	0	**1,000**	**100.00**	↓	Due to increasing pressure around placement mix and complexity of need, we do not anticipate meeting this saving target. It is expected that underspends within Childrens Social Care will offset the unachieved savings.
Green	A/R.6.267	Children's Disability: Reduce overprescribing	The Children's Disability 0-25 service has been restructured into teams (from units) to align with the structure in the rest of children's social care. This has released a £50k saving on staffing budgets. In future years, ways to reduce expenditure on providing services to children will be explored in order to bring our costs down to a level closer to that of our statistical neighbours.	P&C	C&YP	-50	-50				-50	**0**	**0.00**	↑	Savings taken at budget build so considered achieved as new structure fits inside revised budget.

RAG	Reference	Title	Description	Service	Committee	Original Saving 21-22	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 21-22	Variance from Plan £000	% Variance	Direction of travel	Forecast Commentary
Green	A/R.6.268	Transport - Children in Care	The impact of ongoing process improvements in the commissioning of transport for children in care.	P&C	C&YP	-300	-300	0	0	0	-300	**0**	**0.00**	⇔	Savings taken at budget build so considered achieved. Additional pressures coming through to the service which are being addressed in FMR.
Amber	A/R.6.269	Communities and Partnership Review	A review of services within C&P where efficiencies, or increased income, can be found.	P&C	C&P	-200	-25	-25	-25	-25	-100	**100**	**50.00**	↓	Under Review
Amber	A/R.7.105	Income from utilisation of vacant block care provision by self-funders	Carry-forward saving - incomplete in 20/21. We currently have some vacancies in block purchased provision in care homes. Income can be generated to offset the vacancy cost by allowing people who pay for their own care to use these beds	P&C	Adults	-150	-37	-13	-10	0	-60	**90**	**60.00**	⇔	Annual in-year savings target of £150k not expected to be fully achieved.
Red	A/R.7.106	Client Contributions Policy Change	Carry-forward saving - incomplete in 20/21 In January 2020, Adults Committee agreed a set of changes to the charging policy for adult social care service-user contributions. We expect this to generate new income of around £1.4m in 2020/21, and are modelling the full-year impact into 2021/22.	P&C	Adults	-1,192	-250	-250	-75	-30	-605	**587**	**49.24**	↓	Ongoing difficulties in recruitment have continued to delay the reassessments project. The shortfall in savings delivery is fully mitigated in the forecast by increases in client contributions not directly linked with reassessments.
Green	B/R.6.201	Review Winter Operations	Review winter operations – increase number of weather domains from 3 to 5	P&E	H&CI	-17	0	0	-17	0	-17	**0**	**0.00**	⇔	
Green	B/R.6.202	Highways: Removal of Old VAS Signs	Removal of old VAS signs	P&E	H&CI	-4	-4				-4	**0**	**0.00**	⇔	
Green	B/R.7.119	Income from Bus Lane Enforcement	Carry-forward saving - unachieved in 20/21. Due to COVID, existing income target not met in 20/21 Utilising additional bus lane enforcement income to fund highways and transport works, as allowed by current legislation.	P&E	H&CI	-650	-163	-162	-163	-162	-650	**0**	**0.00**	⇔	
Green	B/R.7.120	Deployment of current surpluses in civil parking enforcement to transport activities	Carry-forward saving - unachieved in 20/21 Due to COVID, existing income target not met in 20/21. Deployment of current surpluses in civil parking enforcement to transport activities, including a contribution to Park & Ride, as allowed by current legislation.	P&E	H&CI	-340	-85	-85	-85	-85	-340	**0**	**0.00**	⇔	
Green	C/R.6.103	External Auditor fee	Carry-forward saving - not achieved in 20/21Saving to be achieved from reduction in expenditure on External Audit, as per fees set by Public Sector Audit Appointments	CS	S&R	-15	-3	-4	-4	-4	-15	**0**	**0.00**	⇔	
Blue	C/R.6.104	Reduction in staff mileage	A reduction in staff travel is expected to continue.	CS	S&R	-564	-474	-254			-728	**-164**	**-29.08**	⇔	Q1 & Q2 saving achieved.

RAG	Reference	Title	Description	Service	Committee	Original Saving 21-22	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 21-22	Variance from Plan £000	% Variance	Direction of travel	Forecast Commentary
Green	C/R.6.105	Customer Services	Customer Services have scrutinised their budget, and trends over recent years, and have determined a reduction of £85k is achievable from their base revenue. This is the equivalent to 3 full-time Customer Service Advisors. This reduction will be delivered by removing vacant posts.	CS	S&R	-85	-20	-20	-20	-25	-85	**0**	**0.00**	⇔	Vacant posts removed.
Green	E/R.6.033	Drug & Alcohol service - funding reduction built into new service contract	This saving has been built into the contract for Adult Drug and Alcohol Treatment Services which was awarded to Change Grow Live (CGL) and implemented in October 2018. The savings are being achieved through a new service model with strengthened recovery services using cost effective peer support models to avoid readmission, different staffing models, and a mobile outreach service.	PH	Health	-63	-16	-16	-16	-16	-63	**0**	**0.00**	⇔	On track
Green	E/R.6.043	Joint re-procurement of Integrated Lifestyle Services	Carry-forward saving - incomplete in 20/21 Delivery of this saving has been delayed due to Covid-19 Re-commissioning of the integrated lifestyle services as one service across Cambridgeshire and Peterborough. Peterborough City Council will delegate authority to Cambridgeshire County Council to commission, contract and performance manage the new provider.	PH	Health	-17	-4	-4	-4	-4	-17	**0**	**0.00**	⇔	On track
Green	F/R.6.003	Babbage House closure	The lease on Babbage House is due to end in 2020-21, and will not be renewed.	CS	S&R	-198	-198				-198	**0**	**0.00**	⇔	Lease has ended.
Black	F/R.6.109	Cambs 2020 Operational Savings	Savings to the running costs of corporate buildings as a result of the Cambs 2020 programme.	CS	S&R	-605	0	0	0	0	0	**605**	**100.00**	↓	The savings from Shire Hall will not be achieved until such time as the sale is complete.
Black	F/R.7.106	Utilisation/commercialisation of physical assets	Carry-forward saving - unachieved in 20/21. One Public Estate	CS	S&R	-36	0	0	0	0	0	**36**	**100.00**	⇔	There has been no development in this area.
Green	F/R.7.110	Return on Commercial Property Investments	Carry-forward saving - unachieved in 20/21 The Council is developing a portfolio of commercial property investments. This is the rental income generated from the leases of these properties.	CS	S&R	-105	-26	-26	-26	-27	-105	**0**	**0.00**	⇔	
Green	F/R.7.127	County Farms - Commercial uses	Conversion of barns on the County Farms Estate for non-agricultural commercial uses, including storage and distribution.	CS	S&R	-45	-11	-11	-11	-12	-45	**0**	**0.00**	⇔	
Black	F/R.7.131	Commercial Income	Commercial return from the Council's Commercial Strategy, to be generated by the newly developed Commercial Team.	CS	S&R	-232	0	0	0	0	0	**232**	**100.00**	⇔	Saving not achieved. However, as part of the budget rebaselining exercise approved by S&R at the July 2021 meeting this pressure is now removed.
Green	F/R.7.140	Tesco - Income Generation	Estimated annual rent increase.	CS	S&R	-77	0	0	0	-77	-77	**0**	**0.00**	⇔	
Green	F/R.7.141	Evolution Business Park - Income Generation	Estimated annual rent increase.	CS	S&R	-12	-3	-3	-3	-3	-12	**0**	**0.00**	⇔	
Green	F/R.7.142	Kingsbridge - Income Generation	Estimated annual rent increase.	CS	S&R	-11	-3	-3	-3	-2	-11	**0**	**0.00**	⇔	
Black	F/R.7.143	Brunswick House - Income Generation	Estimated annual rent increase.	CS	S&R	-66	0	0	0	0	0	**66**	**100.00**	↓	The percentage increase for 21-22 was not in line with the estimated investment figure.
Green	F/R.7.144	County Farms	Increase in rental income for the county farms estate.	CS	S&R	-40	0	0	-20	-20	-40	**0**	**0.00**	⇔	

RAG	Reference	Title	Description	Service	Committee	Original Saving 21-22	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 21-22	Variance from Plan £000	% Variance	Direction of travel	Forecast Commentary
Green	G/R.6.003	MRP: Accountable Body (effect of capital swaps)	As Accountable Body the Council incurs certain administrative costs in undertaking this role. However, it also holds the cash on an interim basis pending utilisation by those parties. The Council maximises the use of these resources whilst not detrimentally affecting those resources. This is only possible where the body or partnership does not use the funds that have been awarded in the financial year in which they are provided. This is an adverse effect, it is the reversal of savings made in previous years as the cash received in prior years is utilised by the parties for whom we hold the funds and can no longer be used to offset borrowing requirements	CS	S&R	-355	-88	-89	-89	-89	-355	**0**	**0.00**	⇔	

Key to RAG ratings

Total saving	Over £500k	£100-500k	Below £100k
Black	100% non-achieving	100% non-achieving	100% non-achieving
Red	Percentage variance more than 19%	-	-
Amber	Under-achieving by 14% to 19%	Percentage variance more than 19%	Percentage variance more than 19%
Green	Percentage variance less than 14%	Percentage variance less than 19%	Percentage variance less than 19%
Blue	Over-achieving	Over-achieving	Over-achieving

Appendix 4

Service: Corporate Services
Subject: Finance Monitoring Report – October 2021

Key Indicators

Previous Status	Category	Target	Current Status	Section Ref.
Green	Income and Expenditure	Balanced year end position	**Amber**	1.1 – 1.3
Green	Capital Programme	Remain within overall resources	**Green**	2

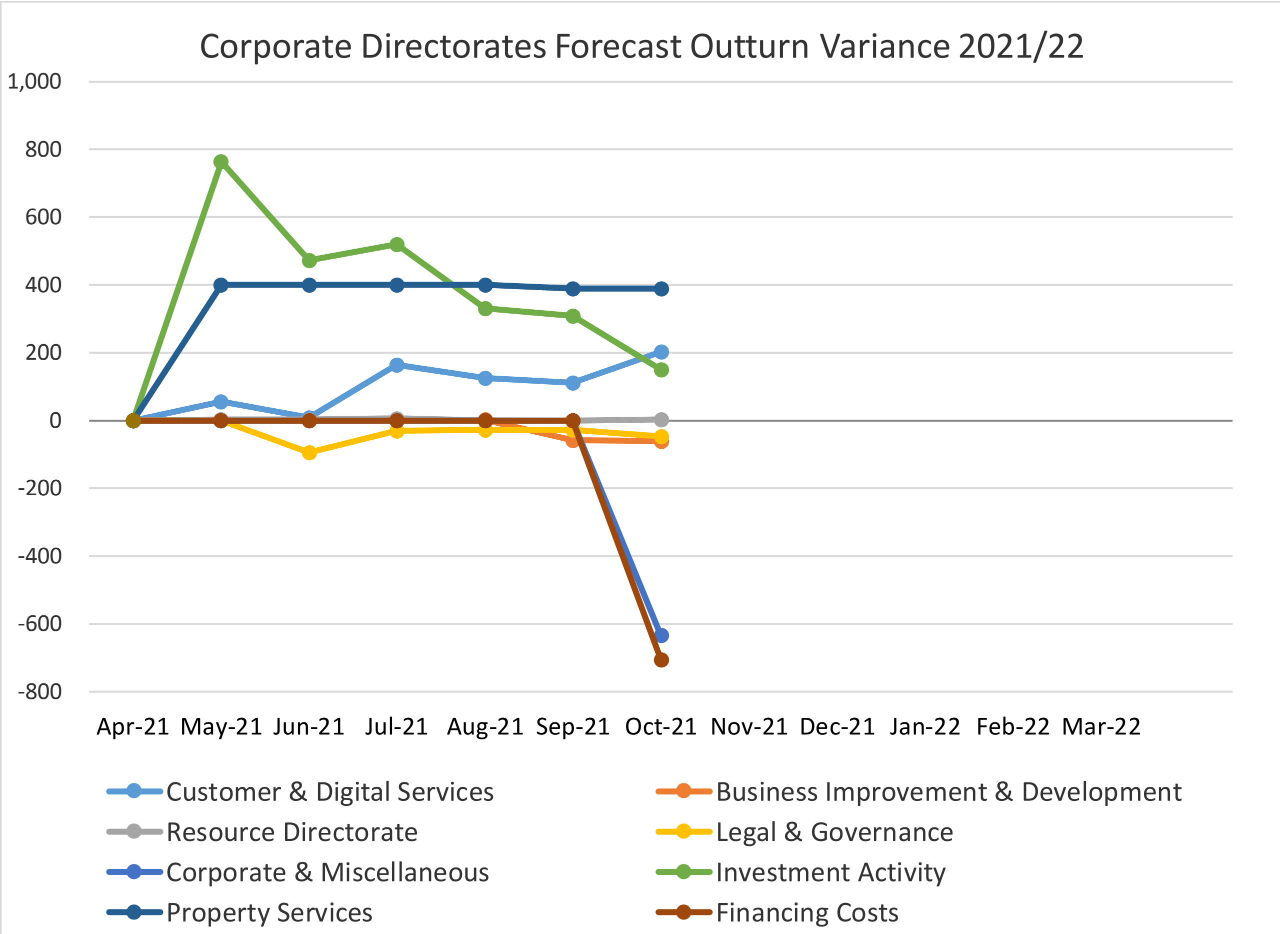
Contents

Section	Item	Description	Page
1	Revenue Executive Summary	High level summary of information; By Directorate Narrative on key issues in revenue financial position	2-6
2	Capital Executive Summary	Summary of the position of the Capital programme	7-8
3	Savings Tracker Summary	Summary of the latest position on delivery of savings	8
4	Technical Note	Explanation of technical items that are included in some reports	8
Appx 1	Service Level Financial Information	Detailed financial tables for Corporate Services	9-10

1. Revenue Executive Summary

1.1 Overall Position

Corporate Services & Financing has a budget of £57,909k in 2021/22 and is currently forecasting an underspend of £699k.



1.2 Summary of Revenue position by Directorate

The service level budgetary control report for Corporate Services & Financing Costs for the year 2021/22 can be found in appendix 1.

Outturn Variance (previous) £'000	Directorate	Budget £'000	Actual £'000	Outturn Variance £'000	*Outturn Variance %*	Status
111	Customer & Digital Services	16,878	12,526	203	1.2%	Amber
-57	Business Improvement & Development	1,656	1,876	-60	-3.6%	Green
0	Resources Directorate	6,975	2,423	4	0.1%	Amber
-26	Legal & Governance	2,333	1,310	-47	-2.0%	Green
-0	Corporate & Miscellaneous	7,177	1,399	-634	-8.8%	Green
310	Investment Activity	-11,056	-6,139	150	1.4%	Amber
391	Property Services	2,650	477	391	14.8%	Amber
0	Financing Costs	31,295	3,212	-705	-2%	Green
729	**Total**	**57,909**	**17,084**	**-699**	**-1 %**	**Amber**

Further analysis can be found in appendix 2 for Corporate Services

1.3 Significant Issues

Corporate Services are currently forecasting an underspend of £699k, a decrease of £1,428k since last month.

Significant issues are detailed below:

Customer and Digital Services

Customer and Digital Services budgets are currently forecasting an overspend of £203k, an increase of £92k from the previous forecast. Customer Services continued to have a high level of vacancies, which has increased the underspend by 23k since last month.

There is an overspend in IT & Digital Services of £315k, an increase of £101k from the previous forecast. This is due to a further increase for the cost of licenses and a £70k increase in the original cost of the Microsoft Enterprise Agreement, due to an early purchase of upgraded Crystal Dynamics and new Power app licensing. Both applications are part of supporting the long-term IT strategy, but the purchase was brought forward to take advantage of Microsoft's latest MOU with Crown Commercial Services offering a short-term price reduction on these items.

Business Improvement & Development

Business Improvement & Development budgets are currently forecasting an underspend of £60k.

There are no exceptions to report this month.

Resources Directorate

The Resources Directorate budgets is currently forecasting an overspend of £4k.

There are no exceptions to report this month.

Legal and Governance

Legal and Governance budgets are currently forecasting an underspend of £47k, an increase of £21k from the previous forecast. This is mainly due to increased income in Democratic & Member services.

Corporate & Miscellaneous

Corporate & Miscellaneous budgets are currently forecasting an underspend of £634k due to -

The Investment in Social Care Capacity budget, which is contingency budget held to offset any pressures resulting from Covid-19 in adult or children's social care, is forecasting an underspend of £650k. As a result of the pandemic significant additional grant funding has been received that has mitigated pressures, and in 2021/22 budget allocations to social care departments appear sufficient. This underspend reflects that no call on this budget was made in the first 6 months of the year. This has been re-planned as part of business planning for 2021-26 with this budget permanently reduced and an additional investment made in the demand impact of the pandemic recovery.

The Subscriptions budget is currently forecasting an overspend of £16k. This is due to an additional cost relating to 2020-21, £3,445 for the Society of County Treasurers and increased costs for the current subscriptions.

Investment Activity

Investment Activity is currently forecasting an overspend of £150k, a decrease of £160k from the previous forecast. The return expected from collective investment funds has increased; this is due to receiving a higher % return during the first 2 quarters of 2021 than had previously been anticipated.

Property Services

Property Services is currently forecasting an overspend of £391k, same as last month.

There are no exceptions to report this month.

Financing Costs

Financing costs is currently forecasting an underspend of £705k, primarily due to a forecast underspend on interest payable partially offset by a higher than budgeted Minimum Revenue Provision (MRP). Following a review of cashflow forecasts and borrowing requirements, the interest payable forecast has been revised giving a £1,493k forecast underspend. The Council has been able to take advantage of lower rates on both PWLB and Local Authority borrowing for new loans and also when refinancing some of its existing loans. The cashflow position will continue to be monitored closely over the remaining months of the year and levels of borrowing will be adjusted accordingly. The Council is required to repay an element of the accumulated General Fund capital spend each year through a revenue charge (the MRP). Following analysis of capital schemes completed in 2020/21 and how they were funded, the MRP payment for 2021/22 has been recalculated and the forecast year-end position is £900k higher than budgeted.

Covid 19 – Financial Impact

Financial costs associated with managing the implications of the Coronavirus pandemic, including any loss of income:

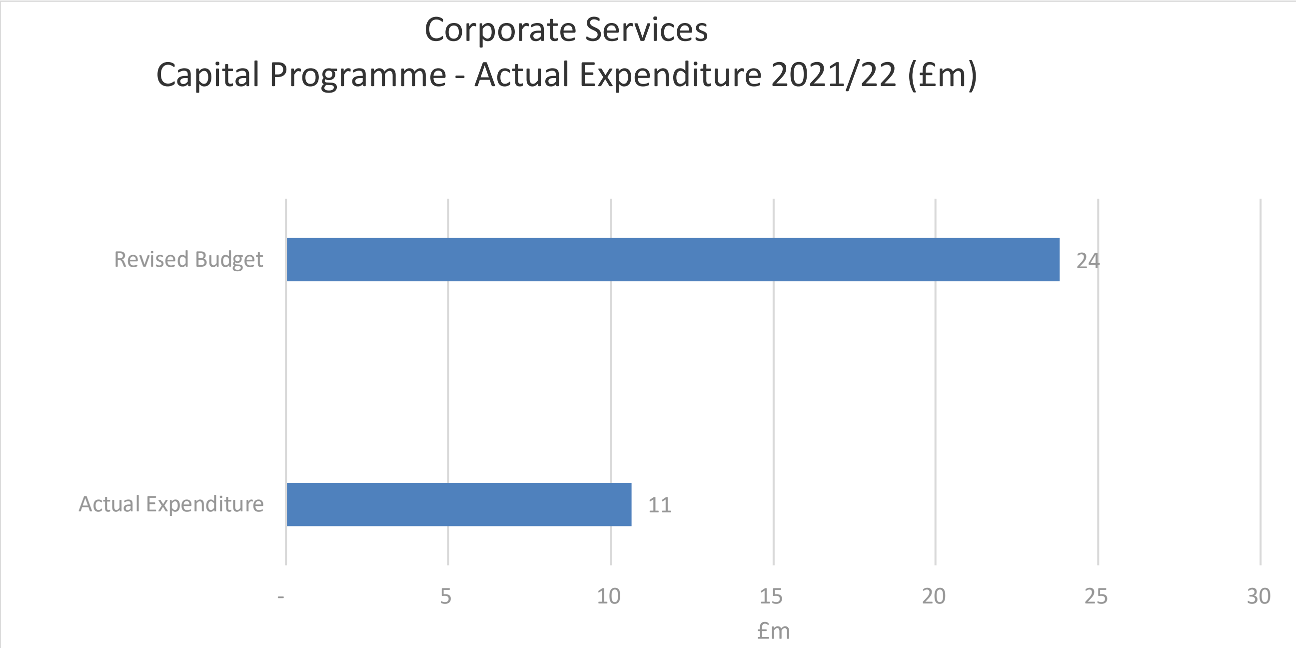
Service Area	Details	Estimated cost 2021/22 £000	Oct 2021 impact £000
IT – continued remote working	Remote working continues as per government guidance.	378	220
Postage	Postage directly related to Covid-19	23	18
Temporary mortuary	Site cost for provision of body storage	30	29
Communications- Test and Trace	Staff and advertising costs towards the Test and Trace Service	276	108
Information Management	Cambs 2020 programme removal costs – delays due to Covid-19 pandemic	46	43
Democratic & Member Services	Hire of external venues for Council AGM	21	9
Elections	25% uplift in costs expected for the election	161	0
Council Tax	Income saving rephased due to pressures on the District Council's Revenue & Benefits teams impacting timeline for project mobilisation	650	379
Cromwell Leisure	We anticipate that in the current climate, two of the restaurant units will generate minimal income during 2021-22 and the cinema is facing further challenges	395	201
County Farms	Reduction in income from new investments & a small decline on existing income	205	205
Pools Property Fund Investment	Expecting the risk of further challenges ahead, a forecast of 5% income reduction is likely.	21	10
Property Services	Health and Safety supplies, cleaning, water testing, additional resource.	76	60

Service Area	Details	Estimated cost 2021/22 £000	Oct 2021 impact £000
Brunswick House	A reduction in the occupancy levels since it is expected that some students will stay at home and opt for online learning and a drop in international student numbers is expected.	668	534
Compliance	To carry out ventilation surveys to 109 buildings to ensure the safe capacities of our buildings for Covid-19 management	83	59

2. Capital Executive Summary

2.1 Expenditure

Corporate Services has a capital budget of £23,758k and expenditure to date of £10,643k in 2021/22.



Please note the variations budget has been updated to reflect the recent changes to the hierarchy, resulting in a lower figure and therefore increasing the overall budget from £15m to £23m.

There is one exception to report this month.

The Capitalisation of the Transformation team is forecasting an in-year underspend of £340k. The forecast for this scheme has been updated to reflect staff vacancies.

Details of the capital variances and funding can be found in appendix 3

2.2 Funding

Corporate Services has a capital budget of £23m in 2021/22. This includes £5m of funding carried forward from 2020/21.

IT – Education Replacement System

Additional prudential borrowing of £2,460k is requested for the Education Replacement System scheme. This will span across 3 financial years, starting in 2021-22. This will increase the 2021-22 prudential borrowing requirement by £70k.
This programme gathers the system information workflows across the Education Directorate, including the student journey and the touch points across the teams. With a myriad of systems in use there is a business challenge in maintaining consistent, accurate data,
especially within shared data sets. Where the current systems are identified as not fit for purpose

in supporting education services, the projects under the Education Systems Programme will then procure and implement the most suitable IT system solution, ensuring that separate reporting for both authorities is preserved. £4.1m is the total cost expected across Cambridgeshire and Peterborough City Council.

3. Savings Tracker Summary

The savings tracker is produced quarterly. The Q2 table can be found in appendix 4

4. Technical Notes

A technical financial appendix has been included as appendix 5 for Corporate Services.

This appendix covers:

- Grants that have been received by the service, and where these have been more or less than expected
- Budget movements (virements) into or out of corporate services from other services (but not within corporate services), to show why the budget might be different from that agreed by Full Council
- Service reserves – funds held for specific purposes that may be drawn down in-year or carried-forward – including use of funds and forecast draw-down.

Appendix 1 – Corporate Services Level Financial Information

Previous Forecast Outturn Variance £000's	Service	Budget 2021/22 £000's	Actual October 2021 £000's	Forecast Outturn Variance £000's	Forecast Outturn Variance %
-	**Customer & Digital Services**	-	-	-	-
30	Director, Customer & Digital Services	414	342	30	7%
3	Chief Executive	130	92	6	4%
18	Communication and Information	737	523	25	3%
-146	Customer Services	2,034	1,340	-170	-8%
214	IT & Digital Service	2,563	2,662	245	10%
-1	IT Managed	7,126	5,522	70	1%
0	Elections	170	52	0	0%
-42	Human Resources	1,617	956	-14	-1%
0	Health, Safety & Wellbeing	180	12	0	0%
35	Learning & Development	1,907	1,026	10	1%
111	**Customer & Digital Services Total**	**16,878**	**12,526**	**203**	**1%**
	Business Improvement & Development				
3	Policy, Design and Delivery	613	1,011	0	0%
-60	Business Intelligence	1,043	866	-60	-6%
-57	**Business Improvement & Development Total**	**1,656**	**1,876**	**-60**	**-4%**
	Resources Directorate				
0	Resources Directorate	373	185	0	0%
0	Professional Finance	1,830	905	0	0%
0	Procurement	613	363	0	0%
0	CCC Finance Operations	338	216	4	1%
0	Shared Finance Operations	434	519	0	0%
0	Insurance	2,229	239	0	0%
0	External Audit	75	-96	0	0%
0	Shared Services	1,082	93	0	0%
0	**Resources Directorate Total**	**6,975**	**2,423**	**4**	**0%**
	Legal & Governance				
0	Legal & Governance Services	103	106	0	0%
0	Information Management	875	476	0	0%
16	Democratic & Member Services	325	164	2	1%
-43	Members´ Allowances	1,030	564	-50	-5%
-26	**Legal & Governance Total**	**2,333**	**1,310**	**-47**	**-2%**
	Corporate & Miscellaneous				
0	Central Services and Organisation-Wide Risks	4,244	0	0	0%
0	Investment in Social Care Capacity	1,300	0	-650	-50%
0	Subscriptions	110	126	16	15%
0	Authority-wide Miscellaneous	94	-157	0	0%
0	Transformation Fund	1,429	1,429	0	0%
0	**Corporate & Miscellaneous Total**	**7,177**	**1,399**	**-634**	**-9%**
	Investment Activity				
522	Property Investments	-3,544	-2,624	522	15%
0	Shareholder Company Dividends & Fees	-491	16	0	0%
-24	Housing Investment (This Land Company)	-6,063	-2,894	-24	0%
101	Contract Efficiencies & Other Income	-201	-0	101	50%
-290	Collective Investment Funds	-544	11	-293	-54%
0	Investments	26	131	-157	-603%
0	Renewable Energy Investments	-239	-779	0	0%
310	**Commercial Activity Total**	**-11,056**	**-6,139**	**150**	**1%**
	Property Services				
400	Facilities Management	5,274	3,329	400	8%
0	Property Services	799	500	0	0%
0	Property Compliance	204	-65	0	0%
0	County Farms	-4,329	-3,189	0	0%
-9	Strategic Assets	703	-98	-9	-1%
391	**Property Services Total**	**2,650**	**477**	**391**	**15%**
	Financing Costs				

Previous Forecast Outturn Variance £000's	Service	Budget 2021/22 £000's	Actual October 2021 £000's	Forecast Outturn Variance £000's	Forecast Outturn Variance %
0	Debt Charges and Interest	31,295	3,212	-705	-2%
0	**Financing Costs Total**	**31,295**	**3,212**	**-705**	**-2%**
729	**Total**	**57,909**	**17,084**	**-699**	**-1%**

The full appendices to this report can be viewed in the online version.

Agenda Item No: 6

Business Planning Proposals for 2022-27 - Current position

To:	Strategy and Resources Committee
Meeting Date:	17 December 2021
From:	Gillian Beasley, Chief Executive Tom Kelly, Chief Finance Officer
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable

Outcome: The committee is asked to consider:

- the current business and budgetary planning position and estimates for 2022-2027
- the principal risks, contingencies and implications facing the Committee and the Council's resources
- the process and next steps for the Council in agreeing a business plan and budget for future years

Recommendation: It is recommended that the Committee;

a) Note the progress made to date and next steps required to develop the business plan for 2022-2027
b) Note the budget and savings proposals that are within the remit of the Committee as part of consideration of the Council's overall Business Plan
c) Note the changes to the capital programme that are within the remit of the Committee as part of consideration of the Council's overall Business Plan
d) Note the draft Medium Term Financial Strategy for 2022/23
e) Note the draft Capital Strategy for 2022/23
f) Note the draft Treasury Management Strategy for 2022/23

Officer contact:
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1. Purpose and background

1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the outcomes we want for people. This paper provides an overview of the updates to the Council's financial position since October/Nov 2021 when Committees were last consulted on the draft Business Plan for 2022-27. The paper sets out the changes to key assumptions impacting financial forecasts, further risks and opportunities and next steps required to balance the budget and agree the Council's Business Plan for 2022-27.

1.2 The paper also seeks to highlight the environment within which the Business Plan has been developed this year, the added complexity of developing the business plan whilst continuing to be in the middle of a world-wide pandemic, and the challenges of being a relatively low spend but effective organisation has on the opportunities to reduce costs further to address the financial challenges caused by COVID-19.

1.3 Whilst the impact of COVID-19 continues to be felt by all councils across England, for Cambridgeshire this comes on the back of many years of under-funding compared to other councils. As one of the fastest growing counties in the country, Cambridgeshire has been managing disproportionate increases in demand over many years which have not been reflected in the revenue grant system.

1.4 This report builds on the information provided to this Committee during October/November and sets out the latest financial position regarding the Business Plan for the period 2022-27. A number of Business Cases have been developed which provide further details of the proposed changes to our budget, and these will be reviewed by their relevant Service Committees in December, prior to being reviewed by Strategy and Resources Committee in January for endorsement to full Council in February 2022.

2. Context

2.1 On 9 February 2021, Full Council agreed the Business Plan for 2021-2026. This included a balanced budget for the 2021-22 financial year with the use of some one-off funding but contained significant budget gaps for subsequent years as a result of expenditure exceeding funding estimates.

2.2 The impacts of COVID-19 on the Council have been unprecedented and the pandemic remains a key factor of uncertainty in planning our strategy and resource deployment over the coming years. The Council continues to take a central role in coordinating the response of public services to try and manage the complex public health situation, impact on vulnerable people, education of our children and young people and economic consequences. Looking ahead we know that challenges remain as the vaccination programme progresses, winter illnesses re-emerge and potential further mutations of the virus. We are already seeing the impacts of the pandemic on our vulnerable groups as well as those who have become vulnerable as a result of health or economic impact of the pandemic. Significant workforce pressures in health and social care are leading to restricted supply of care to purchase, rising prices, and supplier disruption.

2.3 Longer term there will be significant increases and changes in the pattern of demand for our services alongside the economic aftereffects. In this draft business plan, there are COVID-19 impacts across demand for services, pricing and supplier changes, and impacts on funding and income. Emerging work is shifting the Council's decision-making framework to prioritise sustainable development for our county, whereby our citizens' social foundations are strengthened in the context of pandemic recovery and ongoing ecological emergency.

2.4 Predicting the on-going implications and financial consequences of COVID-19 remains challenging, particularly in terms of the impact on demand for council services. It is especially important this year that we keep these estimates under review as circumstances are so changeable over the course of this year. In this update there is a further re-baselining proposed to bring adult social care budgets in line with anticipated demand levels at the start of next year. While we expect demand growth in adult social care to be significant in 2022-27 and have allowed for such in the draft business plan, this will be from a starting point in April 2022 that is lower than previously budgeted.

2.5 Besides the pandemic, the other major risks and uncertainties in setting budgets for 2022-27 include the potential for national policy changes, such as reform of social care funding, the extent of any multi-year funding settlement from government, the availability and sustainability of supply chains and resources, and changing patterns of demand for our services that has been a longer-term trend. The Council must make its best estimate for the effect of known pressures when setting its budget and retain reserves to mitigate against unquantifiable risks.

2.6 Government has announced that there will be significant reform of social care funding with effect from October 2023, this includes a cap on the amounts that people will have to contribute to their care costs during their lifetime and significant revisions to the asset thresholds for making contributions towards those costs. £5.4bn per annum has been identified nationally as the cost of these changes and further details are awaited in terms of how this will be operated. There will be complex changes for the Council as a result.

It is important to note that the new funds announced nationally do not address underlying funding issues for social care, such as historic funding or surges in demand and costs emerging from the pandemic.

2.7 With changes in local and national policy coinciding with hopes for a stabilisation of the public health response to the pandemic, the overarching themes we have identified to help us develop the Business Plan are as follows:

- Economic recovery
- Prevention and Early Intervention
- Decentralisation
- Environment & climate emergency
- Social Value
- Efficiency and effectiveness of Council services

2.8 The Joint Agreement which explained the policy ambitions of the new administration was agreed in May 2021. The Joint Agreement prioritises COVID-19 recovery for all of Cambridgeshire and puts healthy living and bringing forward targets to tackle the climate emergency, central to its agenda. It also signals a commitment to form strong and positive partnerships at a local level as members of the Combined Authority and the Greater Cambridge Partnership in the areas of public health, support for business, climate change, public transport, and building affordable, sustainable homes. This first business plan will begin to put into effect this new set of policies; concurrently a new Corporate Framework is being developed which recognises the importance of making decisions based on financial, social and environmental factors to ensure future sustainability. The plans for 2022-23 in the business plan are detailed and represent a transitional year ahead of reform and review of the budget allocation and planning process for future years.

2.9 Cambridgeshire seeks to provide high quality support to its citizens whilst ensuring best use of the taxpayers money. Recent benchmarking data highlights that compared to nearest neighbours the majority of our services are provided at a lower cost per person with the exception of Public Health and Adult Social Care. The impact of the pandemic for Adult Services within Cambridgeshire has been particularly notable. As mentioned above the Council is prioritising COVID-19 recovery and is closely monitoring the evolving needs of the citizens of Cambridgeshire. These needs have been taken into account when developing the budget proposals.

3. Financial Overview

3.1 The previous update to committees in October/November set out progress that had been made in closing the budget gap for 2022/23 and in refining the budgets for later years. After an increase in the opening budget gap resulting from rising demand projections and other service pressures, savings had been identified that brought the gap down to £15.2m.

3.1.1 Previous committees have seen significant pressures added to the draft business plan as the effects of demand, inflationary and legislative pressures have been analysed. Demand pressures in 2022/23 total nearly £13m, particularly concentrated in adult social care, showing that we expect significant growth in numbers or complexity of people supported by our services. Inflationary pressures in 2022/23 are over £9m, mainly seen in expected increases in the cost of our employee wage bill and in the adult social care provider market. The main legislative pressure is the increasing minimum wage, which is adding costs of £7m in 2022/23. In total these three areas of pressures are expected to cost us £150m over the medium-term.

3.2 Since the previous update, work has continued to identify ways to close the remaining budget gap in 2022/23 including additional savings work, further review of pressures and revision of funding assumptions. We have also identified several investments that are required into services. A further £5m of improvement has been made through this work.

3.3. In October, however, the Autumn Budget and Spending Review made clear that the Council would face several additional pressures in 2022/23. The cost of these is set out in the table below, but in summary relate to the expected rise in employer national insurance contributions, a rise in the minimum wage that was higher than expected, and the formal end of the public sector pay freeze which is expected to drive salary costs up. Additional funding for local government was announced to meet these pressures in the form of a further grant of £1.6bn a year nationally for three years, but the distribution methodology for this has not been announced and will not be until the Local Government Finance Settlement in mid-December 2021.

3.4 As well as those pressures and that further funding, the Autumn Budget also announced:

- Council Tax referendum limits to be set at 2% for general Council Tax and 1% for the Social Care Precept (SCP) 2022-23. It has also confirmed that authorities who carried-forward unused SCP from 2021/22 may use that in 2022/23. Cambridgeshire has a further 2% increase in SCP available from this.
- £21bn for roads and £46bn for railways to connect towns nationally
- An increase in the core schools budget of £4.7bn nationally by 2024/25, with £2.6bn further being made available for places for children with special educational needs
- Business rates relief totalling £7bn, with Councils to be compensated for the effects through further grant

3.5 Section 2 above sets out the major uncertainty as to the ongoing consequences of the pandemic. The Council received substantial one-off funding from government to deal with the immediate pandemic reaction and ongoing effects, of which over £20m remains available. It is proposed to deploy this funding over the MTFS period aligned to specific pressures that resulted from the pandemic. These cover parts of budgeted pressures for rising demand in looked after children and adult social care, the rising cost of purchasing adult social care, IT hardware following higher than average replacements needed, and the remaining general revenue contingency available to deal with unknown effects of Covid in-year. This phased deployment of the reserve is shown in the table in 3.6 below.

3.6 After factoring in the progress made towards closing the budget and the pressures resulting from the Autumn Budget, the revised budget gap is set out in the table below:

	£000				
	2022-23	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Budget gap at November Committees	**19,481**	**18,211**	**18,059**	**16,545**	**13,970**
Budget Reviews and Re-baselining					
Budget rebaselining in Adults (offset by pressure below)	-3,345	0	0	0	0
Budget rebaselining in Children's	-600	0	0	0	0
Rebaselining of income budgets in Place & Economy	-500	100	150	0	0
Inflation and Demand Adjustments					
Demand updates in Children's	0	1,230	1,269	1,265	1,210
Service Pressures					
Pressures in Adults (Learning Disabilities)	2,500	0	0	0	0
Pressures in Children's	-924	750	0	0	0
Pressures in Place & Economy	407	-260	0	0	0
Pressures in Corporate Services	88	90	0	0	0
Service Investments					
Paying the real living wage to social care staff	1,187	4,408	3,619	409	543
Investment in the SAFE team	268	0	0	0	0
Investment in health in all policies	125	0	0	0	0
EGI investment	75	0	0	0	0
EGI investment	105	40	0	0	0

New or additional savings					
Savings in Place & Economy	-100	-20	0	0	0
Savings in Children's	-780	-570	-345	0	0
Savings in Corporate Services	-124	-9	-154	-132	-136
Savings in Adults	-357	-161	0	-478	0
Savings in Public Health	-100	0	0	0	0
Other changes					
Rephasing of income expected from NHS pooled budget contributions	750	-1,000	-1,000	0	0
Reduction in the revenue cost of capital	-1,325	398	0	0	0
Reduction in the revenue cost of capital - use of capital receipts from asset sales	-600				
Increase in Public Health Grant	-32	32	0	0	0
Increase in grant/funding estimates	-210	-15	0	0	0
Replace highways/footways revenue investment with capital	-1,300	-1,000	-1,000	-1,000	0
Energy schemes - phasing of spend and income	290	-549	111	-127	-32
Inflation update	23	0	0	0	0
Use of Public Health reserves to fund health-related pressures	-400	0	200	200	0
Impact of Autumn Budget					
Increase in national insurance - Council staff	998	0	0	0	0
Increase in national insurance - social care supply chain	1,000	0	0	0	0
Increase in minimum wage above estimate - impact on social care	3,019	1,762	-19	-19	-19
Staff pay inflation, increase in assumption	170	180	183	187	188
Subtotal	**19,789**	**23,632**	**21,073**	**16,850**	**15,725**
Deployment of Covid Grant Reserve against existing lines in draft budget					
Funding for rising Looked After Children (LAC) Numbers and need	-1,200	-30	-39	317	191
Additional funding for Older People demand	-958	0	0	239	719
Additional funding for Learning Disability Partnership (LDP) demand	-750	0	0	187	563
Impact of inflation and increased prices on Adult Social Care prices	-700	0	700	0	0
Residual in-year Covid contingency budget	-600	600	0	0	0
IT hardware	-365	182	183	0	0
Revised Budget Gap in December	**15,216**	**24,384**	**21,917**	**17,593**	**17,198**
Change in budget gap	-4,265	6,173	3,858	1,048	3,228

3.7 We are expecting some funding to be announced from government as part of the local government finance settlement in December to cover recently added pressures, and we retain the flexibility to increase Council Tax by up to 5% (3% more than is in the draft budget) which will be considered once the results of the finance settlement are known. More detail about the proposals that make up this table relevant to this committee is set out in section 4 below.

3.8 As well as some ongoing investments into services, there will be a need to fund temporary (shorter term) investments to move towards more sustainable services. The Council has one-off resource to match to these time limited investments.

3.9 The latest updates in table 3.6 (and equivalent tables in previous updates) only show the changes made compared to the current draft business plan. In some cases, there were already proposals affecting 2022-27 in the existing published 2021-26 business plan, or in previous drafts of the new business plan presented at previous committee meetings. The full set of all proposed budget changes is presented in Table 3 of the budget tables in Appendix 1.

4. Assumptions and Risks

4.1 The Council's medium-term 2021-2026 budget currently assumes a 2% overall increase in Council Tax in 2022-23, consideration will be given to any revision to this assumption after announcement of the local government finance settlement.

There are a number of budgetary risks which are being monitored closely, these include:

- High Needs Deficit
  If the Government changes the approach to funding, the Council will have to fund the high needs deficit, resulting in the exhaustion of unallocated reserves.

- Staff Pay Award
  As mentioned in previous reports, unions have rejected the most recent offer. If staff pay award is negotiated higher than budgeted for, then costs will be higher than predicted resulting in a cost pressure. Some additional budget has been factored in following the Autumn Budget.

- COVID-19
  As stated earlier in the report, COVID-19 remains a high risk to our budgets. The long-term impact continues to be unknown and if there are further waves of COVID-19 and additional restrictions, then services may face disruption resulting in additional cost pressures.

- Central Government funding and reforms
  If Central Government brings in reforms/ changes funding, then costs to deliver services may increase/ funding received may reduce resulting in additional cost pressures.

- Uncertainty about demand for services
  Predicting demand continues to be difficult due to COVID-19 and if demand projections are inaccurate due to COVID-19/ other reasons, then financial projections will be incorrect resulting in incorrect budget provision allocated for demand.

- Inflation/ interest rates
  If inflation/interest rates increase by more than advisors are suggesting, then costs to deliver services and borrowing will increase, resulting in a cost pressure.

- Adult Social Care Provider Sustainability and Variation
  If the ASC market continues to be unstable, there may be an increased number of provider failures or variation requests for additional funding, resulting in increased budget pressures for the service.

- Funding from Partners
  Budgets are based on an assumption of a certain level of funding from our partners, such as the NHS. Close monitoring is taking place to understand whether assumptions are correct.

- Implications of the Care Act and part 2 reforms.
  We are currently waiting for further details but implementing the Care Act could result in a number of potential risks to the authority e.g. proposal of a cap to contributions as mentioned above. The implications are being monitored closely.

5. Capital Programme Update

5.1 Following on from October and November service committees, further work was required on some schemes, as well as continuing revision and update of the programme in light of ongoing review by the Capital Programme Board, changes to overall funding, or to specific circumstances surrounding individual schemes. The revised draft Capital Programme is as follows:

Service Block	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
People and Communities	101,532	138,017	63,802	48,125	29,850	29,809
Place and Economy	69,722	43,364	29,186	18,907	12,268	23,756
Corporate Services	13,300	3,405	2,426	1,080	800	12,800
Total	**184,554**	**184,786**	**95,414**	**68,112**	**42,918**	**66,365**

5.2 This is anticipated to be funded by the following resources:

Funding Source	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
Grants	56,921	32,739	28,052	27,755	18,854	21,437
Contributions	37,838	69,962	25,583	12,844	40,604	92,518
Capital Receipts	1,352	3,344	3,343	2,000	2,000	8,000
Borrowing	73,585	83,976	45,442	25,648	15,789	20,382
Borrowing (Repayable)*	14,858	-5,235	-7,006	-135	-34,329	-75,972
Total	**184,554**	**184,786**	**95,414**	**68,112**	**42,918**	**66,365**

* Repayable borrowing nets off to zero over the life of each scheme and is used to bridge timing gaps between delivery of a scheme and receiving other funding to pay for it.

All funding sources above are offset by an amount included in the capital variation budget, which anticipates a degree of slippage across all programmes and then applies that slippage to individual funding sources.

5.3 The following table shows how each Service's borrowing position has changed since the 2021-22 Capital Programme was set:

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
People and Communities	-3,495	-15,332	22,122	18,805	22,257	14,901	2,484
Place and Economy	23,414	11,775	12,596	6,284	198	262	7,689
Corporate Services	-29,829	-2,471	-2,105	-5,344	-180	-129	-3,224
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-	-
Total	**-9,910**	**-6,028**	**32,613**	**19,745**	**22,275**	**15,034**	**6,949**

5.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
New	798	30,098	9,307	19,150	18,032	15,115	6,435
Removed/Ended	-6,327	-27,554	-7,950	-2,912	-2,125	-150	-430
Minor Changes/Rephasing*	-9,646	2,634	9,134	-2,362	730	-99	3,065
Increased Cost (includes rephasing)	-10,582	18,246	26,908	19,476	9,591	-4,225	0
Reduced Cost (includes rephasing)	-152	-893	0	0	0	0	-4,525
Change to other funding (includes rephasing)	-1,607	-24,235	4,531	-11,471	-1,977	6,123	1,402
Variation Budget	19,779	-4,451	-9,280	-2,714	-2,305	-2,478	648
Capitalisation of Interest	-2,173	127	-37	578	329	748	354
Total	**-9,910**	**-6,028**	**32,613**	**19,745**	**22,275**	**15,034**	**6,949**

**This does not off-set to zero across the years because the rephasing also relates to pre-2021-22.*

5.5 The changes made since October/November committees can be summarised as follows:

New Schemes

- (A&H) Independent Living Services (+£40,148k)
- (CS&I) Library Minor Works (+£85k)
- (CS&I) EverySpace - Library Improvement Fund (+£389k) [externally funded]
- (S&R) IT Education System Replacement (+£2,460k)
- (S&R) Mill Farmhouse, Somersham (+450k)

Increased Cost

- (CYP) Sutton Primary Expansion (+£385k)
- (CYP) Waterbeach new Town Primary (+£375k)
- (CYP) Alconbury weald secondary and Special (+£1,617k)
- (CYP) Sir Harry Smith Community College (+£291k)
- (CYP) Cambourne Village College Phase 3b (+£850k)
- (CYP) Duxford Community C of E Primary (+£195k)
- (CYP) New SEMH Provision Wisbech (+£489k)
- (H&T) A14 (+£920k)
- (H&T) Carriageway & Footway Maintenance including Cycle Paths (+£1,500k)
- (H&T) Footpaths and Pavements (+£10,000k)

Removed Schemes

- (CYP) St. Neots secondary (-£11,130k)

Changed Phasing or funding

- (CYP) Isleham Primary relocation & expansion
- (H&T) B1050 Shelfords Road
- (E&GI) Waste – Household Recycling Centre (HRC) Improvements
- (E&GI) Waterbeach Waste Treatment Facilities

In addition, the Capitalisation of Interest and Variation budgets have been updated in line with the above changes.

5.6 The Council is still awaiting funding announcements regarding various capital grants, plus the ongoing nature of the capital programme inevitably means that circumstances are continually changing. Therefore, Services will continue to make any necessary updates in the lead up to the January S&R meeting where the Business Plan will be considered.

6. Overview of Corporate Services' draft Revenue Programme

6.1 This section provides an overview of the savings and income proposals within the remit of the Committee.

6.2 All of the proposals within the remit of the Committee are described in the business planning tables (Appendix 2) and business cases (Appendix 3).

6.3 The Committee is asked to comment on these proposals for consideration as part of the Council's Business Plan for the next five years. Please note that the proposals are still draft at this stage, and it is only at Full Council in February 2022 that proposals are finalised and become the Council's Business Plan. The following proposals can be found in Appendix 2

6.4 The proposals for the Strategy and Resources Committee include:

- C/R.6.105 Member Allowances (-£40k savings)

It was estimated that -40k savings can be made due to the updated scheme for Members allowances. We are continuing to review this estimate and may be able to expand it, particularly taking account of reduced milage expenses claimed by Members. It is important to note this saving may reduce should Committee roles change or the pay award, mentioned above, be higher than the currently budgeted 1.75% figure.

- C/R.7.120 Agricultural Rent: (-£252k additional income)

Agriculture legislation permits rent reviews every three years with 12 months' notice required. As rent reviews during 2021-22 are nearing completion, the indications are that for those farms reviewed this year and for re-lets and new tenancy, the passing rent is rising by around 15% on average. Agricultural rents do not directly relate to a single inflation indices and it is acknowledged there are major uncertainties currently facing farming. The Council has secured additional rental increases recently as a result of catching up reviews previously due. Taken together we expect to put forward a healthy percentage increase for farms rent for the next financial year with ongoing increases at a more stable level thereafter.

- Capital receipts – application of funding to capital programme – where the Council receives receipts from disposal of assets this funding can be used to fund other capital work instead of borrowing. Several capital receipts will be applied to reduce the borrowing requirement and therefore the cost of capital on the revenue budget. The largest of these is disposal of land at Northstowe to Homes England following their exercising of a contractual option to purchase.

6.5 Further to specific budgetary responsibilities, the Strategy and Resources Committee are also responsible for the review of a number of Corporate Strategies for Business Planning, these include:

- Strategic Framework (to be presented to S&R Jan 2022)
- Medium-Term Financial Strategy (section 7)
- Capital Strategy (section 8)
- Treasury Management Strategy (section 9)

The corporate strategies provide further financial context and set the remits for financial planning. Due to the cyclical nature of financial planning, financial context becomes more certain the closer we get to setting a balanced budget, for example details of the Local Government Financial settlement are announced. Therefore, these documents will be developed further prior to being presented to full Council for endorsement as part of the Business Plan in February 2022.

6.6 As set out above, the strategic framework will be presented to this Committee in January, encapsulating the joint administration's policy vision. It is recognised that 2022-23 will act as a transitional year for the Council's budgets and policy framework, and associated processes. In the first year of the plan the Council will take important steps to implement joint administration priorities. Further reform is anticipated for 2023 onwards and as the medium-term planning process continues next year.

7. Medium-Term Financial Strategy

7.1 A key component of the Business Plan is the Medium-Term Financial Strategy (MTFS), which sets the financial framework that the Council should follow in developing and setting budget proposals. The MTFS and Business Plan are the responsibility of Full Council and cannot be delegated. This committee recommends the MTFS to Full Council as part of the overall draft business plan for adoption.

7.2 One of the major functions of the MTFS is to set out the Council's projected resources for the next five years. It also sets out the financial picture facing the Council and the Council's strategy for managing its resources effectively in response to the economic climate. The strategy does not set out detailed budgets and individual savings plans, as these are contained elsewhere in the business plan. The MTFS will however provide a guide and a context to aid services in developing their budgets and agrees several corporate methodologies for this process.

7.3 There will be a number of factors that affect the final proposals, such as action taken to close the budget gap, revised funding projections, legislative changes, investments into services or unforeseen service pressures. Budget allocations for services are still being developed, and there remains a budget gap that needs to be closed.

7.4 The 2022-27 MTFS is being developed during a period of continuing uncertainty surrounding the UK's public finances. Parts of the document must wait for the outcome of the local government finance settlement which is not expected until December. We do not yet know if the local government finance settlement will be multi-year or a single year and expected reforms to Council funding do not have a fixed date for completion. Clearly, developing medium-term plans, with much accuracy, in the context of an ongoing global pandemic and uncertainty about our funding beyond the current financial year is very challenging.

7.5 The MTFS will include significant narrative around the national and local financial and demographic context. The purpose of this being to provide the reader with an overview of the position the Council is in when developing this strategy. By its nature, this context is more certain earlier in the financial cycle and cannot be meaningfully updated until the outcome of the national budget and funding settlement are known. Parts of the MTFS that are not so dependent on those national settlements can be found in Appendix 4.

7.6 At this stage, the elements of the strategy that can be reviewed are:

- 1: Executive summary
- 6: Revenue strategy: Balancing the budget
- 9: Reserves policy and position
- 10: Risks and sensitivities
- 12: Business plan roles and responsibilities

7.7 The remainder of the MTFS will be presented to this Committee in January before it is presented to Council along with the Business Plan in February. This will include the Council's fees and charges policy, which will be brought to Committee separately.

Reserves

7.8 Two developments with respect to the Council's reserves position in 2020-21 are noteworthy. Firstly, the Council received additional one-off funding related to the pandemic ahead of spending requirements, meaning that those funds can be deployed in future as the medium-term impacts of the pandemic are realised. Secondly, at the budget meeting in February 2021, the decision was taken to discontinue additions to the transformation fund (which had previously been financed from the benefit of the Minimum Revenue Provision policy change). This leads to a number of proposed amendments to the reserves policy set out in the updated MTFS:

7.8.1 General reserves: will be maintained at 4% of gross budget (excluding schools). This sustains the current level of reserve actually held but is an increase from the policy level of 3%. Reviewing the position in the wider sector, 3% is generally considered to be a low level of adequate balance and it is assessed that contingencies, uncertainties and risks facing the Council are heightened at present justifying an increase to 4%.

7.8.2 High needs block offset: the intention is to create a new earmarked reserve, by way of re-allocation of reserves, to offset the growing risk arising from the increasing deficit on high needs funding within the Dedicated Schools Grant. Set in a national context, as at 1 April 2021, 70 local authorities were reporting a dedicated schools grant deficit totalling £743m across England. The Cambridgeshire deficit as at that date is £26m and expected to grow by £11m this year. In absolute terms this is in the top ten deficits in the country, relative to Council tax base it is in the top twenty. We will set this reserve at the level of growth in the DSG deficit in 2021/22.

7.8.3 Currently there is a statutory prohibition on transferring resources from the general fund into the ringfenced dedicated schools grant. However, these regulations expire in 2023 and if they are not renewed the Council could face needing to finance the negative balance from the general fund. While the Council agrees the regulations currently in force are appropriate protection for local council tax payers, at this point it appears prudent to set aside an amount equivalent to the growth in the deficit this year in order that future exposure does not grow, should it transpire that local resources are required to meet the currently ringfenced deficit. For clarity, the Council is not transferring this sum into the DSG, rather it will hold this amount separately in an earmarked reserve to mitigate the impact were the ringfencing regulations to expire. Were the deficit to be funded directly by government or from DSG in future, the Council would release this earmarked reserve through business planning.

7.8.4 Investment Funding: the current transformation fund will be reviewed alongside the Council's strategic framework and key priorities. There will remain a requirement for shorter-term and temporary investments into services to deliver ongoing positive interventions and innovation throughout the MTFS period.

7.8.5 Financial sustainability and the pandemic: As set out in section 2 there is major uncertainty as to the short, medium and long-range consequences of the pandemic on the Council's budget. We already know that since February there has been growth of £8.8m in forecasted demand, inflation and pressure facing the budget in 2022-23, with significant ongoing impacts across the MTFS period. Rather than deploy all available one-off funds at the beginning of the MTFS period (in excess of £20m), we recognise the impacts of the pandemic will be longstanding and require resourcing across the next five years. Through this MTFS, the Council plans to utilise the accumulated pandemic related funding on a sustainable and diminishing basis. This means funding will be aligned to a gradual reduction in expected financial impact each year across 2022-27, rather than face a more sudden cliff-edge resulting from a quicker deployment. Indication of this is shown in the table at 3.6.

7.8.6 Taken together, this approach to reserves provides a balance of risk mitigation, sustainable response to the challenges we face in terms of financial resilience and pandemic recovery, and facility to continue prioritised investment over the medium term. It is a strategic approach to the use of reserves whilst ensuring adequate contingency balances. Where investments lead to a surplus and an overall favourable outturn for the Council these will be added to reserves for re-investment. We will set out further and finalised details, in view of local government finance settlement, in January.

7.9 Although the projected budget gap for next year has reduced, the scale of it is still significant. In years 2 – 4 of the plan, the gap has widened. Whilst we continue to work on developing proposals that could reduce this further, any new proposals will not fully bridge this deficit. Whilst government funding may or may not reduce the gap further, it is highly unlikely to fully cover it.

7.10 As a consequence, the Council will have to consider how it intends to bridge this gap in order to comply with its statutory duty to set a balanced budget. The Committee will be aware that this will have to be found through some combination of the following:

- Additional funding announcement by government (pending upcoming settlement)
- Sustainable use of reserves
- Service efficiencies and generation of additional income
- Additional Council Tax increases (above the 2% already built into the projection)
- Service reductions

7.11 As outlined in the MTFS, using reserves in a way that is not aligned to temporary pressures will defer, rather than remove, the need for savings in future years.

7.12 The MTFS will continue to be developed in accordance with the Business Planning Cycle and in line with the national settlement timescales. An updated draft MTFS will be presented to committee in January for endorsement to full Council in February.

8 Capital Strategy

8.1 The Council's Capital Strategy is revised each year to ensure it is up to date, fully comprehensive and considers any new statutory or recommended guidance. The Chartered Institute for Public Finance and Accountancy (CIPFA) have issued a new publication this year; Capital Strategy Guidance 2021 – a whole organisation approach. As such, the Capital Strategy is being significantly re-written to factor in this new guidance. The revised Strategy can be found in Appendix 5. As usual at this stage, this remains a working draft and further updates will follow alongside the Council's Strategic Framework.

8.2 As all capital schemes have the potential to impact on the revenue position through the cost of borrowing and the ongoing revenue costs or benefits of a scheme, in order to ensure that resources are allocated optimally, capital programme planning needs to be determined in parallel with the revenue budget planning process.

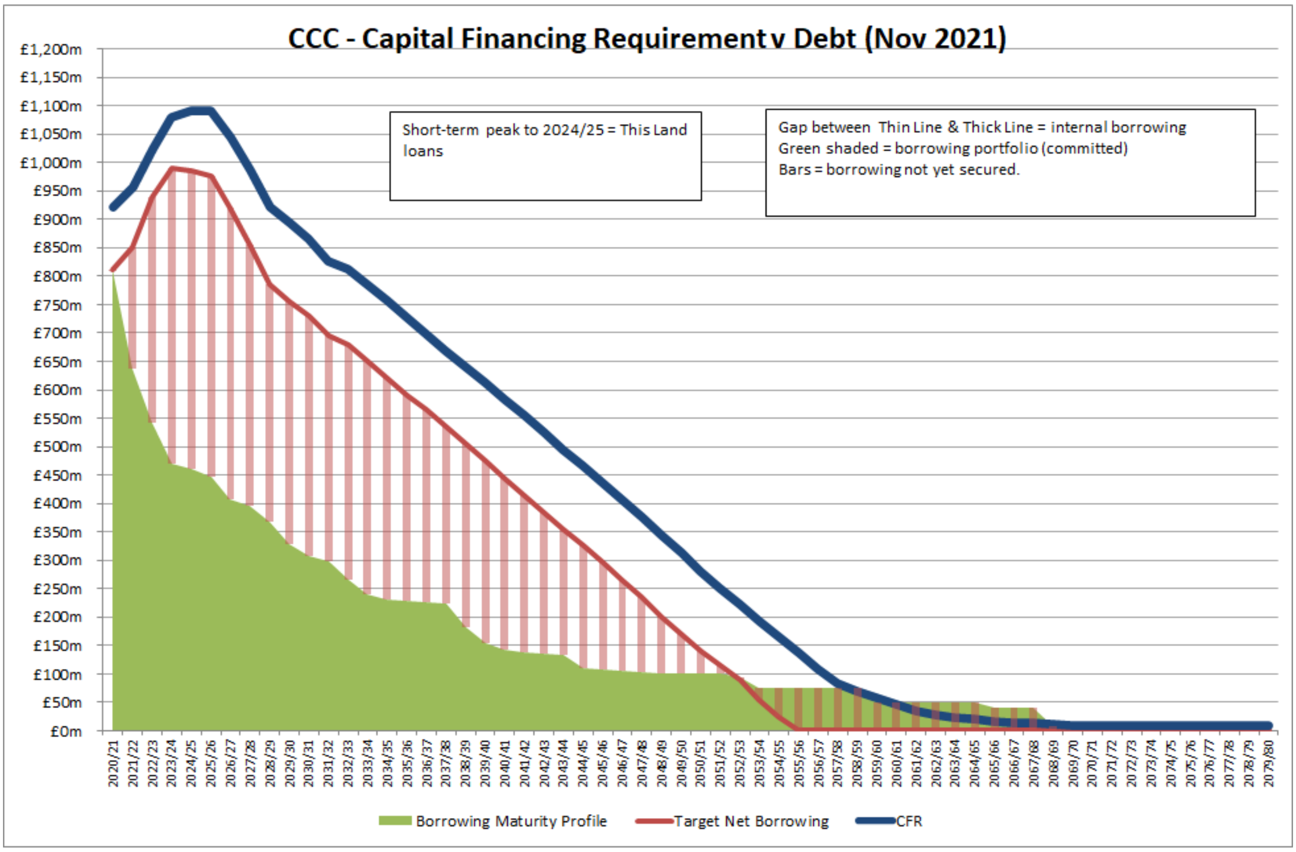
8.3 The Council is required by CIPFA's Prudential Code for Capital Finance in Local Authorities 2017 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, in November S&R Committee reviewed and recommended an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan to ensure that the level of borrowing arising from the capital programmes proposed by Service committees is prudential. Ultimately, if S&R Committee does not consider borrowing levels to be affordable and sustainable it has the option not to recommend the Business Plan to Council.

8.4 The table below sets out the current advisory limit on debt charges that S&R Committee confirmed in November is still appropriate. It is compared against the draft debt charges budget based on the capital programme being discussed by committees in December. As this work is ongoing with further revision to tables to be discussed in December and continuing review of interest rate forecasts, internal cash balances and Minimum revenue Provision charges, these figures are likely to change. Capital Programme Board have actively supported services in their review of the programme through consideration and challenge of updated Business Cases, with a view to reducing the revenue impact of the programme wherever possible.

Financing Costs	**2021-22 £m**	**2022-23 £m**	**2023-24 £m**	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**
2022-23 draft BP (net figures excluding Invest to Save / Earn schemes)	29.8	33.6	36.3	40.5	41.1	41.8
Recommend limit	39.7	40.5	41.3	42.2	43.0	43.9
HEADROOM	**-9.9**	**-6.9**	**-5.0**	**-1.6**	**-1.9**	**-2.0**
Recommend limit (3 years)	121.5			129.1		
HEADROOM (3 years)	**-21.8**			**-5.5**		

8.5 Whilst noting that the impact of the Invest to Save/Earn schemes is not included above, even though the debt charges limit is not breached, S&R Committee still has an obligation to ensure that the overall total level of debt remains affordable. The following table and chart show the proportion of net budget (excluding schools) that is forecast to be spent on debt charges, and the estimated increase in borrowing levels over the period of the 2022/23 plan. Maintaining the proportion of budget spent on debt charges at 2022/23's level (9.5%) would reduce the revenue cost of capital schemes but would require a reduction or rephasing of the draft capital programme.

	2022-23	2023-24	2024-25	2025-26	2025-26
Debt charges (including Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	9.5%	9.8%	10.4%	10.3%	10.0%
Debt charges (excluding Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	6.7%	6.4%	7.0%	7.3%	7.9%



8.6 An Investment Appraisal of each capital scheme (excluding schemes with 100% ring-fenced funding) is undertaken / revised as part of the Investment Proposal, which allows the scheme to be scored against a weighted set of criteria such as strategic fit, business continuity, joint working, investment payback and resource use. Schemes that are already committed (i.e., where the asset is already part constructed, or we have entered into a commitment to incur expenditure) are not subsequently scored; nor are schemes that are fully funded by non-borrowing resources.

8.7 This process allows schemes within and across all Services to be ranked and prioritised against each other, in light of the finite resources available to fund the overall Programme and in order to ensure the schemes included within the Programme are aligned to assist the Council with achieving its targeted outcomes. However, it should be noted that it is difficult to score many of the school schemes for use of non-borrowing funding, as the allocation of

Basic Need / Capital Maintenance grants and prudential borrowing is often arbitrary and could in theory be moved around.

8.8 The process and criteria used for prioritising schemes is due to be reconsidered over the coming months to bring it in line with the updated Strategic Framework and key priorities of the new administration, with the intention to have the new system fully operational for the next round of planning.

9 Treasury Management Strategy

9.1 The Treasury Management Strategy (Appendix 6) adheres to the following guidance and has been amended to ensure continued compliance:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 and Treasury Management Code 2017
- Central Government Local Authorities Investment Guidance
- Central Government Minimum Revenue Provision Guidance
- Public Works Loan Board (PWLB) Eligibility

9.2 CIPFA is currently consulting on a revised Prudential Code and Treasury Management Code, anticipated for implementation in 2023/24 Treasury Management Strategies. The proposed draft Codes contain some significant changes, including:

- A new objective for proportionate commercial investments
- Replaced paragraph on no borrowing in advance of need with a new requirement not to borrow to invest primarily for financial return
- Authorities with commercial financial investments who expect to borrow will have to provide an annual strategy to review options for exiting commercial investments
- New prudential indicator for net income from commercial and service investments as % of net revenue stream
- Revised definition of Investments (to include non-financial assets held primarily for financial return)

9.3 As part of the current guidance, the Council is required to approve Prudential Indicators for 2022/23 to 2026/27. These include indicators for the authorised limit and operational boundary for external borrowing, the cost of servicing debt as a percentage of net revenue and the Council's underlying borrowing requirement. Maximum principal sums invested for periods longer than 365 days, fixed and variable interest rate exposure and the maturity profile of debt are also reported.

9.4 An under borrowed position will be maintained throughout 2022/23. This means that borrowing is reduced through the use of cash balances, thereby keeping borrowing costs down. As a result, cash balances are generally low, and the level of loan debt is lower than it might otherwise be. However, loan debt is expected to rise significantly throughout the medium-term planning period as a direct result of capital investment.

9.5 The Council's planned approach to borrowing is a mixture of taking borrowing over short periods of time (1-3 years) at low rates of interest to generate revenue savings, whilst fixing out longer periods of financing whilst PWLB rates are low in order to spread the maturity profile over the next 50 years and reduce the amount of refinancing required on an annual basis. Should borrowing rates be forecast to rise significantly, the Council may lock further into borrowing at low rates for periods of up to 50 years.

9.6 The Council will continue to prioritise the security and liquidity of capital and achieve an investment return that is commensurate with these priorities. A prudent investment strategy is proposed, and external advice provides a guide on the creditworthiness of institutions. The majority of the Council's investments are in liquid instruments and shorter-term deposits with Money Market Funds and high credit quality banks. The Council has also invested money into Multi-Class Credit Funds, Infrastructure Funds, the CCLA Local Authority Property Fund and CCLA Diversified Income Fund as 3-to-5-year strategic treasury investments to generate additional interest income.

10. Next steps

10.1 The high-level timeline for business planning is shown in the table below.

January	Strategy and Resources Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

11. Alignment with corporate priorities

The purpose of the Business Plan is to consider and deliver the Council's vision and priorities and section 1 of this paper sets out how we aim to provide good public services and achieve better outcomes for communities, whilst also responding to the changing challenges of the pandemic. As the proposals are developed, they will consider the corporate priorities:

11.1 Communities at the heart of everything we do

11.2 A good quality of life for everyone

11.3 Helping our children learn, develop and live life to the full

11.4 Cambridgeshire: a well-connected, safe, clean, green environment

11.5 Protecting and caring for those who need us

12. Significant Implications

12.1 Resource Implications
The proposals set out the response to the financial context described in section 4 and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget will be described in the financial tables of the business plan. The proposals will seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

12.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for the proposals set out in this report. Any implications within specific proposals will be included within the individual business cases within Appendix 3.

12.3 Statutory, Legal and Risk Implications
The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our citizens.

12.4 Equality and Diversity Implications
Each business case will consider whether there are any impacts (positive or negative) to vulnerable, minority or protected groups and this information is included within each of the business cases in Appendix 3.

Full Equality Impact Assessments that will describe the impact of each proposal, in particular any disproportionate impact on vulnerable, minority and protected groups are being developed where identified / required and, if available, will be included with the relevant business cases (in Appendix 3). Where they are still in development, they will be included when business cases go to S&R Committee in January.

12.5 Engagement and Communications Implications
Our Business Planning proposals are informed by the CCC public consultation and will be discussed with a wide range of partners throughout the process. The feedback from consultation will continue to inform the refinement of proposals. Where this leads to significant amendments to the recommendations a report would be provided to Strategy and Resources Committee.

12.6 Localism and Local Member Involvement
As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. We are working with members on materials which will help them have conversations with Parish Councils, local residents, the voluntary sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.

12.7 Public Health Implications
We are working closely with Public Health colleagues as part of the operating model to ensure our emerging Business Planning proposals are aligned.

12.8 Environment and Climate Change Implications on Priority Areas
The climate and environment implications will vary depending on the detail of each of the proposals. The implications will be completed accordingly within each business case in Appendix 3.

Have the resource implications been cleared by Finance?
Yes
Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the CCC Head of Procurement?
Yes
Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?
Yes
Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?
Yes
Name of Officer: Beatrice Brown

Have any engagement and communication implications been cleared by Communications?
Yes
Name of Officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact?
Yes
Name of Officer: Julia Turner

Have any Public Health implications been cleared by Public Health?
Yes
Name of Officer: Jyoti Atri

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?
Yes
Name of Officer: Emily Bolton

13. Source Documents

Appendix 1a: Intro to Finance tables
Appendix 1b: CS Revenue Tables 1-3
Appendix 1c: CS Capital Tables 4&5

Appendix 2: Savings / Income Proposals

Appendix 3: MTFS Sections 1,6,9,10,12
Appendix 4: Capital Strategy
Appendix 5: Treasury Management Strategy

Appendix 1a – Introduction to the Finance Tables

In the full business plan, there are usually six finance tables. Tables 1-3 and 6 relate to revenue budgets, while tables 4 and 5 relate to capital budgets and funding.

At this stage of the business planning cycle, we produce tables 1-3 for revenue, along with the capital tables (4 and 5).

Table 1

This presents the net budget split by policy line for each of the five years of the Business Plan. It also shows the revised opening budget and the gross budget, together with fees, charges and ring-fenced grant income, for 2022-23 split by policy line. Policy lines are specific areas within a service on which we report, monitor and control the budget. The purpose of this table is to show how the net budget for a Service Area changes over the period of the Business Plan.

Table 2

This presents additional detail on the net budget for 2022-23 split by policy line. The purpose of the table is to show how the budget for each policy line has been constructed: inflation, demography and demand, pressures, investments and savings are added to the opening budget to give the closing budget.

Table 3

Table 3 explains in detail the changes to the previous year's budget over the period of the Business Plan, in the form of individual proposals. At the top it takes the previous year's gross budget and then adjusts for proposals, grouped together in sections, covering inflation, demography and demand, pressures, investments and savings to give the new gross budget. The gross budget is reconciled to the net budget in Section 7. Finally, the sources of funding are listed in Section 8. An explanation of each section is given below:

- **Opening Gross Expenditure:**
  The amount of money available to spend at the start of the financial year and before any adjustments are made. This reflects the final budget for the previous year.

- **Revised Opening Gross Expenditure:**
  Adjustments that are made to the base budget to reflect permanent changes in a Service Area. This is usually to reflect a transfer of services from one area to another.

- **Inflation:**
  Additional budget provided to allow for pressures created by inflation. These inflationary pressures are particular to the activities covered by the Service Area.

- **Demography and Demand:**
  Additional budget provided to allow for pressures created by demography and increased demand. These demographic pressures are particular to the activities covered by the Service Area. Demographic changes are backed up by a robust programme to challenge and verify requests for additional budget.

- **Pressures:**
  These are specific additional pressures identified that require further budget to support.

- **Investments:**
  These are investment proposals where additional budget is sought, often as a one-off request for financial support in a given year and therefore shown as a reversal where the funding is time limited (a one-off investment is not a permanent addition to base budget).

- **Savings:**
  These are savings proposals that indicate services that will be reduced, stopped or delivered differently to reduce the costs of the service. They could be one-off entries or span several years.

- **Total Gross Expenditure:**
  The newly calculated gross budget allocated to the Service Area after allowing for all the changes indicated above. This becomes the Opening Gross Expenditure for the following year.

- **Fees, Charges & Ring-fenced Grants:**
  This lists the fees, charges and grants that offset the Service Area's gross budget. The section starts with the carried forward figure from the previous year and then lists changes applicable in the current year.

- **Total Net Expenditure:**
  The net budget for the Service Area after deducting fees, charges and ring-fenced grants from the gross budget.

- **Funding Sources:**
  How the gross budget is funded – funding sources include cash limit funding (central Council funding from Council Tax, business rates and government grants), fees and charges, and individually listed ring-fenced grants.

Table 4

This presents a Service Area's capital schemes, across the ten-year period of the capital programme. The schemes are summarised by start year in the first table and listed individually, grouped together by category, in the second table. The third table identifies the funding sources used to fund the programme. These sources include prudential borrowing, which has a revenue impact for the Council.

Table 5

Table 5 lists a Service Area’s capital schemes and shows how each scheme is funded. The schemes are summarised by start year in the first table and listed individually, grouped together by category, in the second table.

Section 3 - C: Corporate and Managed Services

Table 1: Revenue - Summary of Net Budget by Operational Division

Budget Period: 2022-23 to 2026-27

Net Revised Opening Budget 2021-22 £000	Policy Line	Gross Budget 2022-23 £000	Fees, Charges & Ring-fenced Grants 2022-23 £000	Net Budget 2022-23 £000	Net Budget 2023-24 £000	Net Budget 2024-25 £000	Net Budget 2025-26 £000	Net Budget 2026-27 £000
	Customer & Digital Services							
416	Director, Customer & Digital Services	654	-232	422	422	422	422	422
130	Chief Executive	296	-3	293	293	293	293	293
716	Communication and Information	759	-28	731	731	731	731	731
2,034	Customer Services	2,444	-368	2,076	2,076	2,076	2,076	2,076
9,704	IT & Digital Service	11,316	-706	10,610	10,394	10,389	10,389	10,389
170	Elections	175	-	175	175	175	175	175
1,627	Human Resources	1,751	-96	1,655	1,655	1,655	1,655	1,655
181	Health, Safety & Wellbeing	298	-112	186	186	186	186	186
1,924	Learning & Development	2,318	-369	1,949	1,949	1,949	1,949	1,949
16,902	**Subtotal Customer & Digital Services**	**20,011**	**-1,914**	**18,097**	**17,881**	**17,876**	**17,876**	**17,876**
	Business Improvement & Development							
615	Policy, Design and Delivery	813	-141	672	672	672	2,354	2,354
1,043	Business Intelligence	1,367	-301	1,066	1,066	1,066	1,066	1,066
1,658	**Subtotal Business Improvement & Development**	**2,180**	**-442**	**1,738**	**1,738**	**1,738**	**3,420**	**3,420**
	Resources Directorate							
-226	Resources Directorate	1,090	-1,312	-222	-222	-222	-222	-222
1,840	Professional Finance	2,213	-331	1,882	1,882	1,882	1,882	1,882
613	Procurement	663	-41	622	622	622	622	622
388	CCC Finance Operations	487	-92	395	395	395	395	395
441	Audit	744	-304	440	440	440	440	440
2,276	Insurance	2,436	-	2,436	2,436	2,436	2,436	2,436
75	External Audit	75	-	75	75	75	75	75
1,629	Shared Services	2,563	-901	1,662	1,662	1,662	1,662	1,662
7,036	**Subtotal Resources Directorate**	**10,271**	**-2,981**	**7,290**	**7,290**	**7,290**	**7,290**	**7,290**
	Legal & Governance							
103	Legal & Governance Services	104	-	104	104	104	104	104
820	Information Management	852	43	895	895	895	895	895
326	Democratic & Member Services	432	-101	331	331	331	331	331
1,054	Members´ Allowances	1,008	-	1,008	1,008	1,008	1,008	1,008
2,303	**Subtotal Legal & Governance**	**2,396**	**-58**	**2,338**	**2,338**	**2,338**	**2,338**	**2,338**

Section 3 - C: Corporate and Managed Services

Table 1: Revenue - Summary of Net Budget by Operational Division

Budget Period: 2022-23 to 2026-27

Net Revised Opening Budget 2021-22 £000	Policy Line	Gross Budget 2022-23 £000	Fees, Charges & Ring-fenced Grants 2022-23 £000	Net Budget 2022-23 £000	Net Budget 2023-24 £000	Net Budget 2024-25 £000	Net Budget 2025-26 £000	Net Budget 2026-27 £000
	Corporate & Miscellaneous							
3,757	Central Services and Organisation-Wide Risks	2,665	-227	2,438	2,487	2,487	2,487	2,487
1,300	Investment in Social Care Capacity	-	-	-	-	-	-	-
110	Subscriptions	110	-	110	110	110	110	110
48	Authority-wide Miscellaneous	166	-118	48	48	48	48	48
1,429	Transformation Fund	1,118	-	1,118	92	-	-	-
-	Council Tax: Counter Fraud & Compliance	-	-650	-650	-650	-650	-650	-650
6,644	**Subtotal Corporate & Miscellaneous**	**4,059**	**-995**	**3,064**	**2,087**	**1,995**	**1,995**	**1,995**
	Investment Activity							
-3,544	Property Investments	3,826	-7,373	-3,547	-3,843	-4,009	-4,206	-4,379
-491	Shareholder Company Dividends & Fees	-30	-491	-521	-557	-557	-557	-557
-6,063	Housing Investment (This Land Company)	2,437	-8,500	-6,063	-6,063	-6,063	-6,063	-6,063
-201	Contract Efficiencies & Other Income	-199	-206	-405	-405	-605	-605	-605
-399	Collective Investment Funds	-	-420	-420	-420	-420	-420	-420
-119	Investments	266	-322	-56	-1,655	-2,405	-2,405	-2,405
-239	Renewable Energy Investments	1,617	-2,112	-495	-570	-621	-901	-1,060
-11,056	**Subtotal Investment Activity**	**7,917**	**-19,424**	**-11,507**	**-13,513**	**-14,680**	**-15,157**	**-15,489**
	Property Services							
5,174	Facilities Management	7,763	-2,175	5,588	5,586	5,268	5,052	5,049
799	Property Services	1,022	-	1,022	1,022	1,022	1,022	1,022
205	Property Compliance	263	-57	206	206	206	206	206
-4,329	County Farms	865	-5,367	-4,502	-4,628	-4,757	-4,889	-5,024
702	Strategic Assets	780	-65	715	715	715	715	715
2,551	**Subtotal Property Services**	**10,693**	**-7,664**	**3,029**	**2,901**	**2,454**	**2,106**	**1,968**

Section 3 - C: Corporate and Managed Services

Table 1: Revenue - Summary of Net Budget by Operational Division

Budget Period: 2022-23 to 2026-27

Net Revised Opening Budget 2021-22 £000	Policy Line	Gross Budget 2022-23 £000	Fees, Charges & Ring-fenced Grants 2022-23 £000	Net Budget 2022-23 £000	Net Budget 2023-24 £000	Net Budget 2024-25 £000	Net Budget 2025-26 £000	Net Budget 2026-27 £000
	Greater Cambridge Partnership							
-	City Deal with Greater Cambridge Partnership	1,682	-1,682	-	-	-	-	-
-	**Subtotal Greater Cambridge Partnership**	**1,682**	**-1,682**	**-**	**-**	**-**	**-**	**-**
-	**UNIDENTIFIED SAVINGS TO BALANCE BUDGET**	**-15,216**	-	**-15,216**	**-39,600**	**-61,517**	**-79,110**	**-96,308**
	Future Years							
-	Inflation				750	1,522	2,326	3,172
26,038	**CS BUDGET TOTAL**	**43,993**	**-35,160**	**8,833**	**-18,128**	**-40,984**	**-56,916**	**-73,738**

Section 3 - C: Corporate and Managed Services

Table 2: Revenue - Net Budget Changes by Operational Division
Budget Period: 2022-23

Policy Line	Net Revised Opening Budget £000	Net Inflation £000	Demography & Demand £000	Pressures £000	Investments £000	Savings & Income Adjustments £000	Net Budget £000
Customer & Digital Services							
Director, Customer & Digital Services	416	6	-	-	-	-	422
Chief Executive	130	2	-	155	-	6	293
Communication and Information	716	15	-	-	-	-	731
Customer Services	2,034	42	-	-	-	-	2,076
IT & Digital Service	9,704	104	-	802	-	-	10,610
Elections	170	5	-	-	-	-	175
Human Resources	1,627	28	-	-	-	-	1,655
Health, Safety & Wellbeing	181	5	-	-	-	-	186
Learning & Development	1,924	25	-	-	-	-	1,949
Subtotal Customer & Digital Services	**16,902**	**232**	**-**	**957**	**-**	**6**	**18,097**
Business Improvement & Development							
Policy, Design and Delivery	615	57	-	-	-	-	672
Business Intelligence	1,043	23	-	-	-	-	1,066
Subtotal Business Improvement & Development	**1,658**	**80**	**-**	**-**	**-**	**-**	**1,738**
Resources Directorate							
Resources Directorate	-226	4	-	-	-	-	-222
Professional Finance	1,840	42	-	-	-	-	1,882
Procurement	613	9	-	-	-	-	622
CCC Finance Operations	388	7	-	-	-	-	395
Audit	441	-1	-	-	-	-	440
Insurance	2,276	160	-	-	-	-	2,436
External Audit	75	-	-	-	-	-	75
Shared Services	1,629	33	-	-	-	-	1,662
Subtotal Resources Directorate	**7,036**	**254**	**-**	**-**	**-**	**-**	**7,290**
Legal & Governance							
Legal & Governance Services	103	1	-	-	-	-	104
Information Management	820	19	-	56	-	-	895
Democratic & Member Services	326	5	-	-	-	-	331
Members´ Allowances	1,054	-	-	-	-	-46	1,008
Subtotal Legal & Governance	**2,303**	**25**	**-**	**56**	**-**	**-46**	**2,338**

Section 3 - C: Corporate and Managed Services

Table 2: Revenue - Net Budget Changes by Operational Division
Budget Period: 2022-23

Policy Line	Net Revised Opening Budget £000	Net Inflation £000	Demography & Demand £000	Pressures £000	Investments £000	Savings & Income Adjustments £000	Net Budget £000
Corporate & Miscellaneous							
Central Services and Organisation-Wide Risks	3,757	-	-	-1,470	-	151	2,438
Investment in Social Care Capacity	1,300	-	-	-	-1,300	-	-
Subscriptions	110	-	-	-	-	-	110
Authority-wide Miscellaneous	48	-	-	-	-	-	48
Transformation Fund	1,429	-	-	-	-311	-	1,118
Council Tax: Counter Fraud & Compliance	-	-	-	-	-	-650	-650
Subtotal Corporate & Miscellaneous	**6,644**	**-**	**-**	**-1,470**	**-1,611**	**-499**	**3,064**
Investment Activity							
Property Investments	-3,544	1	-	-	-35	31	-3,547
Shareholder Company Dividends & Fees	-491	-	-	-30	-	-	-521
Housing Investment (This Land Company)	-6,063	-	-	-	-	-	-6,063
Contract Efficiencies & Other Income	-201	-4	-	-	-	-200	-405
Collective Investment Funds	-399	-	-	-	-	-21	-420
Investments	-119	5	-	-	-	58	-56
Renewable Energy Investments	-239	-	-	743	-10	-989	-495
Subtotal Investment Activity	**-11,056**	**2**	**-**	**713**	**-45**	**-1,121**	**-11,507**
Property Services							
Facilities Management	5,174	269	-	182	-	-37	5,588
Property Services	799	14	-	209	-	-	1,022
Property Compliance	205	1	-	-	-	-	206
County Farms	-4,329	78	-	-	-	-251	-4,502
Strategic Assets	702	13	-	-	-	-	715
Subtotal Property Services	**2,551**	**375**	**-**	**391**	**-**	**-288**	**3,029**
Greater Cambridge Partnership							
City Deal with Greater Cambridge Partnership	-	-	-	-	-	-	-
Subtotal Greater Cambridge Partnership	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CS BUDGET TOTAL	**26,038**	**968**	**-**	**647**	**-1,656**	**-1,948**	**24,049**

Section 3 - C: Corporate and Managed Services

Table 3: Revenue - Overview
Budget Period: 2022-23 to 2026-27

Ref	Title	2022-23 £000 (Detailed Plans)	2023-24 £000 (Outline Plans)	2024-25 £000 (Outline Plans)	2025-26 £000 (Outline Plans)	2026-27 £000 (Outline Plans)	Description	Committee
1	**OPENING GROSS EXPENDITURE**	**62,171**	**43,993**	**20,856**	**54**	**-15,046**		
C/R.1.001	Permanent Virements and budget preparation adjustments	-	-	-	-	-	Virements approved by Strategy and Resources committee in July 2021.	S&R
C/R.1.001	Base adjustment - ICT Service (Education) from CS to P&C	200	-	-	-	-	Base adjustment - ICT Service (Education) from CS to P&C	S&R
C/R.1.001	Permanent Virement - PVs	-3,327	-	-	-	-	Increase in expenditure budgets (compared to published 2021-26 Business Plan) as advised during the budget preparation period and permanent in-year changes made during 2021-22.	S&R
C/R.1.007	Base funding for the teams funded by capital receipts	-	-	-	1,682	-	We can currently fund some posts from capital receipts if they are undertaking work that results in transformation of services. The rules that enable this are expected to expire in 2025-26 and so these teams will need base budget.	S&R
1.999	**REVISED OPENING GROSS EXPENDITURE**	**59,044**	**43,993**	**20,856**	**1,736**	**-15,046**		
2	**INFLATION**							
C/R.2.001	Inflation	1,036	850	879	918	968	Inflation for corporate services budgets	S&R
2.999	**Subtotal Inflation**	**1,036**	**850**	**879**	**918**	**968**		
3	**DEMOGRAPHY AND DEMAND**							
3.999	**Subtotal Demography and Demand**	**-**	**-**	**-**	**-**	**-**		
4	**PRESSURES**							
C/R.4.001	Repatriation of LGSS services	-500	-	-	-	-	Phased reversal of temporary funding to cover the transition of services back into the Council from LGSS.	S&R
C/R.4.018	IT - Continued Remote Working	-189	-189	-	-	-	Costs of data and licenses increased during the pandemic with more staff working remotely. This cost was expected to be partly temporary and this line is the phased reversal of this short-term funding. If a higher level of remote working continues into next year the cost will remain high.	S&R
C/R.4.021	IT - Microsoft Enterprise Agreement	167	114	-	-	-	Cambridgeshire County Council uses Microsoft software extensively across all services. The Council is licensed to do so under the terms of its Microsoft Enterprise Agreement, which was renewed last year and the cost of the new contract increased. Following the migration to Office 365 and reviewing the strategic requirements of the organisation in areas such as reporting (PowerBI) and automation (Power Apps) additional licences are required at an additional cost.	S&R
C/R.4.022	Information Management	56	-	-	-	-	Increase in permanent staffing is required to meet our obligations and maintain compliance.	S&R
C/R.4.025	Pandemic risks provision	-1,200	-600	-	-	-	Phased reversal of temporary funding intended to mitigate against risks during the pandemic.	S&R

Section 3 - C: Corporate and Managed Services

Table 3: Revenue - Overview
Budget Period: 2022-23 to 2026-27

Ref	Title	Detailed Plans 2022-23 £000	Outline Plans 2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Description	Committee
C/R.4.026	Chief Executive	155	-	-	-	-	Increased costs resulting from the decision to have a dedicated Chief Executive for Cambridgeshire	S&R
C/R.4.027	IT - Systems	-32	189	-5	-	-	There are emerging requirements for additional modules in existing systems to meet new requirements and planned projects in services. There may also be a period of dual running of systems in the Education space as services are migrated from one to the other.	S&R
C/R.4.028	IT - Telephony	76	-	-	-	-	Estimating for the increase expected in Telephony support.	S&R
C/R.4.029	IT - Hardware & Infrastructure	730	-380	-	-	-	In order to ensure fit for purpose laptops for staff and members it is anticipated thata significant number of devices will need to be replaced in the next 18 months. We need to increase the core infrastructure budget due to an ongoing pressure and for the higher costs associated with the impact of infrastructure services such as backup, cyber security moving to the cloud.	S&R
C/R.4.030	IT - Shared Health Care Record	50	50	-	-	-	This is the estimated revenue costs to CCC for funding towards the Cambridgeshire & Peterborough Shared Health Care Record.	S&R
C/R.4.031	Property Services	209	-	-	-	-	Additional resource required for staff, to support the property service improvement plan.	S&R
C/R.4.032	Pathfinder Legal Services dividend expectation	-30	-36	-	-	-	Pathfinder Legal Services (formerly) LGSS Law Ltd was in deficit in 2017-18 and 2018-19, and the company has retained losses as result. Following significant changes including improvements in fee earner utilisation and in management and direction, the company has returned to profitability in 2020. This line reflects that a dividend is likely to be payable. The primary financial purpose of the company is to provide cost effective services, which is achieved through fees, rather than the delivery of dividend.	S&R
C/R.4.033	Stanground Closed Landfill Site - operating costs	-	-	120	3	3	The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. These are the expected operating costs.	S&R
C/R.4.034	Renewable Energy - Soham	40	6	6	-	-	Operating costs associated with the capital investment in Renewable Energy, at the Soham Solar Farm. Links to capital proposal C/C.2.102 in BP 2016-17.	E&GI
C/R.4.035	Alconbury Solar Carport - operating costs	4	-2	2	-3	-	The proposal is to construct a series of four solar canopies over the car park, which will generate electricity that will be used to charge electric vehicles (EVs) on site and that can be used directly by the building to offset the use of grid electricity.	S&R
C/R.4.036	Swaffham Prior Community Heat Project - operating costs	290	36	30	-55	34	The Council will contract directly to build an energy centre in Swaffham Prior. This will use ground source and air source heat pumps to provide heat to a heat network. The heat network will contract via a wholly owned SPV, which is funded by a mixture of grant from HNIP and direct grant from CCC. The network is intended to provide heat to some 300 houses in Swaffham Prior. The electricity for the heat pumps will mainly come from North Angle Solar Farm via a private wire connection. These are the operating costs for project.	S&R

Section 3 - C: Corporate and Managed Services

Table 3: Revenue - Overview

Budget Period: 2022-23 to 2026-27

Ref	Title	2022-23 £000 (Detailed Plans)	2023-24 £000 (Outline Plans)	2024-25 £000 (Outline Plans)	2025-26 £000 (Outline Plans)	2026-27 £000 (Outline Plans)	Description	Committee
C/R.4.037	North Angle Solar Farm, Soham - operating costs	413	-16	10	11	11	The proposal is to construct a 39MW DC / 29.4MW AC solar farm on an area of approximately 200 acres of Rural Estate property in Soham. Members approved the progression of the project from the initial outline business case to the development of an Investment Grade Proposal.	S&R
C/R.4.038	New Shire Hall	178	-	-	-	-	A budget increase is required for the annual maintenance and operational costs associated with the new site.	S&R
C/R.4.039	Increase in National Insurance - Council Staff	230	-	-	-	-	Impact of increase in employers' national insurance payments for staff in corporate services	S&R
4.999	**Subtotal Pressures**	**647**	**-828**	**163**	**-44**	**48**		
5	**INVESTMENTS**							
C/R.5.002	Demand risk in social care	-1,300	-	-	-	-	This is the planned reversal of short-term funding provided to mitigate the risk in delivering stretch savings-targets in social care through 2020/21 and 2021/22.	S&R
C/R.5.005	Renewable Energy Soham - Interest Costs	-10	-9	-10	-	-	The Council has invested in building a solar park at Triangle Farm, Soham. These are the borrowing costs associated with the scheme to be repaid using income from the sale of energy.	E&GI
C/R.5.006	St Ives Smart Energy Grid - Interest Costs	-	321	-2	-3	-3	The Council is building a Smart Energy Grid at St Ives Park & Ride site, capital project reference F/C.2.118. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	S&R
C/R.5.007	Babraham Smart Energy Grid - Interest Costs	-	300	-3	-3	-4	The Council is building a Smart Energy Grid at the Babraham Park & Ride site, capital project reference F/C.2.119. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	S&R
C/R.5.008	Stanground Closed Landfill Site - Interest Costs	-	-	434	-4	-5	The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy and provision of grid services.	S&R
C/R.5.009	North Angle Solar Farm, Soham - Interest Costs	-	1,306	-15	-15	-15	The Council is installing a solar park facility at North Angle Farm, Soham, capital project reference F/C.2.123. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	S&R
C/R.5.010	Commercial Investments - Interest Costs	-35	-35	-35	-35	-35	The Council is developing a portfolio of commercial property investments. These are the associated borrowing costs to be repaid using rental income generated from the leases of these properties.	S&R
C/R.5.011	Swaffham Prior Community Heat Scheme - Interest Costs	-	368	-4	-3	-4	These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of carbon credits.	S&R

Section 3 - C: Corporate and Managed Services

Table 3: Revenue - Overview
Budget Period: 2022-23 to 2026-27

Ref	Title	Detailed Plans 2022-23 £000	Outline Plans 2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Description	Committee
C/R.5.108	Financing the Energy Investment Unit	-224	-	-	-	-	Planned reversal of temporary transformation funded scheme. Ongoing funding of this service is being explored.	S&R
C/R.5.110	Home to Schools and Adults Social Care Transport	-71	-	-	-	-	Planned reversal of temporary transformation funded scheme.	S&R
C/R.5.114	Increase in Financial Assessment Team capacity	-64	-	-	-	-	Planned reversal of temporary transformation funded scheme.	S&R
C/R.5.115	Think Communities - Creating a Unified Approach	370	-1,028	-	-	-	Ongoing transformation fund scheme through to 2023/24. Investment in our approach to Think Communities, sustaining the infrastructure that has been developed during the pandemic, subject to consideration by the September GPC.	S&R
C/R.5.116	Cambridgeshire Lifeline Project	-31	-	-	-	-	Planned reversal of temporary transformation funded scheme	S&R
C/R.5.117	Micro-Enterprise Development Pilot	-60	-	-	-	-	Planned reversal of temporary transformation funded scheme	S&R
C/R.5.119	Development of an Asset-Based Area Approach to Commissioning and Delivery	2	2	-92	-	-	Ongoing transformation funded scheme through to 2024/25. Development of a sustainable model of community-based care and support for adults using an Asset-Based Area approach to commissioning and delivery. The project aims to delay demand for long term adult social care and improve outcomes for adults with care and support needs in the community.	S&R
C/R.5.120	Adult Social Care Transport	-70	-	-	-	-	Planned reversal of temporary transformation funded scheme	S&R
C/R.5.121	LGA Behavioural Insights Programme 2021-22	-20	-	-	-	-	Planned reversal of temporary transformation funded scheme	S&R
C/R.5.901	Reversal of 18-19 Transformation Fund Investments	-143	-	-	-	-	Transformation funded projects are provided with investments for 1-3 years in order to deliver ongoing savings. This is the reversal of the investment for schemes funded in 2018-19. It is anticipated that further transformation funds will come through for funding in 2019-20.	S&R
5.999	**Subtotal Investments**	**-1,656**	**1,225**	**273**	**-63**	**-66**		
6	**SAVINGS**							
	S&R							
C/R.6.104	Reduction in staff mileage	378	-	-	-	-	This is the planned reversal of a temporary saving in staff mileage taken during the period where working from home predominated. While this saving was expected to be short-term, we will review whether more of a permanent saving can be taken.	S&R
C/R.6.105	Members Allowance	-40	-	-	-	-	Revised budget for the new scheme approved for Members' Allowances.	S&R
C/R.6.106	Contract Savings	-200	-	-200	-	-	The ability to renegotiate or procure to achieve contracual savings is likely to remain compromised in 2021, with recovery in 2022.	S&R
6.999	**Subtotal Savings**	**138**	**-**	**-200**	**-**	**-**		

Section 3 - C: Corporate and Managed Services

Table 3: Revenue - Overview
Budget Period: 2022-23 to 2026-27

Ref	Title	Detailed Plans 2022-23 £000	Outline Plans 2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Description	Committee
	UNIDENTIFIED SAVINGS TO BALANCE BUDGET	-15,216	-24,384	-21,917	-17,593	-17,198		
	TOTAL GROSS EXPENDITURE	**43,993**	**20,856**	**54**	**-15,046**	**-31,294**		
7	**FEES, CHARGES & RING-FENCED GRANTS**							
C/R.7.001	Previous year's fees, charges & ring-fenced grants	-36,682	-35,160	-38,982	-41,036	-41,868	Previous year's fees and charges for the provision of services and ring-fenced grant funding rolled forward.	S&R
C/R.7.002	Changes to fees and charges from previous year	3,676	-	-	-	-	Adjustment for permanent changes to income expectation from decisions made in 2021-22.	S&R
C/R.7.002	Changes to Fees and Charges from previous years	-	-	-	-	-	Changes to Fees and Charges from previous years.	S&R
C/R.7.003	Fees and charges inflation	-68	-100	-107	-114	-122	Uplift in external charges to reflect inflation pressures on the costs of services.	S&R
	Changes to fees & charges							
C/R.7.101	Council Tax: Counter Fraud & Compliance	-650	-	-	-	-	We will seek to work with Cambridgeshire District Councils to develop a joint action plan to increase the Council tax collected in Cambridgeshire. We will invest in more effective identification of fraudulent or incorrectly claimed Council tax discounts and in compliance activity to ensure residents are paying the correct levels of Council tax. We will establish a gain sharing mechanism to ensure that extra income generated as a result of the scheme is shared fairly between District Councils and the County Council.	S&R
C/R.7.104	Alconbury Solar Carport - Income Generation	-37	-	-1	-1	-3	The proposal is to construct a series of four solar canopies over the car park, which will generate electricity that will be used to charge electric vehicles (EVs) on site and that can be used directly by the building to offset the use of grid electricity.	S&R
C/R.7.105	Renewable Energy Soham - Income Generation	-13	-14	-13	-	-	Income generation resulting from capital investment in solar farm at Soham. Links to capital proposal C/C.2.102 in BP 2016-17.	E&GI
C/R.7.106	St Ives Smart Energy Grid - Income Generation	-	-117	-5	-6	-6	The Council is building a Smart Energy Grid at St Ives Park & Ride site, capital project reference F/C.2.118. This is the expected income to be generated from the sale of energy.	S&R
C/R.7.107	Babraham Smart Energy Grid - Income Generation	-	-351	-3	-9	28	The Council is building a Smart Energy Grid at the Babraham Park & Ride site, capital project reference F/C.2.119. This is the expected income to be generated from the sale of energy.	S&R
C/R.7.108	Stanground Closed Landfill Site - Income Generation	-	-	-510	-23	-24	The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. This is the expected income to be generated from the sale of energy and provision of grid services.	S&R
C/R.7.109	North Angle Solar Farm, Soham - Income Generation	-678	-1,629	-51	-53	-54	The Council is installing a solar park facility at North Angle Farm, Soham, capital project reference F/C.2.123. This is the expected income to be generated from the sale of energy.	S&R

Section 3 - C: Corporate and Managed Services

Table 3: Revenue - Overview
Budget Period: 2022-23 to 2026-27

Ref	Title	2022-23 £000 (Detailed Plans)	2023-24 £000 (Outline Plans)	2024-25 £000 (Outline Plans)	2025-26 £000 (Outline Plans)	2026-27 £000 (Outline Plans)	Description	Committee
C/R.7.110	Swaffham Prior Community Heat Scheme - Income Generation	-298	-274	-35	-120	-121	This is the expected income to be generated from the sale of carbon credits.	S&R
C/R.7.111	Commercial Income	-500	-750	-750	-	-	Commercial return from the Council's Commercial Strategy, to be generated by the newly developed Commercial Team.	E&GI
C/R.7.115	Brunswick House - Income Generation	-27	-70	-62	-65	-65	Estimated annual rent increase.	S&R
C/R.7.116	Cromwell Leisure - Income Generation	129	-94	-	-	-	Estimated change in annual rent, including one vacant unit in 22-23.	S&R
C/R.7.117	Tesco - Income Generation	29	-52	-53	-54	-56	Estimated annual change in rent income	S&R
C/R.7.118	Evolution Business Park - Income Generation	8	-29	-16	-43	-17	Estimated annual change in rent income	S&R
C/R.7.119	Independent Living Service: East Cambridgeshire	-	-	-319	-212	-	Rent received from the lease of the new building.	S&R
C/R.7.120	County Farms -Agricultural Rent	-45	-126	-129	-132	-136	Increase expected in rental income for the county farms estate.	S&R
C/R.7.150	COVID Impact - Cromwell Leisure	-108	-16	-	-	-	Cromwell Leisure consists of a cinema and three restaurant units. Almost a full recovery is expected in 2022. We anticipate that we will receive a reduction in rent from the cinema unit in the first part of the year.	S&R
C/R.7.151	COVID Impact - County Farms	-205	-	-	-	-	The reduction on rental income due to COVID is expected, with full recovery in 2022-23.	S&R
C/R.7.152	COVID Impact - Pooled Property Fund Investment	-21	-	-	-	-	The Pooled Property Fund Investment (CCLA) is expected to start recovery in late 2020-21, but with the risk of further challenges ahead a forecast of 5% income reduction is likely.	S&R
C/R.7.153	COVID Impact - Brunswick House	-	-	-	-	-	Brunswick House (BH) has 251 direct let student beds. This scenario is forecastinga 10% reduction in the occupancy levelsindue the fact that some students will stay at home and opt for online learning and a drop in international student numbers is expected.	S&R
C/R.7.154	COVID Impact - Commercial Income	558	-849	-	-	-	For the additional income expected across the Commercial Strategy, based on the current funds for investments, we forecast that the 2021-22 & 2022-23 target will be achieved in full by 2023-24.	S&R
	Changes to ring-fenced grants							
C/R.7.201	Change in Public Health Grant	-228	649	-	-	-	Change in ring-fenced Public Health grant to reflect expected contribution from Public Health to budget gap, and thereafter the expected removal of the grant ringfence.	S&R
7.999	**Subtotal Fees, Charges & Ring-fenced Grants**	**-35,160**	**-38,982**	**-41,036**	**-41,868**	**-42,444**		
	TOTAL NET EXPENDITURE	**8,833**	**-18,126**	**-40,982**	**-56,914**	**-73,738**		

Section 3 - C: Corporate and Managed Services

Table 3: Revenue - Overview

Budget Period: 2022-23 to 2026-27

Ref	Title	2022-23 £000 (Detailed Plans)	2023-24 £000 (Outline Plans)	2024-25 £000 (Outline Plans)	2025-26 £000 (Outline Plans)	2026-27 £000 (Outline Plans)	Description	Committee
FUNDING SOURCES								
8	**FUNDING OF GROSS EXPENDITURE**							
C/R.8.001	Budget Allocation	-8,833	18,126	40,982	56,914	73,738	Net budget balance of Corporate Services.	S&R
C/R.8.002	Public Health Grant	-649	-	-	-	-	Funding transferred to Service areas where the management of Public Health functions will be undertaken by other County Council officers, rather than directly by the Public Health Team.	S&R
C/R.8.003	Fees & Charges	-33,729	-38,200	-40,254	-41,086	-41,662	Fees and charges for the provision of services.	S&R
C/R.8.004	Arts Council Funding	-782	-782	-782	-782	-782	Ring-fenced grant from the Arts Council to part-fund Cambridgeshire Music.	S&R
8.999	**TOTAL FUNDING OF GROSS EXPENDITURE**	**-43,993**	**-20,856**	**-54**	**15,046**	**31,294**		

Section 3 - C: Corporate and Managed Services
Table 4: Capital Programme
Budget Period: 2022-23 to 2031-32

Summary of Schemes by Start Date	Total Cost £000	Previous Years £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Later Years £000
Ongoing	1,887	2,307	-2,298	154	394	730	800	-200
Committed Schemes	197,800	168,192	12,065	2,161	2,032	350	-	13,000
2021-2022 Starts	2,910	128	1,692	1,090	-	-	-	-
2022-2023 Starts	1,841	-	1,841	-	-	-	-	-
TOTAL BUDGET	**204,438**	**170,627**	**13,300**	**3,405**	**2,426**	**1,080**	**800**	**12,800**

Ref	Scheme	Description	Linked Revenue Proposal	Scheme Start	Total Cost £000	Previous Years £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Later Years £000	Committee
C/C.01	**Corporate Services & Transformation**												
C/C.1.006	Data Centre Relocation	Removal and relocation/transformation of all IT infrastructure & Systems from Shire Hall Data Centre prior to disposal of the site.		Committed	5,408	3,408	2,000	-	-	-	-	-	S&R
C/C.1.007	IT Strategy	Implementation of the first phase of the IT Strategy to support sharing of services across Cambridgeshire and Peterborough. To include: - CRM and Digital - Shared Data - Shared Infrastructure - Office 365		Committed	3,259	1,760	1,499	-	-	-	-	-	S&R
C/C.1.008	IT Infrastructure Refresh	Upgrades/refresh of the core CCC IT systems that underpin use of IT across the Council. This essential work will ensure that the critical IT Infrastructure continues to be fit for purpose and supports changes in technology and business requirements		Committed	674	462	106	106	-	-	-	-	S&R
C/C.1.009	Capitalisation of Policy, Design and Delivery Team	Funding the Policy, Design and Delivery Team from capital instead of revenue, by using the flexibility of capital receipts direction.		Committed	12,632	7,586	1,682	1,682	1,682	-	-	-	S&R
C/C.1.010	IT Education System Replacement	This programme gathers the system information workflows across the Education Directorate, including the student journey and the touch points across the teams. With a myriad of systems in use there is a business challenge in maintaining consistent, accurate data, especially within shared data sets. Where the current systems are identified as not fit for purpose in supporting education services, the projects under the Education Systems Programme will then procure and implement the most suitable IT system solution, ensuring that separate reporting for both authorities is preserved.		2021-22	2,460	70	1,300	1,090	-	-	-	-	S&R
	Total - Corporate Services & Transformation				**24,433**	**13,286**	**6,587**	**2,878**	**1,682**	**-**	**-**	**-**	

Section 3 - C: Corporate and Managed Services

Table 4: Capital Programme

Budget Period: 2022-23 to 2031-32

Ref	Scheme	Description	Linked Revenue Proposal	Scheme Start	Total Cost £000	Previous Years £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Later Years £000	
C/C.02	**Investments**												
C/C.2.001	Housing schemes	The Council is a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. CCC has moved from being not only a seller of sites, but also a developer of sites, through a Housing Company. CCC is continuing to make the best use of its sites with development potential in a co-ordinated and planned manner, developing them for a range of options, generating capital receipts to support site development and also significant revenue and capital income to support services and communities.		Committed	155,171	136,071	6,100	-	-	-	-	13,000	S&R
C/C.2.002	Development Funding	Capital expenditure related to planning applications.		Committed	1,788	388	350	350	350	350	-	-	S&R
	Total - Investments				**156,959**	**136,459**	**6,450**	**350**	**350**	**350**	**-**	**13,000**	
C/C.03	**Property Services**												
C/C.3.003	Building Maintenance	This budget is used to carry out replacement of failed elements and maintenance refurbishments.		Ongoing	6,707	1,907	600	600	600	600	600	1,800	S&R
C/C.3.004	Condition Survey Works	Condition surveys have reviewed the structural, M&E and internal finishes of corporate buildings. The surveys are reviewed by the Property Services team to determine priority and criticality. Indicative costs are applied to each element of work. The scheme intends to make the necessary repairs to bring buildings back to a decent standard, taking into account statutory requirements, property H&S and compliance.		2022-23	1,841	-	1,841	-	-	-	-	-	S&R
	Total - Property Services				**8,548**	**1,907**	**2,441**	**600**	**600**	**600**	**600**	**1,800**	
C/C.04	**Strategic Assets**												
C/C.4.006	County Farms investment (Viability)	To invest in projects which protect and improve the County Farms Estate's revenue potential, asset value and long term viability.		Ongoing	2,700	300	300	300	300	300	300	900	S&R
C/C.4.007	Local Plans - representations	Making representations to Local Plans and where appropriate following through to planning applications with a view to adding value to County Farms and other Council land, whilst meeting Council objectives through the use / development of such land.		Ongoing	900	100	100	100	100	100	100	300	S&R
C/C.4.009	Shire Hall Relocation	As part of the Cambs 2020 vision, the Council plans to vacate Shire Hall and relocate to outside of Cambridge.	TBC	Committed	18,737	18,517	220	-	-	-	-	-	S&R

Section 3 - C: Corporate and Managed Services
Table 4: Capital Programme
Budget Period: 2022-23 to 2031-32

Ref	Scheme	Description	Linked Revenue Proposal	Scheme Start	Total Cost £000	Previous Years £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Later Years £000	
C/C.4.010	Mill Farmhouse, Somersham	The scheme proposal is to demolish the existing house which has been deemed structurally beyond economical repair and to replace it with a new dwelling.		2021-22	450	58	392	-	-	-	-	-	**S&R**
	Total - Strategic Assets				**22,787**	**18,975**	**1,012**	**400**	**400**	**400**	**400**	**1,200**	
C/C.06	**Capital Programme Variation**												
C/C.6.001	Variation Budget	The Council includes a service allowance for likely Capital Programme slippage, as it can sometimes be difficult to allocate this to individual schemes due to unforeseen circumstances. This budget is continuously under review, taking into account recent trends on slippage on a service by service basis.		Ongoing	-8,420	-	-3,298	-846	-606	-270	-200	-3,200	**S&R**
C/C.6.002	Capitalisation of Interest Costs	The capitalisation of borrowing costs helps to better reflect the costs of undertaking a capital project. Although this budget is initially held on a service basis, the funding will ultimately be moved to the appropriate schemes once exact figures have been calculated each year.		Committed	131	-	108	23	-	-	-	-	**S&R**
	Total - Capital Programme Variation				**-8,289**	**-**	**-3,190**	**-823**	**-606**	**-270**	**-200**	**-3,200**	
	TOTAL BUDGET				**204,438**	**170,627**	**13,300**	**3,405**	**2,426**	**1,080**	**800**	**12,800**	

Funding	Total Funding £000	Previous Years £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	Later Years £000
Government Approved Funding								
Total - Government Approved Funding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Locally Generated Funding								
Capital Receipts	31,851	5,851	-	2,000	2,000	2,000	2,000	18,000
Prudential Borrowing	18,144	29,648	7,068	61	-917	-920	-1,200	-15,596
Prudential Borrowing (Repayable)	8,781	114,202	4,880	-	-	-	-34,329	-75,972
Ring-Fenced Capital Receipts	11,625	7,586	1,352	1,344	1,343	-	-	-
Other Contributions	134,037	13,340	-	-	-	-	34,329	86,368
Total - Locally Generated Funding	**204,438**	**170,627**	**13,300**	**3,405**	**2,426**	**1,080**	**800**	**12,800**
TOTAL FUNDING	**204,438**	**170,627**	**13,300**	**3,405**	**2,426**	**1,080**	**800**	**12,800**

Section 3 - C: Corporate and Managed Services

Table 5: Capital Programme - Funding

Budget Period: 2022-23 to 2031-32

Summary of Schemes by Start Date	Total Funding £000	Grants £000	Develop. Contr. £000	Other Contr. £000	Capital Receipts £000	Prud. Borr. £000
Ongoing	1,887	-	-	-2,604	14,993	-10,502
Committed Schemes	197,800	-	-	146,641	18,483	32,676
2021-2022 Starts	2,910	-	-	-	-	2,910
2022-2023 Starts	1,841	-	-	-	-	1,841
TOTAL BUDGET	**204,438**	**-**	**-**	**144,037**	**33,476**	**26,925**

Ref	Scheme	Linked Revenue Proposal	Net Revenue Impact	Scheme Start	Total Funding £000	Grants £000	Develop. Contr. £000	Other Contr. £000	Capital Receipts £000	Prud. Borr. £000	Committee
C/C.01	**Corporate Services & Transformation**										
C/C.1.006	Data Centre Relocation		-	Committed	5,408	-	-	-	-	5,408	S&R
C/C.1.007	IT Strategy		-	Committed	3,259	-	-	-	-	3,259	S&R
C/C.1.008	IT Infrastructure Refresh		-	Committed	674	-	-	-	-	674	S&R
C/C.1.009	Capitalisation of Policy, Design and Delivery Team		-	Committed	12,632	-	-	-	12,632	-	S&R
C/C.1.010	IT Education System Replacement			2021-22	2,460	-	-	-	-	2,460	S&R
	Total - Corporate Services & Transformation		**-**		**24,433**	**-**	**-**	**-**	**12,632**	**11,801**	
C/C.02	**Investments**										
C/C.2.001	Housing schemes		-57,793	Committed	155,171	-	-	146,641	5,851	2,679	S&R
C/C.2.002	Development Funding		-	Committed	1,788	-	-	-	-	1,788	S&R
	Total - Investments		**-57,793**		**156,959**	**-**	**-**	**146,641**	**5,851**	**4,467**	
C/C.03	**Property Services**										
C/C.3.003	Building Maintenance		-	Ongoing	6,707	-	-	-	-	6,707	S&R
C/C.3.004	Condition Survey Works		-	2022-23	1,841	-	-	-	-	1,841	S&R
	Total - Property Services		**-**		**8,548**	**-**	**-**	**-**	**-**	**8,548**	
C/C.04	**Strategic Assets**										
C/C.4.006	County Farms investment (Viability)		-7,400	Ongoing	2,700	-	-	-	-	2,700	S&R
C/C.4.007	Local Plans - representations		-	Ongoing	900	-	-	-	-	900	S&R
C/C.4.009	Shire Hall Relocation	TBC	-45,200	Committed	18,737	-	-	-	-	18,737	S&R
C/C.4.010	Mill Farmhouse, Somersham		-	2021-22	450	-	-	-	-	450	S&R
	Total - Strategic Assets		**-52,600**		**22,787**	**-**	**-**	**-**	**-**	**22,787**	

Section 3 - C: Corporate and Managed Services

Table 5: Capital Programme - Funding

Budget Period: 2022-23 to 2031-32

Ref	Scheme	Linked Revenue Proposal	Net Revenue Impact	Scheme Start	Total Funding £000	Grants £000	Develop. Contr. £000	Other Contr. £000	Capital Receipts £000	Prud. Borr. £000	
C/C.06	**Capital Programme Variation**										
C/C.6.001	Variation Budget		-	Ongoing	-8,420	-	-	-2,604	-1,007	-4,809	S&R
C/C.6.002	Capitalisation of Interest Costs		-	Committed	131	-	-	-	-	131	S&R
	Total - Capital Programme Variation		**-**		**-8,289**	**-**	**-**	**-2,604**	**-1,007**	**-4,678**	
C/C.9.001	Excess Corporate Services capital receipts used to reduce total prudential borrowing			Ongoing	-	-	-	-	16,000	-16,000	S&R
	TOTAL BUDGET				**204,438**	**-**	**-**	**144,037**	**33,476**	**26,925**	

Appendix 2
Strategy and Resources

Savings and Income Proposals

Members Allowances	Page 2
County Farms / agricultural rent	Page 6

Business Planning: Business Case proposal

Project Title: Members’ Allowances

Committee: Strategy and Resources

2022-23 Savings amount: £40k

Brief Description of proposal:
No Member may receive more than one special responsibility allowance. Savings could be made where Members are appointed to two roles as they are only eligble to receive one special responsibility allowance.

Date of version: 15 Sep 2021 BP Reference: C/R.6.105
Business Leads / Sponsors: Michelle Rowe

1. Please describe what the proposed outcomes are:

With Members in their current roles, savings could be made from the Members’ Allowance budget.

2. What evidence has been used to support this work, how does this link to any existing strategies/policies?

Members’ Allowances are recommended by an Independent Remuneration Panel and then approved by the Council. As set out in the Constitution, allowances comprise the following information:

Special Responsibility

Group Leaders and Deputy SRAs (Special Responsibility Allowance)

Leader of the Council	£31,704
Deputy Leader of the Council	£20,608
Leader of the main opposition	£10,462
Leader of the minor opposition x 2	£6,340
Total	£69,114*

The Leaders of the Labour and Independent Groups will not receive the Leader of the minor opposition allowances as they are part of the Joint Administration and therefore the Labour Leader receives one allowance as Deputy Leader of the Council and the Leader of the Independent Group receives one allowance as Chair of Communities, Social Mobility and Inclusion Committee.

*The total which will actually be claimed is therefore £62,774 rather than the £69,114 total as above.

Policy and Service Committees

Policy and Service Committee Chairs x 5	£18,372
Policy and Service Committee Vice-Chairs x 5	£7,927
Total	£131,495

Other Committees

Audit and Accounts Committee Chair	£7,926
Pension Fund Committee Chair	£7,926
Planning Committee Chair	£7,926
Total	£23,778

Combined Authority Appointments

Combined Authority Board Member	£3,170
Combined Authority Overview & Scrutiny Committee x 2	£1,585
Combined Authority Audit and Governance Committee	£1,585
Total	£7,925*

The Leader will not receive the Combined Authority Board allowance as they can only receive one allowance. The Council's representative on the Audit and Governance Committee is also the Chair of Audit and Accounts Committee so the same rule applies.

Fostering Panel Member to receive £140 per day or £70 per half day

*Total which will actually be claimed is therefore £3,170 rather than the £7,925 total above

The allowances for the Chair and Vice-Chair of Council are not part of the Members' Allowances Scheme and are funded from a separate budget managed by the Chief Executive's office. However, the payments are taken out of the Members' Allowances budget during the financial year. The Chair of Council receives £10,462 and the Vice-Chair of Council receives £3,170. Total for Chair and Vice-Chair is £13,632.

Special Responsibility Allowance Total including the allowances for the Chair and Vice Chair of Council is £234,849 (This does not include the Fostering Panel)

Basic Allowance

£10,568 x 61 £644,648

At the start of the financial year, the following budget figures were set for Basic and Special Responsibility Allowance budgets of £629,215 and £311,075 respectively totalling £940,290.

The changes set out above proposed by the Independent Remuneration Panel and approved by Council total £879,497.

To that figure you need to add £1,000 which is the Independent Persons allowance.

The total is therefore £880,497.

(This includes the allowance to the Chair and Vice-Chair of Council, but does not include the Fostering Panel, which is claimed for as and when the member sits on the panel. It also applies the one member one SRA rule).

Once the national local government pay award is confirmed this will be applied and backdated to these allowances from 10th May 2021. The local government employers first offer was an increase of 1.5%, however, this has been rejected by the staff side and further consideration is pending. We would expect that the uplift will be not less than 1.5% equating to an additional £13,192 across the allowances set out in this report.

The total budget figure is therefore £880,497. However, the pay award for next year needs to be added which is approximately £13,192. Total is £893,689.

There will also be a need to claim £6,432 from next year to offset the pressure to the Chair and Chair's fund. Total is therefore £900,121.

The original budget was set at £940,290 so this would give a saving of £40,169.

3. Has an options and feasibility study been undertaken? Please explain what options have been considered.

N/A

4. What are the next steps/ actions the Council should take to pursue it? Please include timescales.

We will need to await the outcome of the national local government pay award in order to confirm the savings amount that has been estimated.

5. Could this have any effects on people with Protected Characteristics including poverty and rural isolation? If so please provide as much detail as possible.

N/A The savings figures are simply related to current procedures and circumstances in the allowances that Members can receive.

6. What financial and non-financial benefits are there and how will you measure the performance of these? Are there any dis-benefits? These MUST include how this will benefit the wider internal and external system.

Financial Benefits

Potential savings of £40,169

7. Are there any identified risks which may impact on the potential delivery of this? What is the risk if we do not act?

It is important to note the following:

- Members cannot claim two special responsibility allowances, but if a new Member is appointed it becomes a new cost and so figures could be different to the current position.
- Co-opted Members can claim a Financial Loss Allowance which is a £50 flat fee per half day attended.
- Members can claim a Child and Dependant Carer's Allowance
- The Independent Remuneration Panel (IRP) want CCC to have a policy to support parental leave, which is going to Council on 9 November 2021
- Allowances are increased annually in line with the percentage increase in staff salaries
- The IRP is to undertake a review of the allowances for the new Policy and Service Committee Chairs and Vice-Chairs in twelve to eighteen months' time.

8. Scope: What is within scope? What is outside of scope?

The savings relate to Members' Allowances only.

Business Planning: Business Case proposal

Project Title: County Farms / Agricultural Rent

Committee: Strategy & Resources

Income / savings amount: £252k

Increase in income expected between 2021-22 and 2022-23 is £252k

Brief Description of proposal:
10% uplift in rent expected from October 2021- September 2022
2.5% annual uplift from Oct 2022

Date of version: 25/10/2021 BP Reference: C/R.7.120 [and C/R.7.151]

Business Leads / Sponsors: John Nash Rural Asset Manager

1. Please describe what the proposed outcomes are:

Agricultural legislation enables review of rents every 3 years with 12 months notice required.

With 98% of this year's rent reviews completed (44 holdings) Cambridgeshire County Council has increased the passing rent by an average of 16.39%. [There were some big increases this year to play catch up due to earlier internal resource restrictions]

Further, relets to existing tenants and new lettings (31 in total start date October 2021) has resulted in an increase of 16% on the passing rent.

Review of commercial lettings have also increased over 100% (one is subject to contract but with heads of terms agreed on a vacant property) .

These are very good results in the current climate and see a circa 9% increase across the rural portfolio as a whole. The changes are implemented for the agricultural year effective from October and so span two financial periods. Looking ahead to next October we have served rent review notices on 40 holdings (rent roll £400,000) where we believe there is a realistic opportunity to increase rents.

The figures at the top of this business case reflect those numbers apportioned to the relevant financial year.

There remains the possibility that tenants may serve notice on us for rent reductions moving forward.

Further ahead 2.5% is a place marker for future business planning across the portfolio and is a realistic reflection of the uncertainty in agriculture.

New BP			
	Farm rents	**Covid Commercial Impairment**	**TOTAL Income Budget**
Base	-£4,705,000.00		**-£4,705,000.00**
21/22	-£290,000.00	£205,000.00	**-£4,790,000.00**
22/23	-£45,769.02	-£205,000.00	**-£5,040,769.02**
23/24	-£126,019.23		**-£5,166,788.24**
24/25	-£129,169.71		**-£5,295,957.95**
25/26	-£132,398.95		**-£5,428,356.90**
26/27	-£135,708.92		**-£5,564,065.82**

2. What evidence has been used to support this work, how does this link to any existing strategies/policies?

Unlike commercial rents, agricultural rents are not subject to specified increases using RPI (Retail Price Index) formulae. Forecasting currently is particularly difficult due to uncertainty surrounding significant influences in farming – grain prices affected by uncertainty of world grain stocks due to climatic influences (flood and drought), increasing cost of inputs due to world shortages and cost of production (e.g fertiliser and diesel) as well as reducing subsidy payments in the UK. As such, the rent review process is specialised and can vary enormously year to year due to world markets.

The work is underpinned by the County Farms Strategy and overseen by the County Farms Member Reference Group. Minor consultancy support has been provided from a firm of Agricultural Surveyors, for more complex cases.

3. Has an options and feasibility study been undertaken? Please explain what options have been considered.

The alternative to this proposal would be for the Council to not implement or delay rent reviews, meaning the Council would forego income due under the Farm Business Tenancies agreed.

4. What are the next steps/ actions the Council should take to pursue it? Please include timescales.

The next steps are to agree the proposal for BP 2022-23 and minimum of 2.5% annually thereafter. We are also exploring opportunities from biodiversity net gain further ahead.

5. Could this have any effects on people with Protected Characteristics including poverty and rural isolation? If so, please provide as much detail as possible.

It is not anticipated that the proposal will have effects on people with protected characteristics as we are following a standard commercial process.

6. What financial and non-financial benefits are there and how will you measure the performance of these? Are there any dis-benefits? These MUST include how this will benefit the wider internal and external system.

Financial Benefits

- Monitoring achievement of expected rent levels/yield compared to target set
- 2.5% uplift in rents on an annual basis from Oct 2022-2023 as a planning tool

There are entries in the tables adjusted as follows:
Covid Impairment: improved by -£292k [C/R.7.151]
Income growth: reduced by +£130k [C/R.7.120]
Net improvement to business plan 2021-26 = **-£162k**

7. Are there any identified risks which may impact on the potential delivery of this? What is the risk if we do not act?

A key risk is that with uncertainty in the agricultural sector due to the UK Brexit and changes in subsidies and uncertain world markets, rents may well reduce rather than increase. In such a situation, ongoing capital investment into the estate may be required and associated with improvement charges.

It should be noted there is no mitigation against external influences.

8. Scope: What is within scope? What is outside of scope?

It should be noted that the County's agricultural estates only are in scope for this rent review.

Cambridgeshire County Council

Appendix 3

Medium Term Financial Strategy

2022-2023

cambridgeshire.gov.uk

Extract

Contents

1: Executive summary

6: Revenue strategy: Balancing the budget

9: Reserves policy and position

10: Risks & sensitivities

12: Business Plan roles and responsibilities

Section 1 - Executive summary

The Council's strategic financial framework is comprised of three distinct, but interdependent, strategies set out within this Business Plan:

- Medium-Term Financial Strategy (MTFS) (Section 2)
- Capital Strategy (Section 6)
- Treasury Management Strategy (Section 7)

This Strategy sets out the financial picture facing the Council over the coming five years, the resources available to the Council, and the Council's strategy for managing its resources effectively.

As well as outlining the Council's revenue strategy, this Medium-Term Financial Strategy includes the organisation's Fees and Charges Policy and Reserves Policy.

The ongoing effects of the COVID-19 pandemic, the economic picture, and government reforms continue to make forward planning with any degree of certainty extremely challenging. Medium-term planning in the first part of 2021-22 saw our projected budget shortfall in 2022-23 rise to £23m as a result of expected increases in demand for services and inflationary costs, as well as specific service pressures, and our budget gap over the five-year medium-term rise as well. At the same time, there is a need to invest in some services to improve outcomes, and to delivery longer-term sustainability or financial benefit.

The longer-term impacts of COVID-19 are expected to extend considerably into the MTFS period. Some of the specific challenges that the Council expects to face over the next five years are:

- Potential for growing regional and more local inequalities as a result of the economic fallout from the pandemic
- Ongoing lower levels of fees and charging income, as well as reduced local taxation receipts
- Uncertainty about the need for, and funding for, lasting COVID-19 related costs such as personal protective equipment or infection control procedures in social care providers
- Providing additional support for our local care markets to ensure sufficient appropriate care provision remains available

In June 2019, the Government legislated for reaching net zero carbon emissions by 2050, and locally the Council's joint administration has put responding to the climate emergency at the centre of our priorities. Meeting this commitment will require a transformation of our procurement practices for a greener future and investment into low carbon technologies, services and infrastructure supported by innovative green investment models.

There is a great deal of uncertainty surrounding the UK's public finances. In December 2020 the UK secured a post-Brexit trade deal with the EU, however the medium-term impacts of the new trading arrangements on economic growth, labour availability, and the cost of goods and services are still unclear and may yet influence levels of resources available to local authorities. Short-term disruption, particularly shortages of labour and materials, has increased costs for the Council. In addition to the international uncertainty, there are a number of Central Government reforms currently expected or that have paused, most notably those on technical aspects of Fair Funding and the Business Rates Retention Scheme, which are expected to affect the Council's funding, as well as the reforms of Adult Social Care. The outcomes of any announcements or associated consultations will be taken into account within the Business Plan as they become available.

The Fair Funding Review will affect how funding is allocated and redistributed between local authorities. It will reset business rate baselines which set out expected business rate receipts, funding baselines which determine relative need, and the tier split of business rates between County Councils and District Councils. The Government's preferred option is for a per-capita foundation formula with seven service-specific funding formulae and an Area cost Adjustment to reflect the differences in the cost in delivering services in different areas of the country. Damping is expected to play a significant role in limiting reallocations of funding between local authorities. It is also likely that reallocations will be phased in so no local authority will face a cliff edge cut to their funding or a step change increase in their funding. The future funding model for Local Government will need to support investment into mitigating and adapting to climate change and recognise that the scale of investment required to address this challenge will vary considerably across the country due to housing densities, rural transport, agriculture and other considerations.

Cambridgeshire has one of the fastest growing populations in the country and, as such, we are under particular pressure as the number of people accessing our services increases. The general population is also aging due to increasing life expectancies which is putting pressure on the ability of service users to contribute to the long-term costs of their care. In addition to this background population growth, the needs of those requiring care packages are becoming more complex and therefore costly. The uncertainty around this has been increased by the government's proposed reforms to care funding, both in terms of implementation timescales and the funding that will be made available to local government. As a result, the Council will work increasingly across service, organisation, and sector boundaries to find ways in which the resources of the wider public sector and the community can be best used to achieve the outcomes we strive for in the context of a rapidly increasing number and need of local population. The same applies for addressing the climate emergency and transforming to a low carbon economy - joined up action and policy across the wider public sector, business and the communities is needed to achieve the Government's net zero carbon emissions target by 2050.

In balancing our budget, some service reductions are inevitable, and we will always focus on reforming services or bringing in additional income rather than cutting services within this approach. The Council will seek to shape proposals so that the most vulnerable are the least affected. The Council has a statutory responsibility to set a balanced budget each financial year and the proposals that are already within the Business Plan for 2022-27 do contain some proposals that reflect considerable risk and uncertainty. This strategy sets out the issues and challenges for the next five financial years and creates a framework within which the detailed budgets will be constructed.

The key elements of this Strategy, on which basis the Business Plan is predicated, are set out below:

- Strategy & Resources Committee and Full Council will consider an updated approach to Council Tax levels in due course
- An assumed increase in the tax base of 2% for council tax, and variably by district for business rates
- The strategic approach to closing budget gaps to support the business plan will continue to evolve, focussing on reducing demand for our services, increasing income, decentralisation, finding efficiency and maintaining a medium-term outlook
- Funding for invest to save schemes or for service reform will continue to be made available through reserves, or capital where appropriate, subject to robust business cases
- The general reserve will be held at 4% of non-schools expenditure, and we will adopt a prudent approach in our reserves strategy to offsetting risks faced by the Council
- Staff pay inflation has been assumed to be 2.00% across all years of the medium-term, other than the expected rise at the lower end to keep pace with the real living wage
- Fees and charges will be reviewed annually in line with the Fees and Charges Policy
- The capital programme will be developed in line with the framework set out in the capital strategy, and the level of prudential borrowing by the Council over the medium-term will be reviewed
- Opportunities for cross-sector and organisational working that drive end to end efficiencies and/or improvements in service delivery will be pursued;
- Business rates pooling will be fully explored with district councils and the Combined Authority where there is a mutual financial benefit to do so;
- The Council Tax assumption and forecasts are reviewed annually
- The Council will continue to lobby central government for fair funding leading into the national replacement of the current funding formula.

The Council's budget is divided into four main service blocks, and it is in these blocks that detailed budgets are shown in Section 3 of the business plan:

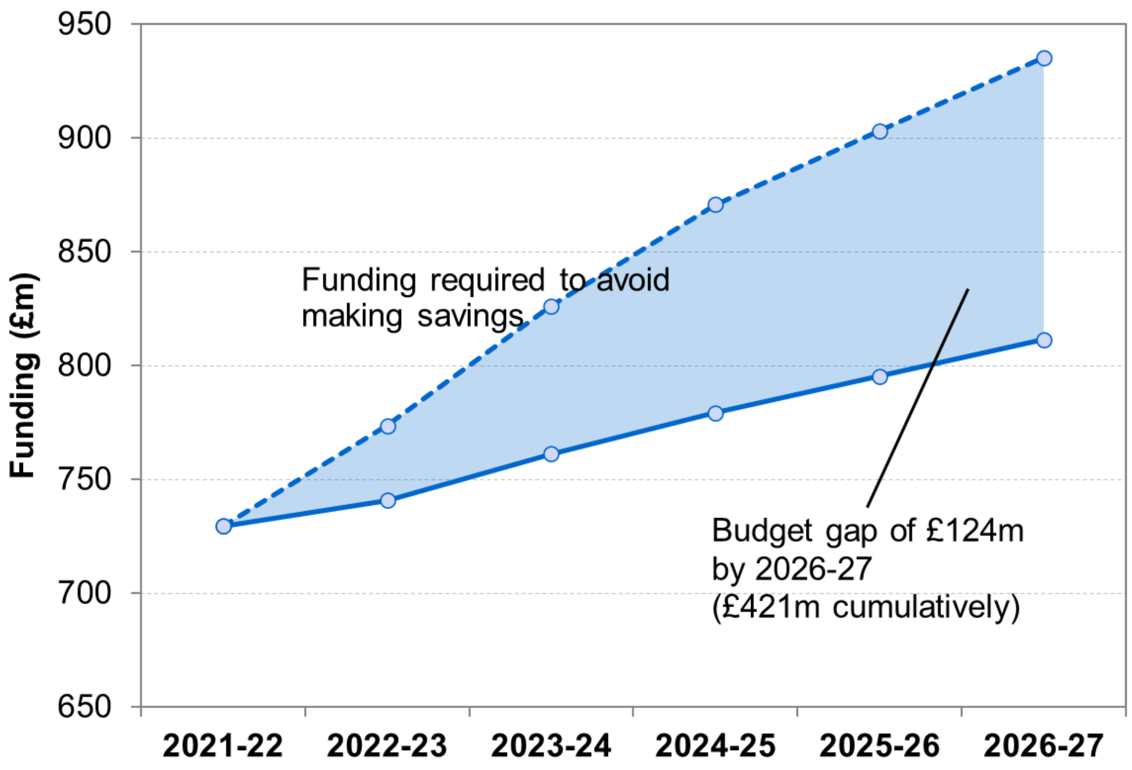
- People and Communities
- Public Health
- Place and Economy
- Corporate Services

Section 6 - Revenue Strategy: Balancing the budget

Every local authority has a legal responsibility to set a balanced budget every year. It is the Chief Finance Officer's statutory responsibility to provide a statement on the robustness of the budget proposals when they are considered by Council.

Inevitably, cost pressures are forecast to outstrip available resources, given the rising costs caused by inflation, growth and associated demand pressures and renewed pressure on levels of funding for local government in the wake of the pandemic. Consequently, we will need to make significant further savings, or generate significant additional income, to close the budget gap.

Figure 6.1: Current Budget gap before savings/income



Closing this budget gap over the next five years will mean making tough decisions on which services to prioritise. Some savings or additional income are already included in the draft business plan that partly close this gap.

During the last few years, services have made significant savings through increasing efficiency and targeting areas that are not our highest priority with the aim of minimising the impact on our service users.

We now face demand pressures that are increasing year-on-year faster than expected, as well as an uncertain economic outlook. We must also, however, invest in services that can bring the most benefit and reduce cost pressures over the longer-term.

Savings to be made from incremental efficiencies are likely to be minimal as we have had reducing government funding and cost pressures for over a decade. The easy savings have mostly been made. We must therefore focus on reviewing any service areas where we can disinvest, drive more innovative and transformative change across the medium-term, and maximise the income that can be generated locally.

We are currently awaiting a medium-term funding settlement for local councils given by central government, which is a key risk in our medium-term financial planning. We therefore cannot rely on any future increases in government funding to close our budget gap unless we have had confirmation of it or can reasonably expect it based on experience.

In working to balance the budget, we have worked in a cross-council way to identify the areas for saving or additional income, and the areas where transformation is required to drive efficiencies. Individual services do not have a savings target, and it is the responsibility of senior leaders to identify together the best ways to balance the budget across the whole council. We prioritise the resources available to us to meet the changing and growing needs of communities, and only consider service reductions as a last resort.

Services should review their budgets each year to identify any areas that have been given budget in excess of that needed to deliver the service. This is particularly the case in demand-led budgets, where estimates of growth or demand patterns will have been used and may subsequently change. In undertaking this review, services should bear in mind the corporate reserves position and the general provision for risk, and not assume an excessive amount of risk or contingency needing to be met within service budgets.

The Council also undertakes an annual budget review and rebaselining during the first quarter of each financial year to reassess the budget position in light of developments from the point at which the business plan is approved by Full Council in the preceding February. This allows the budget to be flexed to take account of material changes in circumstances such as significant increase in inflationary pressures or any new legislative requirements. This can contribute towards closing the budget gap in future years if budgets are reduced.

If savings are identified and made in the current financial year but were not planned for, for example a reduction in cost on a new contract, then these will be factored into the business plan for the next financial year. In the meantime, they can be used to mitigate other pressures or funding can be transferred to the general reserve, but they should not be reinvested into ongoing costs.

In generating additional income, we will ensure the Fees & Charges policy is reviewed annually and should assume that by default, charges should go up by inflation each year if permitted.

As well as considering further savings or generating additional income, we need to ensure our projections for income from taxation are accurate. We will work with District Council colleagues, who collect local taxation on our behalf, at several stages throughout the year to receive updated projections for tax base levels and collection rates. Strategy & Resources Committee will also consider an updated approach to the level of Council Tax

Section 9 - Reserves Policy & Position

We need reserves to protect and enhance our medium-term financial sustainability. In particular, reserves are necessary to:

- maintain a degree of in-year financial flexibility
- enable us to deal with unforeseen circumstances and incidents
- set aside monies to fund major developments in future years
- enable us to invest to transform and improve service effectiveness and efficiency
- set aside sums for known and predicted liabilities
- enable us to deal with any unexpected changes in legislation or court judgements
- provide operational contingency at service level
- provide operational contingency at school level

We must also bear in mind the risks and sensitivity of assumptions outlined in chapter 9 above.

Reserve types

The Council maintained the following types of reserve coming in to 2021/22:

- **General reserve** – a working balance to cushion the impact of uneven cash flows. The reserve also acts as a contingency that we can use in-year if there are unexpected emergencies, unforeseen spending or uncertain developments and pressures where the exact timing and value is not yet known and/or in the Council's control. The reserve also provides coverage for grant and income risk.

- **Earmarked reserves** – reserves we have set aside to meet known or predicted liabilities (such as insurance claims), or that we set aside for specific and designated purposes (such as a reserve for risks within adult social care).

- **Schools reserves** – we encourage schools to hold general contingency reserves within advisory limits. The Chief Finance Officer and Director of Education, in collaboration with Schools Forum, monitor schools above the advisory limits, and take steps to encourage appropriate deployment. However, the Council’s powers to intervene and insist on spending within delegated and ring-fenced schools budget is limited by legislation. It is also notable that after taking account of the carried forward deficit on the High Needs Block of the Dedicated Schools Grant, the consolidated schools balance is now negative. The Council is taking steps to manage demand on the high needs block and lobby government for a more sustainable long term funding solution.

- **COVID-19 related** – the Council received additional one-off funding from government related to the pandemic in advance of spending requirements. We earmarked some of that funding t to offset the medium- and longer-term effects of the pandemic and recovery.

- **Transformation Fund** – a reserve created several years ago from funding generated by a revision to the Council's policy on minimum revenue provision. It has a set of principles used to access funding and was designed to enable investments that deliver ongoing financial returns.

In considering the planning for 2022-27, we are mindful of the great deal of additional uncertainty that we face, particularly from:

- The long-term effects of COVID-19, and the costs we might face as we recover from the pandemic, bearing in mind the earmarked reserve for COVID-19 costs that we have
- The growing deficit on the High Needs Block of the Dedicated Schools Grant, which is projected to be around £37m at the start of 2022/23
- Announced government reforms, particularly in adult social care funding, where we do not yet have full details
- The ongoing effects of the United Kingdom's exit from the European Union
- Potential, unpredictable disruptions to global supply chains, increasing prices or causing shortages of goods
- Climate change and the need to move towards being a net-zero county

We also need to consider the general economic conditions, the certainty of these conditions, and the probability and financial impact of service and business risks specific to the Council in order to calculate the level of reserves we need to hold.

At the same time, we do need to ensure there are sufficient reserves to enable the funding of one-off costs that enable innovative or transformative pieces of work to take place, particularly where they contribute towards the longer-term financial sustainability of the Council.

We therefore need to review:

- The adequacy of the general reserve
- Providing an offset for the High Needs Block deficit
- Funds held for one off investment
- How we use our COVID-19 reserve

Adequacy of the general reserve

In previous years, the Council has set the general reserve at 3% of gross non-school expenditure. This was reviewed ahead of setting the 2021/22 budget within the context of considerably increased uncertainty resulting from the COVID-19 pandemic and was deemed to be still appropriate given the additional contingency planning that had been part of core service budgeting process.

As a result of the increasing uncertainty in the medium-term set out above, that target for the underlying balance should be increased to be no less than 4% of gross non-school spending for 2022/23 and maintained at that level through the whole MTFS period. The increase reflects a strategy of managing risks to the Council corporately rather than in specific services, reducing the level of ongoing budget that is committed to contingencies in services.

If any of the general reserve is required to be used in a given year to meet a revenue pressure, it will be topped-up as a matter of course in the subsequent business planning round.

If the general reserve is above its targeted level at the end of a financial year, we will retain at least as much as is needed to keep the fund at the projected 4% required in the fifth year of the MTFS. Any further balance may be retained in the general fund or may be transferred to top-up any other reserve as required

The table below sets out some of the known risks presenting themselves to the Council and their indicative values. There will inevitably be other, unidentified, risks and we have made a limited provision for these as well.

We consider this level to be sufficient based on the following factors:

- The Council continues to hold substantial rolled-forward COVID-19 grant funding, which can be used in a sustainable way to offset COVID-19-related pressures
- We retain substantial other reserves that, while earmarked, are not necessarily committed to expenditure

Table 9.1: Target general reserve balance for 2021-22 to 2025-26

Risk	Source of risk	Value £m
Inflation	0.5% variation on Council inflation forecasts.	1.1
Demand	4% variation on Council demand forecasts.	8

Interest rate change	0.5% variation in the Bank of England Base Rate.	0.2
Council Tax	Inaccuracy in District tax base forecasts and collection levels.	2
Business Rates	Inaccuracy in District tax base forecasts of County share of Business Rates to the value which triggers the Safety Net.	1
Business Rates payable	Impact of revaluation on Business Rates payable.	0.5
Unconfirmed specific grant allocations	Value of (as yet unannounced) specific grants different to budgeted figures.	1.5
Deliverability of savings against forecast timescales	Risk to contract savings due to financial challenges faced by suppliers, increase in service user need due to the pandemic, shortfall in commercial income due to economic downturn	5
Non-compliance with regulatory standards	E.g. Information Commissioner fines.	0.5
Major contract risk	E.g., contractor viability, misspecification, non-delivery.	3.2
Unidentified risks	Unknown	2.7
Balance		**25.7**

High Needs Block Deficit

The deficit on the High Needs Block is estimated to be around £38m at the start of 2022/23. This is partly offset by balances held by maintained schools but is still in overall deficit. This deficit is currently ring-fenced to the DSG, and we are not currently required to use general reserves to offset it. Many Councils now have deficits on the High Needs Block, so it is a national issue.

The statutory instrument on treatment of this deficit expires at the end of 2022/23, and it is not clear how we will be expected to manage this deficit thereafter. We are working to reduce the growth in the deficit year-on-year through a programme of transformation, but realistically we are unlikely to be able to mitigate the whole deficit through this route.

There is a risk that government requires councils to meet their High Needs Block deficits. Although that is considered a worst-case outcome, if that were to happen, it could potentially overwhelm our general reserve provision causing significant medium-term disruption to our financial planning. Given the scale of the risk, it would be prudent to earmark some reserves to mitigate this threat. Bearing in mind the national scale of the issue, the transformation programme to reduce deficit growth, reserve balances held by schools, and ongoing engagement by the Department for Education with councils, we intend to earmark funding to offset this year's expected growth in this deficit. We would call this the High Needs Block Offset.

The Council cannot drain its general reserve to create this offset reserve, and so it would need to be through a reallocation of other existing reserves.

Investment

It remains a priority of the MTFS to ensure there is sufficient one-off resource to fund proposals that help us transition to a more sustainable future. That may be increased financial sustainability, environmental sustainability, or better and more sustainable outcomes for service-users.

[We will announce further details of this investment approach alongside our strategic framework and budget proposals at the January Strategy & Resources Committee]

Deployment of COVID-19 reserve

During 2020/21 and early 2021/22, central government provided significant support to Councils dealing with the effects of the COVID-19 pandemic in the form of un-ringfenced grant funding.

We faced substantial increases in costs during the pandemic, but several funding sources announced later in 2020/21 reduced the need to use the un-ringfenced grant. The main additional funding sources announced were:

- Support for infection control and testing in social care providers
- Outbreak management funding
- Compensation for lost sales, fees & charges
- Government funding/supply of Personal Protective Equipment

Much of our un-ringfenced funding was anticipated to have been used to meet costs that were later covered by the above funding. As a result, we retain a reserve created by this grant, which is available to use to mitigate the ongoing effects of COVID-19.

We expect to be feeling the effects of COVID-19 on our service delivery and financial position for at least several more years. This will particularly be felt in parts of our adult social care demand, uplift requirements for adult social care contracts, and lost income in some services. We will therefore release part of this grant reserve into revenue in a sustainable, reducing profile over the medium term.

This will be used to fund specific pressure lines that remain in in the business plan around the effects of COVID-19 on demand and income, as well as funding part of the Adult Social Care demand growth that we believe is the result of the ongoing effects of the pandemic on people's needs.

Table 9.2: Estimated reserves balances over 2022-27

Balance as at:	31 March 2023 £m	31 March 2024 £m	31 March 2025 £m	31 March 2026 £m	31 March 2027 £m
General reserve	25.7	26.3	26.8	27.2	27.2
Other earmarked reserves	132.8	122.8	113.4	105.8	99.1
Total	**158.5**	**149.1**	**140.2**	**133.0**	**126.3**
General reserve as % of gross non-school budget	4.0%	4.0%	4.0%	4.0%	4.0%

Section 10 - Risks & Sensitivity

In providing budget estimates, we have carefully considered financial and operational risks. The key areas of risk, and the basic response to these risks, are as follows:

- **Containing inflation to funded levels** – we will achieve this by closely managing budgets and contracts and further improving our control of the supply chain.
- **Managing service demand to funded levels** – we will achieve this through clearer modelling of service demand patterns using numerous datasets that are available to our internal Research Team and supplemented with service knowledge. A number of the proposals in the Business Plan are predicated on averting or suppressing the demand for services.
- **Delivering savings to planned levels** – we will achieve this through SMART (specific, measurable, achievable, relevant and timely) action plans and detailed review. All savings – efficiencies or service reductions – need to be recurrent. We have built savings requirements into the base budget, and we monitor these monthly as part of budgetary control.
- **Containing the revenue consequences of capital schemes to planned levels** – capital investments sometimes have revenue implications, either operational or capital financing costs. We will manage these by ensuring capital projects do not start without a tested and approved business case, incorporating the cost of the whole life cycle.
- **Responding to the uncertainties of the UKs exit from the European Union** – we have fully reviewed our financial strategy in light of the most recent economic forecasts and continue to develop plans in response to emerging risks and opportunities presented as a result of Brexit.
- **Future funding changes** – our plans have been developed against the backcloth of continued uncertainty due to delays in the introduction of significant reforms to Local Government funding.
- **Managing future carbon liabilities** – the Council has committed to deliver net-zero carbon emissions by 2050 as part of its pledge to tackle the climate emergency. There is a risk that additional financial resources may be required to achieve this aim which have not been fully accounted for within the MTFS. The funding allocated to deliver the Climate Change and Environment Strategy will be reviewed annually in light of progress towards achieving the Council's net-zero carbon commitment.
- **Responding to social care reforms** – we will estimate the cost of these reforms and make budget provision for them when we are able to. We will work closely with NHS partners to ensure that additional funding provided to the health and social care system locally is appropriately used to meet the cost of government reforms.

In addition to these risks, there remains a general risk around recovery from the pandemic and the speed of economic recovery, as well as the prospects for the economy over the medium term. This may increase costs the Council faces, increase demand for our services, and reduce income (through lower charging income or taxation relief).

There is also a risk of sensitivity in all of the assumptions made throughout this strategy. The level of sensitivity of key assumptions is shown in the following table:

Table 11.1 – sensitivity analysis

10% savings delivery variance	+/- £2.3m
+/- 1% pay inflation	+/- £1.3m
+/- 1% general inflation	+/- £1.0m
+/- 1% Council Tax base	+/- £3.2m
+/- 1% Council Tax collection rate	+/- £3.2m
+/- 1% Business Rates base	+/- £0.7m
+/- 1% income from sales, fees & charges	+/- £1.3m
+/- 5% on cost of borrowing	+/- £1.0m
Range of sensitivity	**+/- £14.0m**

Uncertainties remain throughout the planning period in relation to the above risks. In line with good practice, we intend to reserve funds that we can use throughout and beyond the planning period. This is set out in section 9 above. Together with a better understanding of risk and the emerging costs of future development proposals, this will help us to meet such pressures.

Section 12 - Business Plan roles and responsibilities

The Business Plan is developed through the Council's committee structure. It is therefore beneficial to clarify the respective roles and responsibilities of committees within this process. These are defined in the Constitution but are set out below in order.

Full Council

Council is the only body that can agree the Council's budget and the associated Council Tax to support the delivery of that budget. It discharges this responsibility by agreeing the Business Plan in February each year. In agreeing the Business Plan the Council formally agrees the budget allocations for the service blocks (currently based on a departmental structure). The Business Plan includes both revenue and capital proposals and needs to be a 'balanced' budget. The following is set out within Part 3 of the Constitution – Responsibility for Functions.

Council is responsible for:

"(b) Approving or adopting the Policy Framework and the Budget

(c) Subject to the urgency procedure contained in the Access to Information Procedure Rules in Part 4 of this Constitution, making decisions about any matter in the discharge of a committee function which is covered by the Policy Framework or the Budget where the decision-making body is minded to make it in a manner which would be contrary to the Policy Framework or contrary to, or not wholly in accordance with, the Budget

(d) Approving changes to any plan or strategy which form part of the Council's Policy Framework, unless:

i. that change is required by the Secretary of State or any Government Minister where the plan or strategy has been submitted to him for approval, or

ii. Full Council specifically delegated authority in relation to these functions when it approved or adopted the plan or strategy"

Strategy & Resources (S&R) Committee

S&R has the responsibility for the delivery of the Business Plan as agreed by Council. It discharges this responsibility through the service committees. In order to ensure that the budget proposals that are agreed by service committees have an opportunity to be considered in detail outside of the Council Chamber, those proposals will be co-ordinated through S&R, though Full Council remains responsible for setting a budget. S&R does not have the delegated authority to agree any changes to the budget allocations agreed by Council save for any virement delegations that are set out in the Constitution.

The following is set out within Part 3 of the Constitution – Responsibility for Functions.

> "The Strategy and Resources Committee is authorised by Full Council to co-ordinate the development to Full Council of the Strategic, Policy and Budget Framework, as described in Article 4 of the Constitution, including in-year adjustments."
>
> "Authority to lead the development of the Council's draft Business Plan (budget), to consider responses to consultation on it, and inform the draft Business Plan to be submitted for approval by Full Council."
>
> "Authority for monitoring and reviewing the overall performance of the Council against its Business Plan."
>
> "Authority for monitoring and ensuring that Policy and Service Committees operate within the policy direction of the County Council and making any appropriate recommendations."

S&R is also a service committee in its own right and, therefore, also has to act as a service committee in considering proposals on how it is to utilise the budget allocation given to it for the delivery of services within its responsibility.

Service Committees

Service committees have the responsibility for the operational delivery of the Business Plan as agreed by Council within the financial resources allocated for that purpose by Council. The specific functions covered by the committee are set out in the Constitution but the generic responsibility that falls to all is set out below:

> "This committee has delegated authority to exercise all the Council's functions, save those reserved to Full Council, relating to the delivery, by or on behalf of, the County Council, of services relating to…"

Appendix 4

Capital Strategy

2022-2023

cambridgeshire.gov.uk

Capital Strategy [Draft v1.0]

SECTIONS 1-5 TO BE ADDED POST DEVELOPMENT OF THE STRATEGIC FRAMEWORK

1. Opening Statement

2. Strategic context

3. Importance of the Capital Strategy

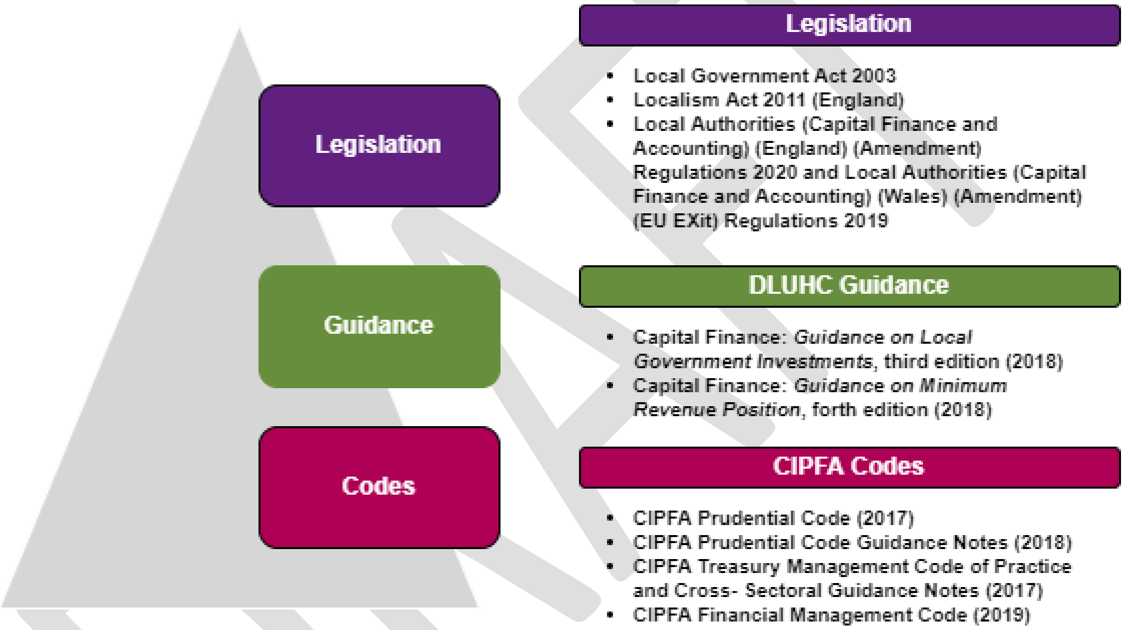
4. Capital Investment Mapping

5. Future Years Strategy Development

Section 6 – Detailed Strategy

6a. Statutory Framework

Local Government capital finance is governed and operates under the Prudential Framework in England, Wales, and Scotland. The Prudential Framework is an umbrella term for several statutory provisions and professional requirements that allow authorities largely to determine their own plans for capital investment, subject to an authority following due process in agreeing these plans and being able to provide assurance that they are prudent and affordable. The relevant legislation, guidance and codes are set out as follows:



6b. Working with partners

The Council is committed to developing strong and positive partnerships that not only enhance the investment potential of the Council through opportunities for support and contributions from third parties but enable delivery of the Council's Strategic Priorities. Partnership working enables the Council to leverage a larger package of investment that extends beyond our investment potential as an individual organisation.

There are a range of capital schemes currently being delivered in conjunction with partners and our commitment to social and environmental values further demonstrate our aspiration to work with the public and private sector to deliver better outcomes for people, the environment, and communities. The following summarises some of the Council's key partnerships.

Cambridgeshire and Peterborough Combined Authority (CPCA)

The CPCA, led by the Mayor and representatives from the seven constituent councils, was created in 2017 to deliver the region's devolution deal. The CPCA works with the Business Board (the Local Enterprise Partnership) and other local partners to deliver strategic projects. Key ambitions for the Combined Authority include:

- doubling the size of the local economy
- accelerating house building rates to meet local and UK need
- delivering outstanding and much needed connectivity in terms of transport and digital links providing the UK's most technically skilled workforce
- transforming public service delivery to be much more seamless and responsive to local need growing international recognition for our knowledge-based economy
- improving the quality of life by tackling areas suffering from deprivation.

The CPCA receives funding and powers from Central Government, which the Mayor and the Combined Authority Board oversee, and it sets out strategies and plans for delivering its ambitions. It is expected that CCC will deliver much of the capital work commissioned by the CPCA within Cambridgeshire, and several schemes form part of our capital programme.

Greater Cambridge Partnership

The Greater Cambridge Partnership is the local delivery body for a City Deal with central Government, bringing powers and investment, worth up to £500 million over 15 years, to vital improvements in infrastructure, supporting and accelerating the creation of 44,000 new jobs, 33,500 new homes and 420 additional apprenticeships.

It is the largest of several City Deal programmes agreed by central Government in 2013 and brings key partners together to work with communities, businesses, and industry leaders to support the continued growth of one of the world's leading tourism and business destinations. The four partners are:

- Cambridge City Council
- Cambridgeshire County Council
- South Cambridgeshire District Council
- University of Cambridge

In 2013, £100m of government funding was made available for transport improvements until 2020. Following successful completion of the Gateway Review in May 2020, an extra £200 million funding was made available up to 2025. The Greater Cambridge Partnership continues to explore funding opportunities, for example through Section 106 agreements with developers, and to explore private funding opportunities.

It is expected that Cambridgeshire County Council will undertake most of this work on behalf of the GCP.

Connecting Cambridgeshire

The Connecting Cambridgeshire programme is improving Cambridgeshire and Peterborough's digital infrastructure – including broadband, mobile and public access Wi-fi coverage – to drive economic growth, help our businesses and communities to thrive and make it easier to access public services. The project is led by Cambridgeshire County Council working with Peterborough City Council (PCC), CPCA, Government bodies, local councils, and external organisations, including telecoms suppliers and mobile operators.

Together with £3m from PCC and £8.75m government funding, the Council's initial outlay of £20m in 2011 has since been used to leverage further funding, grants and private investments including £5.6m from CPCA to extend the programme to improve mobile and public access Wi-fi as well as fibre broadband. The rollout has now brought superfast access to over 98% of premises – above the national average – with plans to reach over 99% coverage. The superfast broadband rollout is continuing to fill remaining gaps in coverage – using the latest fibre to the premise technology to bring gigabit-capable connections through a combination of commercial and public investment.

The Connecting Cambridgeshire Digital Connectivity Strategy 2018-2022 gives an overview of work underway to significantly improve broadband, mobile and public access Wi-fi coverage across the region by 2022. In addition to the key areas of broadband, mobile and public access Wi-fi, the strategy is underpinned by an Enabling Digital Delivery programme and a new Keeping Everyone Connected workstream, to support businesses and communities.

This Land

This Land Ltd was established as a wholly owned company of the Council in 2016 in order to enable development of land for housing. The company aims to develop the land it has acquired, predominantly from the Council, to provide individual, high-quality homes and new communities that are in much demand across Cambridgeshire and the surrounding counties in the east of England. As of December 2021, the Council had issued long-term loans of £113.851m, for which it receives a revenue return by way of interest payments, and equity of £5.851m to This Land. The Council is in the process of undertaking a shareholder review of This Land assessing its commercial operation and future exposure to risk.

Light Blue Fibre

Light Blue Fibre Ltd, one of the first of its kind in the UK, is a joint venture between the University of Cambridge and Cambridgeshire County Council, making both organisations' existing extensive duct and fibre networks commercially available. It aims to attract telecoms companies, infrastructure providers and technology businesses who understand the importance of full fibre connectivity and are looking to save time and money by reducing the need for expensive and time-consuming infrastructure developments.

Swaffham Prior Community Heat Network

The Council is working with Swaffham Prior Community Land Trust to bring renewable energy to Swaffham Prior by becoming one of the first villages in the UK to install a heating network into an existing community. The village is not connected to the gas grid, meaning 70% of homes rely on burning oil for heating. The ambition is to:

- End fuel poverty
- Reduce dependence on oil
- Provide cheaper, renewable heating to as many homes as possible

Over half the village have already outlined their intention to join the Heat Network, which will use Ground Source and Air Source Heat Pumps pumped through a community network to provide thermal energy, recognising the need for change and the Government's plans to phase out gas and oil boilers. Once the Energy Centre has been built and the heating network pipes have been laid, homes will be connected over time with the first connections anticipated from March 2022. The Council's role will then become that of the Energy Supplier in conjunction with the Council's technical partner, Bouygues Energy Services.

One Public Estate (OPE)

OPE is an established national programme delivered in partnership by the Office of Government Property (OGP) within the Cabinet Office and the Local Government Association (LGA). It provides practical and technical support and funding to councils to deliver ambitious property-focused programmes in collaboration with central government and other public sector partners. Cambridgeshire's OPE group allows partners, including the district councils, health partners and the emergency services, to effectively collaborate on strategic asset management and rationalise the combined operational property estate within the county. The programme has secured up to £2.2m in funding so far to bring forward major projects for joint asset rationalisation and land release. OPE projects that are being delivered in conjunction with OPE partners include:

- North Huntingdon Strategic Growth Partnership – Wyton redevelopment of 4,500 homes with Huntingdonshire District Council (HDC)
- Think Communities Property workstream (previously the Community Hubs project)
- Ely Hospital redevelopment with NHS Cambridgeshire Community Services (CCS)
- Wisbech Hospital redevelopment with NHS CCS
- Ely Care Home development at Ely Hospital with NHS CCS
- Fenland Nene Riverfront with Fenland District Council

Community Infrastructure Levy (CIL)

The Council also works closely with the city and district councils on the creation of new infrastructure needed as a result of development. CIL is at the discretion of the Local Planning Authority i.e., the city and district councils, who are responsible for setting the levy and have the final decision on how the funds are spent. However, as the County Council has responsibility for the provision of much of the infrastructure resulting from development, it is imperative that it is involved in the CIL governance arrangements of the city and district councils, and that it works closely with these authorities to ensure that it is able to influence investment decisions that affect the Council's services.

Local Area Energy Planning

Local Area Energy Planning is about determining the most cost-effective way of reaching net zero; identifying the partnerships that need to be created and the investments that will be required to achieve this. There are three strands:

- Place making – to achieve low carbon, oil and gas infrastructure use needs shifting to greater levels of 'electricity infrastructure', which will be the dominant infrastructure for heating and lighting buildings and transport for cars and light vans – or hydrogen for heavy transport. The Council therefore has a role in infrastructure planning and delivery.
- Green Investment – the Council can use its assets e.g., buildings and land either to host energy generation, for battery storage for larger projects or to become part of a project as an anchor tenant. The Council can also invest in energy projects for carbon reductions and carbon credits to sell.
- Local energy economy – investing in local energy provides jobs and services locally and financial benefits for the local economy.

The Council is in the initial stages of scoping out the process, with budget allocated to progress this during 2022-23.

6c. Internal Influences

As well as the Council's Corporate Strategy, the Capital Strategy has clear links to many other strategies, policies, and plans. The most significant of those strategies and their influence are detailed below.

Strategy	Influence

Strategic Framework	Ensures the Council's plans are driven by the shared vision to make Cambridgeshire a great place to call home and focuses on achieving a number of outcomes for the people of Cambridgeshire.
Medium Term Financial Strategy	Sets out the financial picture facing the Council over the next five years, the resources available to the Council, and the Council’s strategy for managing its resources effectively.
Flexible Use of Capital Receipts Strategy	Sets out how the Council will use the Flexible Use of Capital Receipts direction on transformational activity that reduces costs or demand for services.
Service Financial Plans	Set out the level of financial resources available for each Service area, across both revenue and capital.
Treasury Management Strategy	Establishes the framework for the effective and efficient management of the Council’s treasury management activity, including the Council’s borrowing and investment portfolio, within legislative, regulatory, and best practice regimes. The Strategy balances risk against reward in the best interests of stewardship of the public purse.
Investment Strategy	In addition to a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, it provides an overview of how the associated risk of non-financial investments is managed and the implications for future financial sustainability.
Accommodation Needs Assessment for Older People and People with Physical Disabilities	Sets out Cambridgeshire and Peterborough’s long term commissioning intentions for accommodation for older people and adults with physical disabilities to ensure sufficient, affordable, and quality accommodation is available to meet demand up to 2036.
Education Organisation Plan	Sets out the strategic direction on education across the Combined Authority area, based on the Council’s statutory duties regarding the sufficiency, diversity, and planning of places for early years, school-aged children (including special schools) and post-16 education and training provision.
Think Communities Approach	Outlines how the Council will work collaboratively with parish councils, town councils, health, education and police services, local businesses, and local communities to allocate resources where and when they are needed for the people in that community.

Transport Investment Strategy	Sets out the transport infrastructure, services and initiatives that are required to support the growth of Cambridgeshire.
Transport Delivery Plan	Provides forward visibility of all the planned highway and transport capital schemes on the local network that are in all probability going to be delivered within the 3-year timeframe.
Supporting New Communities Strategy	Ensures that infrastructure in new communities is designed to meet the needs of the community now and in the future. Supports the development of a self-supporting, healthy, and resilient community. Ensures that where people's needs are greater than can be met within community resources they are supported by the right services and are helped to return to independence.
Planning Obligations Strategy	Sets out the Council's approach to securing developer contributions. Forms the principles for the advice which officers provide, including details about the service areas for which we may seek planning obligations.
Climate Change and Environment Strategy	Sets out the Council's ambitious plans to reduce our own and the county's carbon footprint, and to support others in their efforts
Asset Management Strategy	Provides detail on the framework for operational asset management.
County Farms Estate Strategy	Outlines how the estate will be managed to optimise income and development returns to produce a target revenue return to the Council of 4%, as well as how the estate will be managed to promote rural businesses, healthy living and to protect the environment.
Cambs 2020 Programme	Sets out the Council's plans for creating a new 'hub and spoke' approach to providing Council services, allowing the Council to move closer to the communities it serves and reduce pressure on the congested infrastructure of Cambridge. This is not just a programme of office moves, but a catalyst for change for the Council and its employees to deliver services in a different way. As this programme draws to a close, its successor will look at workspace and working practices through best use of IT and property to reduce overall costs and improve delivery.
Commercial Strategy	Sets out how the organisation will develop, foster, and enhance commercial activity which delivers financial, environmental, and social

	value, through continuing to use its assets, skills, and position to support delivery of crucial front-line services and strategic priorities
IT Strategy	Articulates how staff in shared services can work effectively with colleagues across both the Council and PCC to deliver more effective services to our citizens. Staff need access to IT that supports this vision and enables secure, easy, and robust sharing with collaboration tools delivered on a cost-effective basis, with the minimum level of duplicate costs for equipment and licences.
Procurement Strategy	This strategy has been created in line with the current National Procurement Strategy implemented in 2018 and following the service's withdrawal on 1st October 2020 from the LGSS shared service partnership. It sets out how the Procurement model of delivery will focus on transforming the recently repatriated Cambridgeshire Procurement team to an enhanced function that operates in partnership with PCC, supporting joint initiatives and Cambridgeshire strategic requirements.

Commercial Strategy

To build on the ambitions and practice achieved as part of the 2019 - 2021 Commercial Strategy, the Commercial Strategy has been reviewed and re-set for the 2021-2025 period. This new strategy focuses on and reflects the changing and increasingly challenging economic, financial, and social landscape of Cambridgeshire. Priorities across the organisation in the last two years, coupled with the external impacts of Covid-19, the targeted recovery, changes to local authority funding and loan conditions, and the new Administration of CCC; require a refocus of commercial, business-like activities and practice within the Council.

In order to support an increasing and necessary focus on social value, the Commercial Strategy seeks to embed commercial expertise and practice in services that will sustainably enable the organisation's desired outcomes with pace and efficiency. The strategy is underpinned and supported by a strong base which will ensure effective procurement, contract management controls, understanding of full costs, ongoing engagement with supply chains and partners and horizon scanning, as well as ensuring current and planned income, commercial activities and funding streams remain maximised and sustainable. A suitable risk-based approach enables the Council to identify risks and mitigations and know when to embrace or reduce their potential impact. To align with services and deliver this broader strategy for the Council, three themes have been prioritised, enabling clarity and ownership:

- Assets

– Placemaking and Communities
– External Environment

The strategy sets out commercial activity to include:

– thinking about the commercial, environmental, and social return on investment for every pound the Council spends
– making robust decisions on a consistent basis with evidence and a sound business case
– making a surplus - from trading and investments
– maximising value for money from contractual relationships
– considering the whole life cost of policy decisions, including market impact
– collaborating with the market and with partners to develop alternative models for greater returns/cost efficiencies
– considering new and innovative ways of generating income
– maximising use of revenue and assets

Whilst all capital schemes are expected to contribute to delivery of the Council's Strategic Priorities, there are some schemes that are also expected to reliably demonstrate revenue income / savings at least equal to the debt charges generated by the scheme's borrowing requirement. These schemes are called Invest to Save or Invest to Earn schemes and will be self-funded in the medium-term. The Capital Programme includes the following Invest to Save / Invest to Earn schemes:

Scheme	Total Investment (£m)	Total Net Return* (£m)
Independent Living Service: East Cambridgeshire	16.0	0.9
Independent Living Services	40.1	TBC
Swaffham Prior Community Heat Scheme	13.5	31.4
Smart Energy Grid Demonstrator scheme at the St Ives Park and Ride	4.3	1.3
Babraham Smart Energy Grid	6.2	4.8
Trumpington Smart Energy Grid	7.0	7.0
Stanground Closed Landfill Energy Project	8.3	8.9
Woodston Closed Landfill Energy Project	2.5	8.8

North Angle Solar Farm, Soham	24.4	40.0
Housing schemes	155.2	57.8
County Farms investment (Viability)	2.7	7.4
Shire Hall Relocation	18.7	45.2
TOTAL	**299.0**	**213.4**

**The net return includes the cost of financing the capital expenditure and the ongoing revenue costs associated with the investment (therefore a zero net return indicates that the project has broken even).*

Asset Management Strategy

The Council's Capital Strategy inevitably has strong links to the Council's property Asset Management Strategy, which provides detail on the framework for operational asset management; this includes defining the principles which guide asset management, its role in supporting service delivery and carbon reduction, why property is retained, together with the policies, procedures and working arrangements relating to property assets. The Council's Asset Management Strategy is currently under review and will be developed under the guidance of Strategy and Resources Committee.

The Strategy will focus on the key objectives of:

- Reducing costs
- Co-locating front and/or back-office services
- Reducing carbon emissions
- Adapting assets to build resilience to a changing climate
- Increasing returns on capital
- Opening up investment opportunities
- Improving service delivery to communities
- Taking advantage of lease breaks

There will also be a detailed review of existing policy and strategy, and in particular a strengthening of the Corporate Landlord model and its links into corporate strategies such as the Commercial Strategy, Think Communities and Older People's Accommodation.

Investment Strategy (Non-financial)

Part of the Council's approach of dealing with the twinned pressures of reduced central government funding and growing demand for services has been to deliver better financial returns from property and asset holdings.

CIPFA's revised Prudential and Treasury Management Codes 2017 requires from 2019-20 onwards that all local authorities prepare an investment strategy, covering both financial and non-financial assets. The Investment Strategy for financial assets is included within the Treasury Management Strategy; for non-financial assets, it is included here and should provide (in addition to a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services):

- An overview of how the associated risk of non-financial investments is managed
- The implications for future financial sustainability.

Any commercial acquisition carries with it a degree of risk and as this involves the investment of public funds, the rationale for engaging in such activity should be clear. As with the rest of the Capital Strategy, all investment activity has been undertaken in line with the Council's vision of 'making Cambridgeshire a great place to call home', and therefore has contributed to the following Strategic Priorities:

- Using our public assets wisely and raising money in a fair and business-like way to reduce their carbon footprint and generate social return for all citizens of Cambridgeshire.
- Growing financial, environmental, and social capital place-by-place by stewarding local resources including public, private, and voluntary contribution.

This has been achieved through contribution to the following Corporate Strategy theme:

- Developing strength and depth in our commercial activity.

However, recent changes to the Public Works Loan Board (PWLB) rules and anticipated changes to CIPFA's Prudential Code mean that the Council is not looking to invest further in new commercial property acquisitions beyond the current portfolio over the medium-term.

Whilst no further investment is anticipated, the Council does now hold a commercial property portfolio, and as such, still needs to consider the long-term sustainability risk implicit in becoming too dependent on commercial income, or in taking out too much debt relative to net service expenditure. There are inherent risks associated with commercial activity (for further detail see section 6h) and as such the Council has taken a measured risk approach towards supporting a proportion of its core activity with commercial income. The table below shows the forecast levels of commercial income as a percentage of net service expenditure:

Dependency on Commercial Income:

	2021-22 Estimate %	2022-23 Estimate %	2023-24 Estimate %	2024-25 Estimate %	2025-26 Estimate %	2026-27 Estimate %

Commercial income* to net service expenditure	-3.5%	-3.7%	-3.6%	-4.1%	-4.3%	-4.2%

** Commercial income here includes both financial and non-financial income*

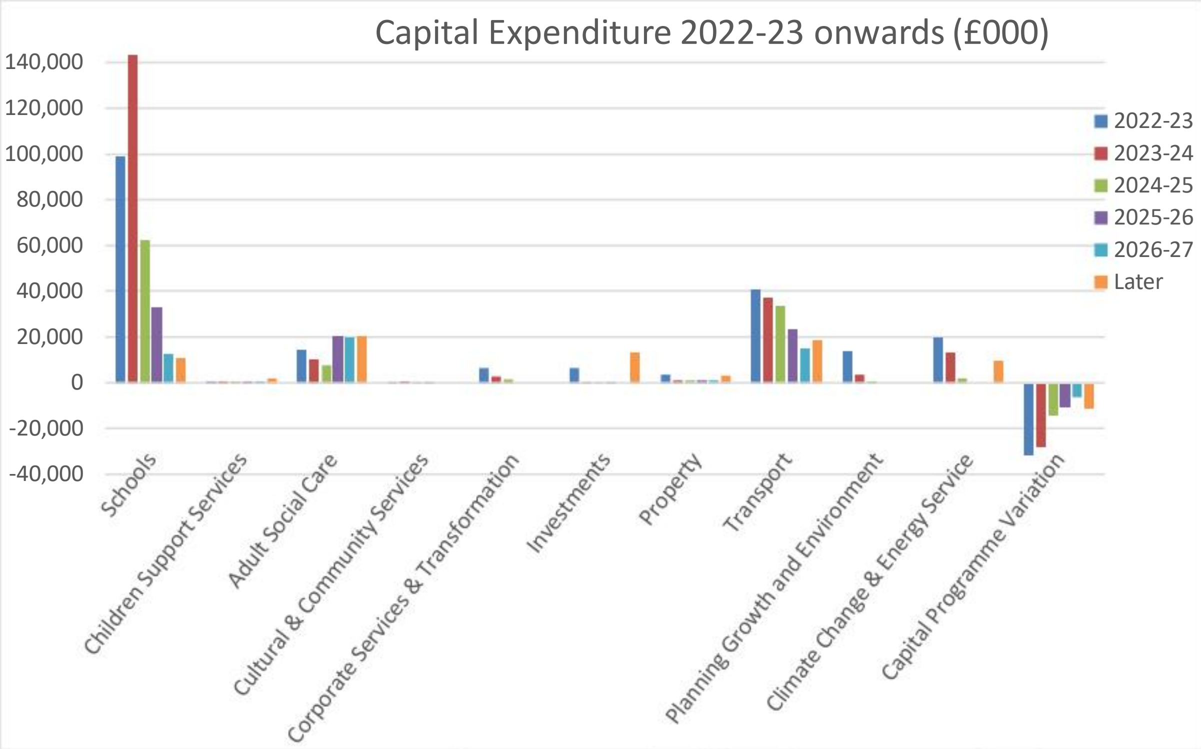
As part of this Capital Strategy, the Council sets a debt charges limit at the beginning of the business planning process as a mechanism to ensure that the Council does not overcommit its revenue resources to servicing debt. This can also be reviewed in terms of debt as a proportion of net service expenditure; for details on this see section 6f. However, it should be noted that the majority of these financing costs do not relate to borrowing incurred for commercial investment, but rather to necessary borrowing required to support the Council's service Capital Programme.

There may be a need in the future to dispose of property investments. This could occur because of the need to return the investment to cash for other purposes, poor financial performance of a particular property, or poor environmental and energy performance, for example. Whilst it is expected that the majority of investments will be held for the medium to long-term in order to achieve the required return and to justify the cost of the acquisition, it is important to understand the opportunities to dispose of any investment. Therefore, as part of the investment decision, consideration has been given to the potential ways in which the Council could "exit" from the investment, such as sale to another investor, sale for redevelopment, etc.

Active monitoring of the performance of individual properties within the portfolio is undertaken jointly across the property, finance, and commercial teams. If any underperformance is identified, the Commercial Team will develop an action plan to determine how to mitigate any increase in risk or threat to ongoing security, liquidity, and yield.

6d. Capital Investment Plan

Including an estimated previous spend of £623.3m on active schemes, the total value of the 2022-23 Capital Programme is £1.3bn. The following chart provides the areas of spend from 2022-23 onwards; the three categories of most significant capital expenditure for the Council are schools, transport, and energy.



Schools

Capital Scheme Category	£m	Description
Basic Need	286.9	The population of Cambridgeshire is growing; therefore, additional school places are required. This covers early years, primary and secondary education for both maintained and academy schools, as the Council retains the statutory duty to provide school places.
Adaptions	7.3	Covers rebuilds after major incidents such as fire or flooding, adaptions to bring older buildings up to date in line with the Department of Education Building Bulletin guidance, and work to address long-standing suitability and condition issues.
Condition & Maintenance	20.5	Addresses significant condition and statutory compliance issues identified in maintained schools' asset management plans, ensuring places are sustainable and safe. This funding is used alongside Government grants and loans to fund non-carbon

		heating solutions in some schools where oil or gas boilers require replacement.
Schools Managed Capital	6.2	This funding is allocated directly to maintained schools to enable them to undertake low-level refurbishments, minor condition and maintenance works, and purchase equipment such as IT.
Specialist Provision	32.4	Covers both basic need provision for Special Educational Need and Disability (SEND) places, as well as adaptions to facilitate placement of children with SEND in mainstream schools in line with decisions taken by the County Resourcing Panel.
Temporary Accommodation	7.0	Enables the Council to increase the number of school places provided using mobile accommodation. This could be related to temporary increases in pupil numbers that do not require long-term resolution or could be a short-term solution whilst a longer-term resolution is identified and developed.

Transport

Capital Scheme Category	**£m**	**Description**
Integrated Transport	43.8	Covers local infrastructure improvements regarding accessibility, road safety engineering work, new cycle route provision and the Council's contribution to the Highways Agency A14 upgrade scheme.
Operating the Network	53.6	Carriageway and footway maintenance, improvements to the Rights of Way network, bridge strengthening and traffic signal replacement. It also supports provision of the Integrated Highways Management Centre and Real Time Bus Information system, which provide real-time travel information.
Highways & Transport	18.2	One-off schemes to provide resolutions to specific highways and transport issues. Examples include full reconstruction of the B1050 Shelfords Road and

		replacement of the King's Dyke level crossing in Whittlesey.

Energy

Capital Scheme Category	£m	Description
Smart energy grid demonstrators	14.6	Installation of low carbon energy generation assets with battery storage on Park and Ride sites.
Landfill energy projects	10.2	Installation of clean energy schemes on closed landfill sites.
Solar energy schemes	2.1	Creation of a second solar farm and an additional solar park.
Community heat scheme	5.6	This is a ground-breaking scheme enabling residents to decarbonise their heating and hot water by provision of an energy centre which will supply heat via a network of underground pipes that run through the village.
Decarbonisation Fund	11.15	Taking all non-school Council buildings off fossil fuels and converting to low carbon heating solutions such as air or ground source heat pumps.

Capital Programme Variation

The nature of capital planning is such that it can be difficult to accurately forecast timing of capital expenditure for each individual scheme, as it is difficult to pinpoint exactly which schemes will experience unforeseen delays. In order to ensure that this does not unduly impact on the revenue position (see section 6f below for further detail on the impact capital has on revenue), the Council employs the use of centrally calculated and allocated Capital Programme Variation budgets in order to reduce the overall level of anticipated borrowing each year to a more accurate level. These budgets are calculated by applying a percentage reduction at Service level to the programme, based on several factors such as historical slippage, the nature of the current schemes in the programme, etc. This explains why the expenditure for this area in the chart above is negative. As slippage forecasts are reported throughout the year, they are offset against the variation budgets for each Service, leading to a balanced outturn overall up until the point when rephasing exceeds this budget.

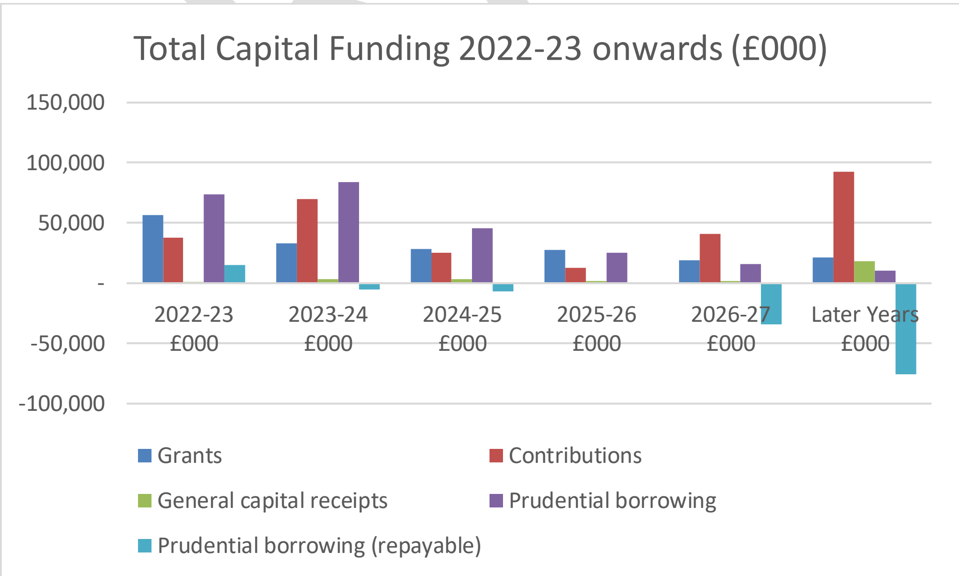
Further detail on all schemes can be found within the individual service finance tables (Section 3 of the Business Plan).

6e. Funding the Strategy

Capital expenditure is financed using a combination of the following funding sources:

Earmarked Funding	Central Government and external grants
	Developer contributions (Section 106), Community Infrastructure Levy (CIL) and external contributions
	Private Finance Initiative (PFI) / Public Private Partnerships (PPP)[1]
Discretionary Funding	Central Government and external grants
	Prudential Borrowing
	Capital Receipts
	Revenue funding

The 2022-23 ten-year Programme, worth £642.1m, is budgeted to be funded through £465.1m of external grants and contributions, £30.0m of capital receipts and £147.0m of borrowing.



Prudential borrowing (repayable) normally arises through timing differences between expenditure and receipt of income. This is common in relation to schemes funded, or part-funded, by developer contributions where the timing of the contribution is determined by

[1] This source of funding is no longer available for new schemes

the pace of development and meeting certain triggers, whereas the infrastructure may be required at an earlier point. For example, a new school may be required early on in a development, even though it will not reach capacity (and therefore will not trigger all of the funding milestones usually linked to the number of housing completions) for several years. Prudential borrowing (repayable) will also be used to fund capital loans to other organisations; these loans will eventually be repaid, therefore over the life of the programme the borrowing required is zero; this explains the negative Prudential borrowing (repayable) in latter years in the above chart.

Government Grants

Councils have received one-year funding envelopes for three years in a row, which hampers the Council's ability to make efficient and effective decisions over long-term financial planning. The lack of certainty has been further exacerbated by the number of financial reforms which have been put on hold, particularly during the pandemic. The Government announced in September that a Comprehensive Spending Review covering the period 2022-23 to 2024-25 would be concluded on 27th October 2021 alongside the Autumn Budget. It is unclear at this point whether the Local Government Finance Settlement will also cover the same period or will remain as a one-year allocation, which is not conducive to robust financial planning, particularly in relation to capital.

Government Grants - Highways

As part of the National Infrastructure delivery Plan, a National Productivity Investment Fund (NPIF) was created to provide an additional £1.1bn of funding by 2020-21 to relieve congestion and deliver upgrades on local roads and public transport networks. In 2018-19, a £1.7bn Transforming Cities Fund was created out of the NPIF to target projects that drive productivity by improving connectivity, reducing congestion, and utilising mobility services and technology; the Cambridgeshire and Peterborough Combined Authority (CPCA) was allocated £74m from this fund. Key measures in relation to the Cambridge-Milton Keynes-Oxford corridor have also been announced, including a commitment to build up to 1 million new homes in the area by 2050, £5m to develop the proposals for Cambridge South Station, and construction on key elements of the Expressway between Cambridge and Oxford, ready to be open by 2030.

In addition to the Highways Maintenance formula allocation, the Department for Transport (DfT) have previously provided a Challenge Fund and an Incentive Fund. The Challenge Fund was to enable local authorities to bid for major maintenance projects that are otherwise difficult to fund through the normal maintenance funding; in 2020-21 this was amalgamated into the Pothole Fund. The Incentive Fund is to help reward local highway authorities who can demonstrate they are delivering value for money in carrying out asset management to deliver cost effective improvements. Each authority self-assesses themselves against set criteria that determines which of three bands they are allocated to (Band 3 being the highest performing). The Council continues to be successful in maintaining Band 3 status and for 2021-22 has secured the maximum funding available of £10.2m. However, this represents a 29% reduction in needs and incentive-based funding as compared to 2020-21 when the Council received £14.6m. This is reflective of a £250m reduction in the overall national allocations. We await DfT to provide any indication of the grant funding to be provided for 2022-23, which is anticipated later this year.

The 2019 Conservative Manifesto committed to an additional £2bn of additional funding for pothole repair; £500m per annum from 2020-21. For 2020-21, the funding provided by DfT came via the new Pothole Fund, which was an amalgamation of Challenge Fund monies and the old Pothole Action Fund. This resulted in additional funding and the Council was allocated £10.2m in 2020-21 and a further £8.3m in 2021-22. This does not include the former Challenge Fund and Pothole Action Fund monies and therefore represents an 18% reduction in potholes funding as compared to 2020-21.

In the Spending Review 2021, the Government announced:

- £2.7bn over the next 3 years for local roads maintenance.
- £3bn of bus investment, including £1.2bn for bus transformation deals in England to deliver London-style services, fare, and infrastructure improvements, and a further £355m new funding for zero emission buses.
- £2bn of investment in cycling and walking to build hundreds of miles of high-quality, segregated bike lanes and other facilities to improve cyclists' safety. This includes £710m of new investment in active travel funding over the next 3 years.

Any allocations of this grant to Cambridgeshire will be factored into the business planning process as they are announced.

As the CPCA is now the local transport authority it therefore receives the above DfT local transport authority designated funding, but the CPCA continues to commission the Council to carry out the required works on the transport network.

Government Grants – Levelling Up

In his first speech as Prime Minister, Boris Johnson promised to 'level up across Britain' and 'answer the plea of the forgotten people and the left-behind towns'. Furthermore, the Queen's Speech 2021 said that the Government would "level up opportunities across all parts of the United Kingdom, supporting jobs, businesses and economic growth and addressing the impact of the pandemic on public services". The Budget 2021 document stated that "the government will publish the Levelling Up White Paper by the end of 2021, setting out in more detail the framework and next steps towards levelling up opportunities and boosting livelihoods across the country". The Levelling Up White Paper will provide further information on the Government's plans to enable more areas to agree ambitious devolution deals, where there is local support, and to strengthen existing devolution arrangements to ensure local leaders can get on and deliver. So far, the following announcements have been made:

- **Levelling Up Fund** – A £4bn fund; round 1 allocations total £1.7bn and will fund 105 projects. None of the local authorities in Cambridgeshire have received any funding under this round.
- **Community Ownership Fund** – The first 21 projects, which will help communities across the UK protect and manage their most treasured assets, have been announced (none relate to Cambridgeshire). The Fund is being delivered over at least 8 bidding rounds.
- **UK Shared Prosperity Fund** – Over £2.6bn has been allocated to the UK Shared Prosperity Fund (UKSPF) to help people access new opportunities across the UK.
- **Towns fund** – Continued regeneration of some 170 high streets, town centres and local communities across England will occur through the Towns Fund. No funding has been allocated to towns in Cambridgeshire.
- **Street Heritage Action Zone** – Continuing the successful High Street Heritage Action Zone programme in England to revive 67 historic high streets.
- **Freeports** - up to £200m has been announced to deliver eight Freeports in England, creating regions that will flourish as hubs for global trade and investment.
- **Levelling Up Parks Fund** – £9m Levelling Up Parks Fund, funding over 100 new parks in 2022-23 to ensure equal access to parks in urban areas that are deprived of green space.
- **Sports Facilities** – The Government will fund up to 8,000 community multi-use sports and football pitches, as well as refurbish more than 4,500 tennis courts, to improve access to sport facilities.
- **Youth Services** – To support young people, investment of £560m in youth services in England, including through the Youth Investment Fund and National Citizen Service.

Government Grants – Environment

A new discounted interest rate was introduced in 2018, accessible to authorities for 3 years to support up to £1bn of infrastructure projects that are 'high value for money'. The Council submitted two bids to access this discounted interest rate; in November 2019 it was notified that the bids had been successful, and the Council can now secure £61m of borrowing at a discount of 1.4% below standard PWLB borrowing rates. This will support a variety of energy investment and community energy schemes to be delivered by 2023-24. The first tranche was accessed in March 2020 when the Council applied for £8m at the discounted rate, followed by a second tranche of £6m in August 2021.

Following on from this, the UK Infrastructure Bank (UKIB) opened for business in June 2021 and is expected to unlock more than £40bn of infrastructure investment. The Council is evaluating whether any of our energy schemes in particular should apply for this investment.

The Government has also set up several grant schemes to support the retrofit of existing buildings called the Public Sector Decarbonisation Fund, Community Heat Fund, Home Upgrade Grants, a ‘Prospering from the Energy revolution’ fund and a whole stream of other pump prime funding. It has also brought forward the Environment Bill and Agriculture Act; these will bring inward investment to change the way we do things and value public goods. It will be important to scope the range of Government opportunities and plan how to draw down this investment to support our Capital Strategy and Strategic Priorities.

Government Grants - Education

The Government allocates capital funding to enable authorities to provide sufficient school places for every child who needs one, as well as ensuring that longer-term capital allocations are made in order to aid planning for school places. Unfortunately, the current methodology used to distribute funding for additional school places does not always reflect the Council’s need, requiring additional borrowing on top of grants received. Almost all of this need relates to infrastructure that the Council has a statutory responsibility to provide, therefore there is limited flexibility for the Council in deciding whether to proceed with these schemes and allowing for their costs within the capital programme.

The Council seeks to maximise its Basic Need funding by establishing how the funding allocation model works and providing the School Capacity (SCAP) data to the Department of Education (DfE) in such a way as to maximise the Council’s allocation. As the Government has announced a three-year spending review for the period 2022-23 to 2024-25, it is hoped that three-year Basic Need funding allocations will be announced by the DfE in due course. However, based on the SCAP return principles, the Council is anticipating a significantly reduced level of funding than received for 2022-23. This obviously adds a level of uncertainty to the Council’s longer-term capital planning.

The DfE has also revised the methodology used to distribute condition allocations in order to target areas of highest condition need. The funding now consists of a weighted pupil element, banded condition scores, and a location factor to represent increased costs as determined by the Building Cost Information Service. The DfE have also increased the funding rate from £115.15 to £146 per pupil before other factors are applied. Transitional arrangements are in place to offer protection to ensure no eligible body receives less than the 2020-21 funding level. Cambridgeshire did not require this protection in 2021-22.

The National Infrastructure Delivery Plan commits to investment of £23bn over the period 2016 to 2021 to deliver 500 new free schools, over 600,000 additional school places, rebuild and refurbish over 500 schools and address essential maintenance needs. To date, the

Government has given approval to 9 new free schools in Cambridgeshire to pre-implementation stage. Not all of these, however, are in areas where the Council has an identified basic need requirement. 12 bids were applied for in Cambridgeshire under Wave 13, however there were much stricter criteria in place around this wave and none of the bids were successful. 2 further bids were submitted under Wave 14 of which one was successful: a new Secondary Free School in Wisbech, which is being funded by the Education Funding Agency.

The Spending Review 2020 announced a further 500 new schools will be built over the next decade across the country. This was reaffirmed in the Spending Review 2021, alongside an announcement of £2.6bn to be spent on creating 30,000 new school places for children with special educational needs and disabilities. The Council has recently responded to a DfE consultation on the criteria for the prioritisation and selection of schools for inclusion within the programme. The response also identified those schools in Cambridgeshire that were in most urgent need of investment.

Developer Contributions and Capital Receipts

The strong housing market and prospects of economic recovery have given confidence to housebuilders and developers, which, coupled with increasing investment in Build to Rent, has led to rising demand for development land. New home completions are above pre-Covid levels, with levels in February to mid-March 12% higher than in 2020, according to Energy Performance Certificates for new dwellings. And despite the changes to Help to Buy, forward sales by the major housebuilders remain robust, with some housebuilders between 50% and 70% forward sold for 2021 completions. As a result of the stronger-than-expected market, having completed more homes and scaled back land-buying activity in 2020, housebuilders need to replenish and add to their immediate land supply to continue delivering homes over the short to medium term. However, a key obstacle for the construction industry is addressing ongoing challenges in securing building materials. Issues around labour are increasing, particularly with skilled trades like bricklayers and carpenters, and even finding qualified professionals such as quantity surveyors is becoming more problematic.

Office take-up has remained below trend in 2021, but some sectors such as life sciences remained strong. The commercial real estate firm CBRE predicts that office take-up for 2021 in the UK will surpass the record lows seen in 2020 but will remain significantly below trend with a forecast decline of 5.3% in UK office rental values for 2021; and a decline in UK office capital values of 2.2% over the same period. CBRE maintains the view that there will be a transition towards a more hybrid form of office work. Sentiment towards commercial real estate is improving but there remains a significant divergence in performance between highly prized industrial and logistics units and out of favour retail.

This highlights that the impact of Covid-19 is mixed across differing sectors of the property market, both nationally and locally. However, the strong housing market suggests that the Council's ability to fund capital investment through the sale of surplus land and buildings, or from contributions by developers will not be severely impacted moving forward.

The Government has declared a climate emergency and set a target to reduce carbon emissions by 78% by 2025 based on the recommendations of the Climate Commission on the 6th carbon budget. This in turn should set the country on course to deliver its final target of net-zero carbon emissions for the UK by 2050. Delivering the changes required for the net-zero target will require significant investment into energy infrastructure to facilitate the changes from oil and gas infrastructure for heating homes and transport onto electricity and hydrogen as the main infrastructures plus there will be including regulatory change, regarding planning in particular, as this will shape standards for new developments. Whilst the development industry reacts to these changes, some impact may be felt on developer contributions unless there are also changes made to development viability economics to reflect the new climate and biodiversity emergencies.

The Council will re-invest 100% of all capital receipts received (after funding costs of disposal up to the allowable limit of 4% of receipt) back into the Capital Programme, focusing these on schemes that generate an ongoing revenue return.

Community Infrastructure Levy (CIL)

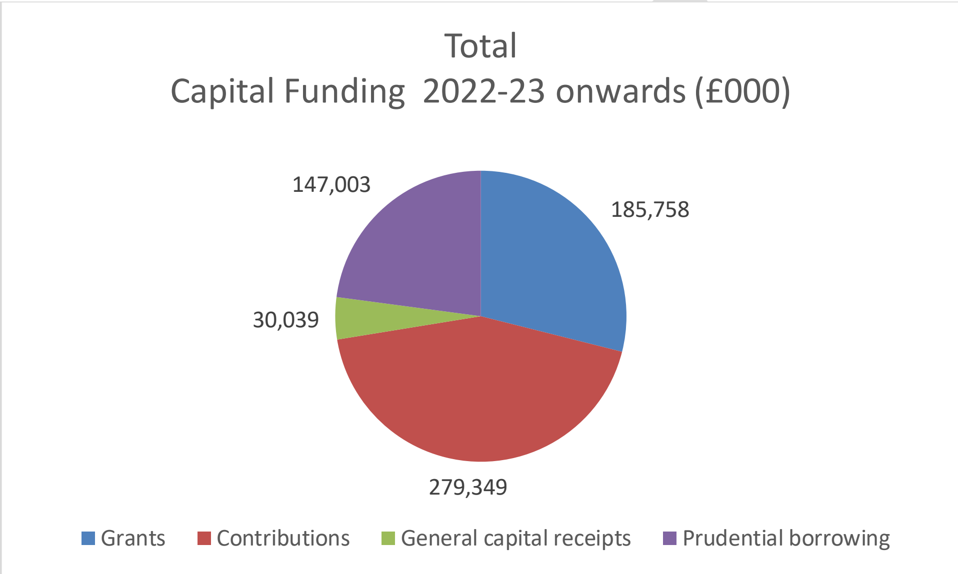
CIL works by levying a charge per net additional floor space created on all small-scale developments, instead of requiring developers to pay specific contributions towards individual projects as per the current developer contribution process (Section 106, which is still in place for large developments). Although this is designed to create a more consistent charging mechanism, it also complicates the ability of the Council to fund the necessary infrastructure requirements created by new development due to the changes in process and the involvement of the city and district councils who have exclusive legal responsibility for determining expenditure. The Council therefore generally receives a much lower proportion of the cost of infrastructure requirements through CIL contributions.

Huntingdonshire and East Cambridgeshire District Councils are currently the only districts within Cambridgeshire to have adopted CIL. Cambridge City Council, South Cambridgeshire District Council and Fenland District Council currently have no plans to implement CIL.

Moving forward, the Council will also need to consider the use of carbon off-set funds, where developers pay into a fund in order to effectively purchase off-set credits, rather than meet their whole carbon reduction obligation through on-site measures. The fund will then pool payments for investment into priority carbon reduction projects. Consideration will need to be given to how these funds could work and the type of regulation that may come forward as a result. Accessing this type of opportunity may be a future means of funding public infrastructure created as a result of development.

Borrowing

The Council will only look to borrow money to fund a scheme either to allow for schemes that will generate payback and/or reduce future carbon liabilities (via either financial/carbon savings or through income generation), or if all other sources of funding have been exhausted but a scheme is required. Despite this, the Council has an affordability gap of £147.0m over the ten-year programme, which is due to be funded by borrowing.



6f. Revenue Implications and Affordability

All capital schemes have a potential two-fold impact on the revenue position, due to:

- the cost of borrowing through interest payments and repayment of principal (called Minimum Revenue Provision), or through the loss of investment income; and
- the ongoing revenue impact of the scheme (such as staff salaries, utility bills, maintenance, administrative costs etc.), or revenue benefits (such as savings or additional income).

To ensure that available resources are allocated optimally, capital programme planning is determined in parallel with the revenue budget planning process. Both the borrowing costs and ongoing revenue costs/savings of a scheme are considered as part of a scheme's Investment Appraisal, and therefore, the process for prioritising schemes against their ability to deliver outcomes.

In addition, the Council is required by CIPFA's Prudential Code for Capital Finance in Local Authorities 2017 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to guarantee that it achieves this, towards the start of each business planning process, Strategy & Resources (S&R) Committee determines what proportion of revenue budget is spent on services and the corresponding maximum amount to be spent on financing borrowing. This is achieved by setting an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the plan.

In order to afford a degree of flexibility from year to year, changes to the phasing of the debt charges is allowed within any three-year block, so long as the advisory aggregate limit remains unchanged. Blocks refer to specific three-year periods, starting from 2015-16, rather than rolling three-year periods. The advisory limit on debt charges is reviewed each year by S&R Committee to ensure that changing factors such as the level of interest rates, or the external funding environment are taken into account when setting both.

Due to the Council's strategic role in stimulating economic growth across the county through infrastructure investment, any capital proposals that can reliably demonstrate revenue income / savings at least equal to the debt charges generated by the scheme's borrowing requirement are excluded from contributing towards the advisory borrowing limit. These schemes are called Invest to Save or Invest to Earn schemes and will be self-funded in the medium-term. Whilst the financing costs for commercial activity schemes have already been removed from the budget and recharged to the Commercial Activity budget, there are several other Invest to Save / Earn schemes that have not been recharged e.g., third party loans. The following table therefore compares revised net financing costs excluding these costs. Following the change in the Minimum Revenue Provision policy, agreed by Full Council in February 2016, the limits in recent years have been increased by 2% each year:

<table>
<tr><th>Financing Costs</th><th>2021-22
£m</th><th>2022-23
£m</th><th>2023-24
£m</th><th>2024-25
£m</th><th>2025-26
£m</th><th>2026-27
£m</th></tr>
<tr><td>2022-23 draft BP (net figures excluding Invest to Save / Earn schemes)</td><td>29.8</td><td>33.6</td><td>36.3</td><td>40.5</td><td>41.1</td><td>41.8</td></tr>
<tr><td colspan="7"></td></tr>
<tr><td>Recommend limit</td><td>39.7</td><td>40.5</td><td>41.3</td><td>42.2</td><td>43.0</td><td>43.9</td></tr>
<tr><td>HEADROOM</td><td>-9.9</td><td>-6.9</td><td>-5.0</td><td>-1.6</td><td>-1.9</td><td>-2.0</td></tr>
<tr><td colspan="7"></td></tr>
<tr><td>Recommend limit (3 years)</td><td colspan="3">121.5</td><td colspan="3">-129.1</td></tr>
<tr><td>HEADROOM (3 years)</td><td colspan="3">-21.8</td><td colspan="3">-5.5</td></tr>
</table>

Once the service programmes have been refined, if the amalgamated level of borrowing and thus debt charges breach the advisory limit, schemes will either be re-worked in order to reduce borrowing levels, or the number of schemes included will be limited according to the ranking of schemes within the prioritisation analysis.

Invest to Save and Invest to Earn schemes for all Services are expected to fund any revenue pressures, including borrowing costs, over the life of the asset. However, any additional savings or income generated in addition to this repayment will be retained by the respective Service and will contribute towards their revenue savings targets.

However, there will still be a short-term revenue cost for these schemes, as with all other schemes funded by borrowing. Therefore, S&R Committee still needs to review the timing of the repayments, in conjunction with the overall total level of debt charges to determine affordability of the Capital Programme, before recommending the Business Plan to Full Council. The debt charges budget required to fund capital borrowing for the ten-year programme is forecast to spend £34.5m in 2022-23, increasing to £42.8m by 2026-27. The following table shows the proportion of net budget (excluding schools) that is forecast to be spent on debt charges, resulting from the estimated increase in borrowing levels over the period of the 2022-23 plan. Maintaining the proportion of budget spent on debt charges at 2022/23's level (9.5%) would reduce the revenue cost of capital schemes but would require a reduction or rephasing of the Capital Programme.

	2022-23	2023-24	2024-25	2025-26	2026-27
Debt charges (including Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	9.5%	9.8%	10.4%	10.3%	10.0%
Debt charges (excluding Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	6.7%	6.4%	7.0%	7.3%	7.9%

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government would allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects between 2016-17 and 2018-19. The Government then further extended this flexibility to cover a further 3 years until 2021-22 and is anticipated to further extend it to 2024-25. The Council has been using this flexibility to fund transformational activity, and as a result, prudential borrowing undertaken by the Council for the years 2017-18 to 2024-25 will be between £1.5m and £3.9m higher in each respective year. This is expected to create additional Financing costs in the revenue budget of £67k to £146k each year. For further information, please see the Flexible Use of Capital Receipts Strategy contained within section 3 of the MTFS (Section 2 of the Business Plan).

The Council also includes the capitalisation of the cost of borrowing within all schemes; this has helped the Council to better reflect the cost of assets when they actually become operational. Although the capitalised interest cost budgets are initially held on an overall Service basis within the Capital Programme, the funding is ultimately moved to the appropriate schemes each year once exact figures have been calculated.

6g. Managing the Borrowing Requirement

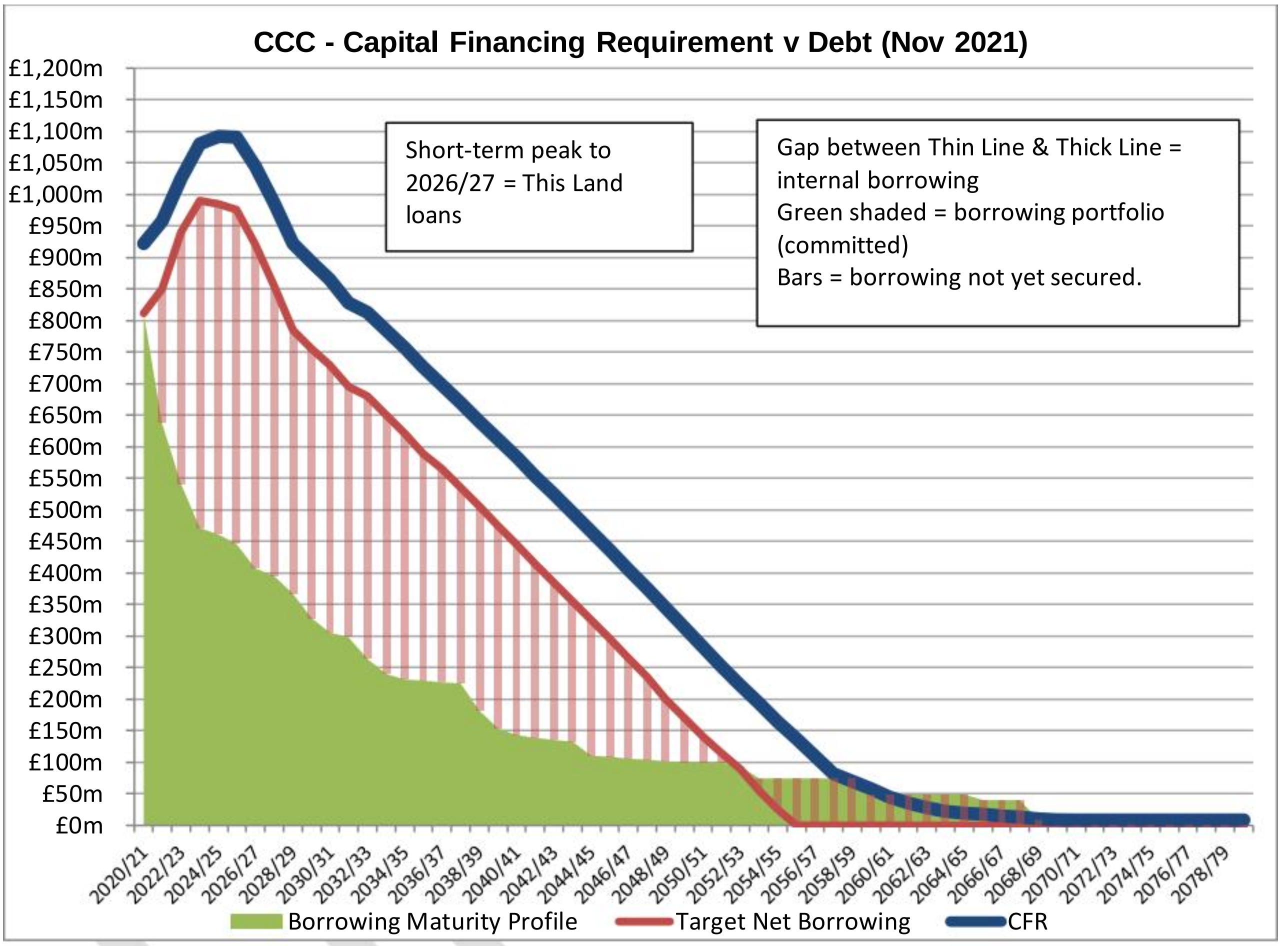
The Council's Treasury Management Strategy (Section 7 of the Business Plan) considers how the cash requirements arising from the Council's Capital Strategy and detailed investment programme are managed by external borrowing, and the timing of any such borrowing. Where capital expenditure has been incurred without a resource to pay for it, i.e., when it is proposed to be funded by borrowing, this will increase the Council's Capital Financing Requirement (CFR). The CFR therefore effectively represents the Council's underlying need to borrow. The Council reduces the CFR by making a prudent provision for the repayment of historic capital expenditure from its revenue budget in line with its agreed policy – this is called Minimum Revenue Provision (MRP). Calculation of the CFR is summarised in the table below and results in the need to borrow money.

	Opening Capital Financing Requirement
+	Capital expenditure incurred in year
-	Grants, contributions, capital receipts and revenue funding used to fund capital expenditure
-	Prudent Minimum Revenue Provision (MRP)
=	**Closing Capital Financing Requirement**

Future projections of the CFR based on the Capital Programme and resources deemed available to fund it are shown in the table below. Forecasts are subject to the timing of capital expenditure and receipt of funding sources.

	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Total CFR	1,024.6	1,079.6	1,091.9	1,090.4	1,044.7

The following chart shows the Council's projected CFR (underlying borrowing need) against the maturity profile of all active loans. The shaded red bars therefore represent the amount of borrowing required to be secured in future in order to meet the Council's projected borrowing requirement, based on the forecast capital programme.



The Council's main objectives when borrowing are to achieve a low but certain cost of finance, while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher. For further detail regarding the Council's long-term borrowing strategy, please see the Treasury Management Strategy (Section 7 of the Business Plan).

6h. Risk

There are a range of future risks beyond the control of the Council that have the potential to impact upon the Council's ability to deliver its capital ambition. The Covid-19 pandemic has brought into stark focus the potential disruption that health crises, for example, can cause to life as we know it. Retaining a focus on future risk through a risk management approach that identifies, assesses, and manages (as far as is possible) risk is a critical part of the Capital Strategy, approach, and programme. The Council does not have the resources to mitigate all risks faced, so instead manages risk proportionately, utilising the expertise of senior officers.

The Council's planning and governance processes have been developed in such a way as to mitigate these risks. All capital Business Cases are required to complete a section on risk to identify the main drivers and potential mitigations. The following table sets out some of these:

Risk	Mitigation
Legislative	Changes in statute and regulation will impact upon capital projects, as they must comply with current legislation. The Council ensures that it keeps abreast of these developments, responding to consultations where appropriate and taking any required adjustments to strategies or processes through the appropriate governance channels.
Property Markets	Various aspects of the programme, such as rental income, income generated by capital receipts and funding through developer contributions are affected by the health of property markets. The Council ensures it has a sound property asset strategy, suitable diversification, adequate resourcing (including use of external experts where required), and a long-term approach.
Environmental	The impacts of a changing climate are being felt globally and Cambridgeshire, being low lying makes it vulnerable to sea level rise, increasing flood risk, drought, and overheating, as well as future resource constraints resulting from loss of nature and global competition for resources.
Interest Rate	A considerable proportion of the Council's programme is funded by borrowing and is therefore exposed to fluctuations in interest rates. The Council uses prudent forecasts for future interest rates and constantly reviews its long-term borrowing strategy to mitigate against any interest rate rise risk. Further detail can be found in the Treasury Management Strategy.
Inflation	Given the size of the portfolio, a small rise in inflation can have a significant impact upon project costs. The Council builds in inflation estimates where appropriate to mitigate against this risk, plus schemes include contingency budgets in order to further mitigate against unanticipated rises. Contracts are also negotiated using fixed terms

	where possible. Close monitoring of the programme supports early identification and therefore appropriate response.
Capacity	A significant challenge in the current environment is the capacity within the supply chain to deliver projects on time and to budget. In addition, the Council needs to ensure it has sufficient project delivery expertise in order to deliver schemes efficiently and effectively. For significant programmes, dedicated project delivery resource is allocated to ensure capacity and expertise. Supply chain capacity is managed at the project and programme level, with residual risks escalated through the Council's governance process as necessary.

Investment Strategy Risk

The structure of the property portfolio has a significant bearing on the portfolio's inherent risk and return profile. Therefore, a key objective of the non-financial investment strategy was to create diversification within the portfolio in order to manage exposure to the risks of concentrating too much activity in any particular sector. Key risks in the portfolio can be categorised in as follows:

Risk	Mitigation
Income	The main risk in a commercial portfolio is tenant vacancies and the resultant loss of income. The costs of holding a vacant property include non-domestic rates, insurance, utilities, security, inspections and management. In addition, there are costs of marketing the property, the agent's disposal fees and legal fees for completing the lease documentation for re-letting the premises.
Yield	The aim of the majority of investments is to provide a secure return on income. The Council manages its commercial property as a single portfolio, ensuring that the collective returns achieved on the investments meet the overall financial target that is set.
Concentration	Sector Concentration – the main property sectors are retail, office, industrial and leisure/healthcare. The Council has spread its portfolio of investment across the different sectors in order to limit exposure to any volatility in a particular area. Like geographic diversification, industry diversification is sensitive to the diversification requirements of the overall portfolio. Geographical Concentration – it is important for the Council to understand the future economic viability of localities, which will be

	influenced by a number of local and national economic factors. For example, future major transport infrastructure investment could significantly influence the economic viability of an area and therefore the future value of investments in that locality. Property Concentration – diversifying a real estate portfolio by property type is similar to diversifying a securities portfolio by industry. Different property types cater to different sectors of the economy. For example, office property generally responds to the needs of the financial and services-producing sectors; industrial property to the goods-producing sectors; retail property to the retail sector; and hotels to the travel and tourism sectors, employment growth, and the business cycle. Understanding the return and risk factors attendant to different property types requires understanding the factors affecting each property type's user groups. Tenure Concentration – the portfolio is managed to ensure that it contains a broad spread of tenants. This analysis can be driven by credit ratings, nature of business, lease length, and the value of the leaseholds. It is important to evaluate tenant credit ratings according to the senior corporate debt of the lessees. Leases are compared regarding their length (including renewal options), which may vary considerably, typically from ten to twenty years.

The Investment Strategy requires continual evaluation of the investment portfolio against the Council's priorities to ensure that the investment portfolio is fit for purpose. A larger and more balanced portfolio would help to achieve the Council's aim of increasing income to support the delivery of services throughout the county, however, balancing this with risk means that a core portfolio of property assets has been sought, diversified by sector (industrial, offices and retail), location and risk.

6i. Capital Planning and Governance

The Capital Strategy will support, and be aligned to, the new decision-making framework which is currently being developed by the Council. When making long-term investment decisions, clear and informed information is vital to understanding the short- and long-term impact on key social, financial, and environmental indicators. Any investment proposal will be considered within the context of, but not be limited to, the following areas of impact:

- Whether the investment will support the increase of the social foundation within Cambridgeshire; ensuring no community lacks the basics of life on which no one should be left falling short (from food and housing to healthcare and political voice).
- How the investment will ensure we do not overshoot our pressure on the environmental systems (such as a stable climate, fertile soils, and a protective ozone layer).
- A long-term view of the Council's capital expenditure plans and any financial risks to which the Council are exposed.

The Council operates a five-year rolling revenue budget, and a ten-year rolling capital programme. The very nature of capital planning necessitates alteration and refinement to proposals and funding during the planning period; therefore, whilst the early years of the Business Plan provide robust, detailed estimates of schemes, the later years only provide indicative forecasts of the likely infrastructure needs and funding streams for the Council.

New schemes for inclusion in the Programme are developed by Services in conjunction with Finance in line with the Strategic Priorities outlined in the Corporate Strategy. Any new capital scheme costing more than £250,000 is appraised as to its financial, human resources, property, carbon, environment, and economic consequences. The justification and impacts, as well as the expenditure and funding details of these schemes are initially specified in an outline capital Business Case, which becomes more detailed as the proposal develops. At the same time, all schemes from previous planning periods are reviewed and updated as required. All schemes, whether existing or new, are scrutinised and challenged where appropriate by officers to verify the underlying costs and/or establish whether alternatives methods of delivery have been investigated in order to meet the relevant needs and outcomes of the Council.

An Investment Appraisal of each capital scheme is undertaken as part of the Business Case development, which allows the scheme to be scored against a weighted set of criteria such as strategic fit, business continuity, joint working, investment payback and resource use (in addition to the social, financial, and environmental factors listed above) – as this is a transition year, the existing investment criteria have continued to be used, but these will be refreshed for 2023/24. This allows schemes within and across all Services to be ranked and prioritised against each other, considering the finite resources available to fund the overall Programme and in order to ensure the schemes included within the Programme are aligned to assist the Council with achieving its Strategic Priorities.

Capital Programme Board (CPB) provides support and challenge with respect to both the creation of an initial budget for a capital scheme, as well as the deliverability and ongoing monitoring. The Terms of Reference require CPB to ensure that the following outcomes are delivered:

- Appropriate estimates for cost and time of capital projects

- Robust project and programme management and governance
- Post project evaluation and monitoring of key carbon reductions and environmental benefits
- Prioritisation across the whole programme.

Service Committees review the prioritisation analysis, and the Capital Programme is subsequently agreed by S&R Committee, who recommends it to Full Council as part of the overarching Business Plan.

The Capital Programme is monitored in year through quarterly reporting to Service Committees and S&R Committee via Finance Monitoring Reports. These feed into the Integrated Finance Monitoring Report, which is scrutinised by CPB and also reviewed by S&R Committee. The report identifies changes required to the Capital Programme and seeks approval for:

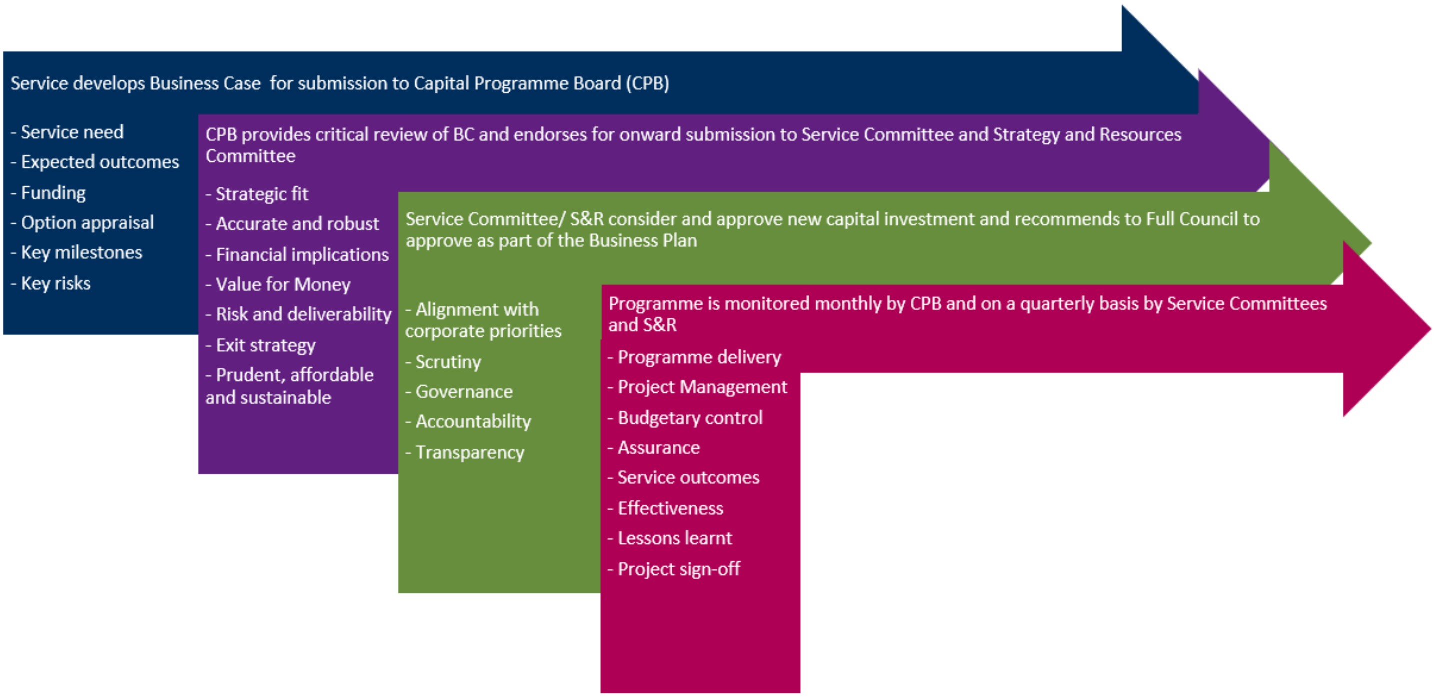
- new / updated resource allocations
- slippage or brought forward programme delivery
- increase / reduction in overall scheme costs
- virements between schemes to maximise delivery against the priorities of the Council.

It is inevitable that new demands and pressures will be identified by the Council on an ongoing basis, however, as far as possible addressing these requirements is undertaken as part of the next business planning process, in line with Regulation 6.4 of the Scheme of Financial Management. Therefore, all new capital schemes should be approved via the Business Plan unless there is an urgent need to seek approval that cannot wait until the next planning process. In these situations, any supplementary capital request will be prepared in consultation with, and with the agreement of, the Chief Finance Officer. Where possible, the report will be reviewed by CPB before being taken to the Strategic Management Team by the relevant Director and the Chief Finance Officer, before any request for a supplementary estimate is put to S&R Committee.

New demands and pressures and changes to estimated costs and funding for ongoing schemes will also potentially result in the need for virements between schemes. All virements should be carried out in line with the limits set out in Appendix I of the Scheme of Financial Management, up to the upper limit of £250,000 by the Chief Finance Officer. Anything above this limit will be dealt with in line with the process for new schemes and will be taken to S&R Committee for approval as part of the monthly Integrated Finance Monitoring Report. Any overspends, whether in year or in relation to the whole scheme, once approved will be funded using applicable external sources and internal, non-borrowing sources first, before using borrowing as a last resort.

Once a project is complete, CPB follows a post-implementation review process for any significant schemes (schemes over £1m, or for schemes between £0.5m and £1m where the variance is more than 20%) in order to ensure that the Council learns from any issues encountered, and highlights and follows best practice where possible. In addition, the Board can request for a review to be completed on any scheme where it is thought helpful to have one.

The following diagram summarises the relevant responsibilities regarding the Capital Strategy to ensure decisions are made legitimately, transparently and deliver against the Strategic Priorities of the Council:



In order to support prioritisation and to avoid slippage and potentially unanticipated additional costs, the Council needs to ensure it has access to sufficient skills and capacity both within the Council and externally in order to deliver the Capital Programme. Such capacity could be project management and development skills, technical and design skills, knowledge, availability of contractors as well as wider market factors.

Appendix 5

Treasury Management Strategy

2022-2023

cambridgeshire.gov.uk

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1: Introduction

Background

The Council is required to operate a balanced budget, which broadly means that the cash raised during the year will meet Council expenditure. The Treasury management operation must ensure that this cash flow is adequately planned, as well as managed, with cash being available when it is needed. Surplus cash should be invested in low-risk counterparties or instruments in line with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

Another main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The treasury management function is critical to the Council, as the balance of debt and investment operations ensure liquidity or the ability to meet Council spending obligations as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

CIPFA has defined treasury management as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Code). The adoption is included in the Council's Constitution.

CIPFA Prudential Code for Capital Finance in Local Authorities

The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) is a professional code of practice. Local authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc. and Accounts).

The CIPFA Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.

Councils are required to set and monitor a range of prudential indicators for capital finance, covering affordability, prudence, and a range of treasury indicators.

Treasury Management Policy Statement

The Council's Treasury Management Policy Statement is included in Appendix 2. The policy statement follows the wording recommended by the latest edition of the CIPFA Treasury Code.

Treasury Management Practices

The Council's Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management objectives, and how it will manage and control those activities through its policies.

The Council's TMPs Schedules cover the detail of how the Council will apply the TMP Main Principles in carrying out its operational treasury activities.

The Treasury Management Strategy

It is a requirement under the Treasury Code to produce an annual strategy report on proposed treasury management activities for the year.
The Council's Treasury Management Strategy is drafted in the context of the key principles of the Treasury Code, as follows:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and

important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes. The Strategy needs to balance risk against reward in the best interests of stewardship of the public purse.

The Treasury Management Strategy incorporates:

- The Council's capital financing and borrowing strategy for the coming year
- The Council's policy on the making of the Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
- The Affordable Borrowing Limit as required by the Local Government Act 2003.
- The Annual Investment Strategy for the coming year as required by the Department of Levelling Up, Housing and Communities (DLUHC) revised Guidance on Local Government Investments updated in 2018.

The Strategy takes into account the impact of the Council's Medium Term Financial Strategy (MTFS), its revenue budget and capital programme, the balance sheet position, and the outlook for interest rates.

The Treasury Management Strategy also includes the Council's:

- Policy on borrowing in advance of need
- Counterparty creditworthiness policies

The main changes from the Treasury Management Strategy adopted by Council in February 2021 are:

- Updates to interest rate forecasts
- Updates to debt financing budget forecasts
- Updates to the Council's Annual Investment Strategy in line with best practice guidance

The Council regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Treasury Management Scheme of Delegation is shown in Appendix 1.

2: Current Treasury Management position

The Council's projected treasury portfolio position at 31 March 2022, with forward estimates, is summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing

Requirement - CFR), highlighting any over or under borrowing. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

Any capital expenditure which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life. This is shown in graphical form in Appendix 1. The CFR and borrowing figures shown in Table 1 below include borrowing undertaken or planned for third party loans and Finance Lease liabilities, but excludes PFI schemes for which a separate borrowing facility forms part of the contracts and so the Council does not need to borrow itself for these.

The Council's projected borrowing need, alongside forecast external borrowing and investment balances, is shown in Tables 1 and 2 below:

Table 1: Forecast Borrowing and Investment Balances

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
External borrowing						
Borrowing at 1 April brought forward	811.3	850.0	940.0	990.0	985.0	975.0
Net Borrowing Requirement to fund capital programme (see Table 2 below)	34.8	67.4	55.0	12.3	-1.5	-45.7
Internal borrowing (increase (-)/reduction)*	3.9	22.6	-5.0	-17.3	-8.5	-9.3
(1) Actual borrowing at 31 March carry forward	**850.0**	**940.0**	**990.0**	**985.0**	**975.0**	**920.0**
(2) CFR (ex. PFI) – the borrowing need	957.2	1024.6	1079.6	1091.9	1090.4	1044.7
(3) *[2 – 1]* Internal borrowing*	107.2	84.6	89.6	106.9	115.4	124.7
Investments						
Investments at 1 April	70.7	50.7	50.7	50.7	50.7	50.7
In Year Movements	-20.0	0.0	0.0	0.0	0.0	0.0
(4) Investments at 31 March	**50.7**	**50.7**	**50.7**	**50.7**	**50.7**	**50.7**
(5) *[1 – 4]* Net borrowing	**799.3**	**889.3**	**939.3**	**934.3**	**924.3**	**869.3**

**Internal Borrowing, also referred to as Under/Over Borrowing, is temporarily funding capital spending from cash-backed resources (reserves and cashflow timing surpluses) to hand. This avoids interest payments by deferring the need to borrow externally, reduces* *investment balances that would otherwise earn a rate of return lower than the cost of additional borrowing therefore minimising net interest expenses, and consequently less investments reduces the Councils exposure to credit risk. Internal Borrowing is discussed further in Section 4 Borrowing Strategy.*

Table 2: Capital Borrowing Requirement

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Unsupported Borrowing – General Fund	55.5	82.3	78.7	38.4	25.5	15.8
Unsupported Borrowing – Housing*	0.4	6.1	0.0	0.0	0.0	0.0
Less: MRP and other financing movements	-21.1	-21.0	-23.8	-26.1	-27.0	-61.5
Net Borrowing Requirement to fund Capital Programme	**34.8**	**67.4**	**55.0**	**12.3**	**-1.5**	**-45.7**

** Loans raised by the Council for the purposes of on-lending to its wholly owned housing development company, This Land, will be classified as capital expenditure and therefore increase the Capital Financing Requirement. However, as these loans will be repaid in full in later years, no MRP will be charged on this borrowing.*

Within the set of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross borrowing does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes except to cover short-term cash flows.

The Chief Finance Officer (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties over the life of the current MTFS. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3: Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on short and longer-term interest rates as summarised in the following table.

LINK GROUP RATE VIEW											
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Bank Rate View	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%`	1.00%	1.00%
5yr PWLB	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.90%
10yr PWLB	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%
25yr PWLB	2.10%	2.20%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.60%
50yr PWLB	1.90%	2.00%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.40%

These are forecasts for certainty rates; gilt yields plus 80 basis points.

The publication of official LIBOR (London Inter-Bank Offered Rate) figures (and related LIBID (London Inter-Bank Bid Rate) calculations) will cease at the close of 2021. As such, references within this document have been updated to SONIA (Sterling Overnight Index Average), which is the risk-free rate for sterling markets administered by the Bank of England and the preferred benchmark for the transition to sterling risk-free rates from LIBOR. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. To support the Risk-Free Rate transition in sterling markets, the Bank of England began publishing the SONIA Compounded Index from 3 August 2020. This simplifies the calculation of compounded interest rates and in doing so provides a standardised basis through its publication as an official source.

The coronavirus outbreak has resulted in significant economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut the Bank Rate to 0.10%, it has then left the Bank Rate unchanged at its subsequent meetings. However, as shown in the forecast table above, the forecast for the Bank Rate now includes four increases from 0.1% in November 2021 to 1.00% by June 2024.

Gilt yields / PWLB rates

As the interest forecast table for PWLB certainty rates above shows, there will likely be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors:

- The potential impact that rising treasury yields in America could have. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant upward risk exposure to forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.
- Whether the Monetary Policy Committee (MPC) act to counter increasing gilt yields if they rise beyond a yet unspecified level
- How strong inflationary pressures turn out to be in both the US and the UK, putting upward pressure on treasury and gilt yields
- How central banks implement their new average or sustainable level inflation monetary policies
- How well central banks manage the withdrawal of quantitative easing purchases of national bonds
- Whether exceptional volatility will be focused on the short or long end of the yield curve, or both

Investment and borrowing rates

Investment returns are forecast to improve in 2022/23 based on expected increases in the Bank Rate; but actual economic circumstances may result in less improvement than expected.

Borrowing interest rates fell to historically very low rates as a result of the Covid-19 and the quantitative easing operations of the Bank of England and remain at historically low levels. However, the policy of avoiding new borrowing by running down spare cash balances has continued to be beneficial for local authorities over the last few years. The current margins over gilt yields for different types of capital expenditure are as follows:

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

The long-term forecast (beyond 10 years) for the Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from PWLB where appropriate, plus longer-term borrowing could also be undertaken for the purpose of certainty, or for flattening the profile of a heavily unbalanced maturity profile.

Temporary borrowing rates are likely, however, to remain near the current Bank Rate, which may also prove attractive as part of the Council's overall borrowing strategy. The Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs whilst also looking to balance out the debt portfolio. While this authority will not be able to avoid borrowing to finance new capital expenditure and to replace maturing debt, there will be a cost of carry (the difference between higher borrowing costs and lower investment returns) to any new borrowing that causes a temporary increase in cash balances.

4: Borrowing strategy

The overarching objectives for the borrowing strategy are as follows:

- To manage the Council's debt maturity profile.
- To maintain a view on current and possible future interest rate movements, and to plan borrowing accordingly.
- To monitor and review the balance between fixed and variable rate loans against the background of interest rates and the Prudential Indicators.
- Reduce reliance on one source of funding and review all alterative options available, including forward loan agreements.
- Continue to support UK Municipal Bonds Agency (MBA) bond issuance programme.
- Provide value for money and savings where possible to meet budgetary pressures.

The Council is currently maintaining an internally borrowed cash position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt. Instead, cash supporting the Council's reserves, balances, and positive cash flow has been used as an alternative, temporary measure. This strategy is prudent as investment returns are relatively low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. The decision to maintain internal borrowing will be evaluated against the potential for incurring additional long-term borrowing costs in later years, when long-term interest rates are forecast to be significantly higher.

If a significant risk of a sharp fall in long and short-term rates materialises (e.g., due to a marked increase of risks around relapse into recession or of risks of deflation), then long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.

If a significant risk of a much sharper rise in long and short-term rates materialises than that currently forecast (e.g., perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks), then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

In November 2019 the Council secured approval for £61m worth of discounted Local Infrastructure Rate funding via the PWLB to support clean energy work in Cambridgeshire in relation to the following projects:

- Five projects in our energy investment programme. These are primarily solar photovoltaic and battery storage projects across our assets. They are being developed to address major challenges our antiquated electricity grid is having which impact housing and business growth in the county, as well as limiting our ability to increase the amount of local, low carbon generation capacity.
- Three projects for community energy infrastructure. Swaffham Prior will be the first to retrofit an existing rural, off-gas community with a low carbon district heating scheme. Once built, the St Ives Smart Energy Grid would be the largest solar canopy project of its kind in the UK. One novel component is the Business Support Program offering which will pass along our lessons learned to the clean tech sector, assisting in wider uptake. And finally, ongoing energy efficiency and energy generation programme in schools. In this phase, we'll be exploring how to turn some schools into energy centres, supplying themselves and their communities with low carbon heat.

In March 2020, £8m of borrowing was drawn down at a rate of 1.45%, followed by a further £6m in August 2021 at a rate of 1.56%. The remainder of the borrowing is expected to be accessed during 2022/23.

Capital Prudential & Treasury Indicators

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their prudential indicators.

A full set of prudential indicators and borrowing limits are shown in Appendix 3.

Policy on borrowing in advance of need

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

Year	Max. Borrowing in advance	Notes
2022/23	100%	Borrowing in advance will be limited to no more than the expected increase in borrowing need (CFR) over the period of the approved Medium Term Capital Programme, a maximum of 3 years in advance.
2023/24	50%	
2024/25	25%	

The risks associated with any borrowing in advance activity will be subject to prior appraisal. Any advance borrowing undertaken will be reported in Treasury Management update reports.

Debt rescheduling

As short-term borrowing rates are often considerably cheaper than longer-term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term borrowing to short-term borrowing. However, these savings will need to be considered in the light of the current treasury position and, in the current economic climate, the substantial exit costs of any debt repayment.

The reasons for any rescheduling to take place will include:

- The generation of cash savings and/or discounted cash flow savings.
- Helping to fulfil the treasury strategy.
- Enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Any rescheduling activity undertaken will be reported to Strategy and Resources (S&R) Committee, at the next quarterly report following its action.

New financial institutions as a source of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to obtaining funding from other sources for the following reasons:

- Local authorities, primarily shorter dated maturities of up to around 3 years. These are still lower rates than the Certainty Rate.
- Financial institutions, primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years.
- UK MBA
- UK Infrastructure Bank

5: Minimum Revenue Provision

The Council is required to repay an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if desired (Voluntary Revenue Provision - VRP).

DLUHC Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The MRP Policy is in Appendix 4.

The Council, in conjunction with its Treasury Management advisors, considers the MRP policy to be prudent.

6: Investment strategy

Government Guidance on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement (TMSS) and the AIS to be combined into one document.

The Council's general policy objective is to invest its surplus funds prudently. As such the Council's investment priorities in priority order are:

- the security of the invested capital
- the liquidity of the invested capital
- the yield received from the investment

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short-term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider-ranging fund options.

The Council's Annual Investment Strategy (AIS) is shown in Appendix 5.

7: Risk Analysis and Forecast Sensitivity

Risk Management

The Council regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices. The main risks to the treasury activities are:

- Credit and counterparty risk (security of investments)
- Liquidity risk (adequacy of cash resources)
- Interest rate risk (fluctuations in interest rate levels)
- Exchange rate risk (fluctuations in exchange rates)
- Refinancing risks (impact of debt maturing in future years)
- Legal and regulatory risk (non-compliance with statutory and regulatory requirements)
- Fraud, error and corruption, and contingency management (in normal and business continuity situations)
- Market risk (fluctuations in the value of principal sums)

The TMP Schedules set out the ways in which the Council seeks to mitigate these risks. Examples are the segregation of duties (to counter fraud, error, and corruption), and the use of creditworthiness criteria and counterparty limits (to minimise credit and counterparty risk). Council officers, in conjunction with the treasury advisers, will monitor these risks closely.

Sensitivity of the Forecast

The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Council has no control.

Both interest rates and cash balances will be monitored closely throughout the year and potential impacts on the Council's debt financing budget will be assessed. Action will be taken as appropriate, within the limits of the TMP Schedules and the treasury strategy, and in line with the Council's risk appetite, to keep negative variations to a minimum. Any significant variations will be reported to S&R Committee as part of the Council's regular budget monitoring arrangements.

8: Reporting arrangements

Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes requires local authorities to prepare a capital strategy report which provides the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The Council's Capital Strategy is reported separately from the Treasury Management Strategy Statement within the Business Plan and reports on non-treasury investments. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy on commercial investments usually driven by expenditure on an asset. The Capital Strategy demonstrates:

- The corporate governance arrangements for these types of activities
- Any service objectives relating to the investments
- The expected income, costs and resulting contribution
- The debt related to the activity and the associated interest costs
- For non-loan type investments, the cost against the current market value
- The risk associated with each activity

For non-treasury investment where a physical asset is being bought, details of market research, advisors used (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there is also an explanation of why borrowing was required and why the DLUHC Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

The Capital Strategy will also consider the proportionality between the treasury investments shown throughout this report and non-treasury investments.

Treasury Management Reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

a) **Prudential and treasury indicators and treasury strategy (this report)** - The first, and most important report is forward looking and covers:

- capital plans (including prudential indicators)
- a Minimum Revenue Provision (MRP) policy (how residual capital expenditure is charged to revenue over time)
- the Treasury Management Strategy (how the investments and borrowings are to be organised), including treasury indicators
- an Investment Strategy (the parameters on how investments are to be managed)

b) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, S&R Committee will receive quarterly update reports.

c) **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

The above reports are required to be adequately scrutinised before being recommended to Council. This role is undertaken by the Section 151 Officer & S&R Committee.

9: Treasury Management Budget

The table below provides a breakdown of the treasury management budget at November 2021. Key assumptions behind the 2022/23 budget estimates are:

- Average rates achievable on short-term investments will be 0.21%, the average net return on the Council's long-term CCLA property fund treasury management investment will be 3.4%, the average return on multi-class asset will be 2.8% and the average return on the infrastructure income fund will be 3.8%.
- New and replacement borrowing to fund the capital programme will be financed by a mixture of short to medium-term borrowing, at rates equating to between 1.5% and 3.0% over the medium-term.
- The MRP charge is in line with the Council's MRP policy.

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Interest payable	19.1	20.7	22.8	24.4	24.3	24.7
MRP	19.0	21.0	23.8	26.1	27.0	27.2
Interest receivable	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Interest on investment activity	0.9	0.9	0.9	0.9	0.9	0.9
Debt Management Expenses	0.6	0.4	0.4	0.4	0.4	0.4
Net Interest expenses recharged to Service	-5.8	-5.6	-7.8	-7.9	-9.1	-8.8
Technical adjustments	0.1	0.1	0.1	0.1	0.1	0.1
Sub Total	**33.1**	**36.6**	**39.3**	**43.2**	**42.8**	**43.7**
Capitalised Interest	-2.4	-2.2	-2.2	-1.8	-0.8	-0.9
Grand Total	**30.7**	**34.5**	**37.2**	**41.4**	**42.0**	**42.8**

10: Policy on the use of external service providers/consultant

The Council's external treasury management advisors are Link Group, Treasury solutions. The two-year extension option within the contract with Link Asset Servicing has been activated, following the original formal procurement exercise in 2019/20.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, the Council's treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

11: Future developments

Local Authorities are having to consider innovative strategies towards improving service provision to their communities. This approach to innovation also applies to councils' treasury management activities. The Government is introducing new statutory powers and policy change which will have an impact on treasury management approaches in the future. Examples of such changes are:

a) Loans to Third Parties

The Council may borrow to make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This will usually be to support local economic development, and may be funded by external borrowing.

A framework within which the Council may consider advancing loans to third party, not for profit, organisations is shown in Appendix 6.

In addition, the following material projects in this respect are under way:

- This Land – loans issued at commercial rates, to facilitate the construction of residential housing in Cambridgeshire and the vicinity

b) UK Municipal Bonds Agency (MBA)

The County Council remains committed to participating in a multi-authority pooled bond, facilitated by the MBA, as complementary to PWLB borrowing. The purpose of the MBA is to issue bonds in the capital markets at lower rates than the PWLB.

The November 2020 reduction in margin over gilts for PWLB rates by 100 basis points on local authorities' loans means that UK MBA is now a less favourable an option than it had been in comparison to higher PWLB rates but there should remain a narrow competitive margin relative to PWLB.

To date the MBA has issued a small number of single Council bonds and a pooled bond issue is awaited.

c) Impact of IFRS 9

An important consideration when assessing current and future investment policy is the implementation of accounting standard IFRS 9 in the Local Authority Code of Practice. A key element of this standard is the move away from assessing risk based on incurred losses on financial assets (i.e., an event that has happened) to expected loss (i.e., the likelihood of loss across the asset lifetime). Whilst this will not materially impact upon traditional treasury investments, the standard also encompasses other investment areas including loans to third parties, subsidiaries, or longer dated service investments. The expected credit loss model requires local authorities to make provision for these potential losses having assessed the asset with regard to the due diligence undertaken prior to investment, the nature of any guarantees, and subsequent regular updates.

The Council has made the following material loan agreement with third parties:

- This Land – loans at commercial rates to facilitate the construction of residential housing in Cambridgeshire.

A revenue provision may be required to be set aside in future depending on the risk assessment of the investment.

In addition to the above, the new standard requires changes to the recognition and subsequent valuation treatment of certain investment products. These instruments include property and equity, but also service investments that give rise to cashflows that are not solely payments of principal and interest (SPPI) on the principal outstanding. DLUHC introduced a five-year statutory override allowing Councils to reverse any revenue impact of pooled fund valuation gains and losses. DLUHC were not minded to make this statutory override permanent, and will keep it under review.

12: Training

A key outcome of investigations into local authority investments following the credit crisis has been an emphasis on the need to ensure appropriate training and knowledge in relation to treasury management activities, for officers employed by the Council, in particular treasury management staff, and for members charged with governance of the treasury management function.

Link Group run training events regularly which are attended by the Treasury Team. In addition, members of the team attend national forums and practitioner user groups.

Treasury Management training for committee members will be delivered as required to facilitate informed decision making and challenge processes. This includes a session as part of the Member induction plan for the 2021-25 Council scheduled for December 2021.

13: List of appendices

Appendix 1: Treasury Management Scheme of Delegation and Role of Section 151 Officer
Appendix 2: Treasury Management Policy Statement
Appendix 3: Prudential and Treasury Indicators
Appendix 4: Minimum Revenue Provision (MRP) Policy Statement
Appendix 5: Annual Investment Strategy
Appendix 6: Third Party Loans Policy

Appendix 1: Treasury Management Scheme of Delegation and role of the Section 151 Officer

The Scheme of Delegation

Full Council:

- Approval of annual strategy and mid-year update to the strategy.
- Approval of the annual Treasury Management report.
- Approval of the Treasury Management budget.

Strategy & Resources Committee:

- Approval of the Treasury Management quarterly update reports.
- Approval of the Treasury Management outturn report
- Scrutiny of performance against the Strategy.
- Management of the Council's non-financial Investment Strategy

The Treasury Management role of the Section 151 Officer

The Council's Chief Finance Officer (CFO) is the officer designated for the purposes of Section 151 of the Local Government Act 1972 as the Responsible Officer for treasury management at the Council.

The Council's Financial Regulations delegates responsibility for the execution and administration of treasury management decisions to the CFO, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The CFO has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

Prior to entering into any capital financing, lending, or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

The CFO may delegate his power to borrow and invest to members of his staff.

The CFO is responsible for:

- Ensuring that the schedules to the Treasury Management Practices (TMPs) are fully reviewed and updated annually and monitoring compliance to the Treasury Management in the Public Services: Code of Practice and Guidance Notes
- Ensuring that the Council's Treasury Management Policy is adhered to, and if not, bringing the matter to the attention of elected members as soon as possible

- Submitting regular treasury management reports to S&R Committee and Council
- Submitting debt financing revenue budgets and budget variations in line with the Council's budgetary policies
- Receiving and reviewing treasury management information reports
- Reviewing the performance of the treasury management function and promoting value for money
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers (e.g., treasury management advisors) in line with the approval limits set out in the Council's procurement rules
- Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments, and treasury management, with a long-term timeframe
- Ensuring that the capital strategy is prudent, sustainable, affordable, and prudent in the long-term and provides value for money
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- Ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- Ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- Provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans, and financial guarantees
- Ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed

Appendix 2: Treasury Management Policy Statement

We define treasury management activities as:

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

We regard the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

We acknowledge that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management

Appendix 3: Prudential and Treasury Indicators

1: The Capital Prudential Indicators

The Council's capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure. This prudential indicator shows the Council's capital expenditure plans; both those agreed previously, and those forming part of this budget cycle. Capital expenditure excludes spend on Private Finance Initiatives (PFI) and leasing arrangements, which are shown on the balance sheet.

The table below summarises the capital expenditure plans which give rise to a net financing need (borrowing). Detailed capital expenditure plans are set out in the Capital Strategy.

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Net Borrowing Requirement to fund Capital Programme	34.8	67.4	55.0	12.3	-1.5	-45.7

The Council's borrowing need (the Capital Financing Requirement). The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

Following accounting changes, the CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Capital Financing Requirement (CFR)						
Total CFR	**957.2**	**1,024.6**	**1,079.6**	**1,091.9**	**1,090.4**	**1,044.7**
Movement in CFR	**34.8**	**67.4**	**55.0**	**12.3**	**-1.5**	**-45.7**
Movement in CFR represented by:						
Unsupported Capital Expenditure (Prudential Borrowing) in capital programme	55.9	88.4	78.7	38.4	25.5	15.8
Less: MRP and other financing movements	-21.1	-21.0	-23.8	-26.1	-27.0	-61.5
Movement in CFR	**34.8**	**67.4**	**55.0**	**12.3**	**-1.5**	**-45.7**

The authorised limit for external borrowing. A key prudential indicator, this represents a control on the maximum level of borrowing and the legal limit beyond which external borrowing is prohibited. This limit is set by and can only be amended by full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term. The limit represents the total CFR (assumed fully funded by borrowing) - including any other long-term liabilities (e.g., PFI schemes, finance leases) though these types of scheme including a borrowing facility and so the Council is not required to separately borrow for them - plus a margin to accommodate any unplanned adverse cashflow movements.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
The Council is asked to approve the following Authorised Limit:

Authorised Limit	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Total Borrowing	1,100	1,160	1,210	1,220	1,220

The operational boundary. This is the operational limit, set deliberately lower than the authorised limit, beyond which external debt is not normally expected to exceed. The limit represents the total CFR (assumed fully funded by borrowing) - including any other long-term liabilities (e.g., PFI schemes, finance leases) though these types of scheme including a borrowing facility and so the Council is not required to separately borrow for them - plus a margin to accommodate any unplanned adverse cashflow movements. This limit acts as an early warning indicator should borrowing be approaching the Authorised Limit. This limit may be breached on occasion under normal circumstances, but sustained or regular breaches should trigger a review of borrowing levels.

Operational Boundary	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Total Borrowing	1,070	1,130	1,180	1,190	1,190

2: Treasury Management limits on activity

There are four debt and investment related treasury activity limits. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs or improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The interest rate exposure is calculated a percentage of net debt. Due to the mathematical calculation exposures could be greater than 100% of below zero (i.e., negative) depending on the component parts of the formula. The formulas are shown below.

Fixed rate calculation:

$$\frac{\text{Fixed rate borrowing} - \text{fixed rate investments}}{\text{Total borrowing} - \text{total investments}}$$

Variable rate calculation:

$$\frac{\text{Variable rate borrowing}^{**} - \text{fixed rate investments}}{\text{Total borrowing} - \text{total investments}}$$

**defined as less than 1 year to remaining to maturity, or in the case of LOBO borrowing, the next call date falling within 12 months.

Limits on Interest Rate Exposure	2022/23	2023/24	2024/25	2025/26	2026/27
	Upper	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	150%	150%	150%	150%	150%
Limits on variable interest rates based on net debt	65%	65%	65%	65%	65%

The maturity structure of borrowing indicator represents the borrowing falling due in each period expressed as a percentage of total borrowing. These gross limits are set to manage the Council's exposure to sums falling due for refinancing or repayment.

Maturity Structure of Borrowing			
	Lower	Upper	30/10/2021 Comparator
Under 12 months	0%	80%	27%
12 months to 2 years	0%	50%	6%
2 years to 5 years	0%	50%	10%
5 years to 10 years	0%	50%	12%
10 years and above	0%	100%	45%

The Treasury Management Code of Practice Guidance notes require that maturity is determined by the earliest date on which the lender can require repayment, which in the case of LOBO loans, is the next break point.

Total principal funds invested for periods longer than 365 days. The Council is asked to approve the following treasury indicator limits for total principal funds that may be invested for periods greater than 365 days. The limits are set with regard to the Council's liquidity requirements to reduce the risk of need for early liquidation of investment, and are based on the medium/long-term availability of resources after each year end.

Maximum principal sums invested for periods longer than 365 days					
	2022/23	2023/24	2024/25	2025/26	2026/27
Limit (£m)	50	50	50	50	50

3: Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework is an indicator required to assess the affordability of the capital investment plans. This provides an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator:

Actual and estimates of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

This is calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers.

Actual and estimates of financing costs to net revenue stream					
	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %
Financing costs to net revenue stream	9.5	9.8	10.4	10.3	10.0

Appendix 4: Minimum Revenue Provision Policy Statement

Policy statement

The Council is required to repay an element of the accumulated General Fund capital spend each year (Capital Financing Requirement - CFR) through a revenue charge (Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required.

DLUHC have issued regulations that require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to Councils in the guidance with the underlying principle that a prudent provision is made. A formal review of this Policy is to be undertaken every five years with the next review due in January 2021. Due to capacity issues, in part as a result of the additional work required by the ongoing pandemic, this review has been delayed by one year to January 2022. This has allowed a detailed review to be undertaken during 2021/22, in conjunction with the Council's treasury advisors.

Historic debt liability accumulated up to 31st March 2010

Up until 2014/15, the proportion of provision that related to historic debt liability accumulated up to 31st March 2010 was calculated using Option 1 of DLUHC Guidance (the 'Regulatory Method'). This method is based upon 4% of the CFR adjusted for 'Adjustment A' (the difference between the old credit ceiling system and the introduction of the Capital Financing Requirement). A reducing balance calculation means that debt liability is never entirely repaid, and the amount of debt equal to 'Adjustment A' (for this Council £2.133m) is not provided for at all. In January and February 2016, General Purposes Committee (GPC) considered a number of potential alternative methodologies. These covered both annuity and straight-line options, calculated over an average life of up to 50 years.

After considering the range of options available, a change in policy was introduced from 2015/16. The method chosen to replace the "Regulatory Method" for historic debt liability accumulated up to 31st March 2010 and that remained outstanding at 31st March 2015 was an annuity calculation, but one directly linked to the remaining life of the assets the debt liability had funded (held on the Council's balance sheet). This directly relates the cost of financing those assets with their expected useful life, thereby aligning costs with benefits and is allowable under the DLUHC Guidance. This approach will continue to be applied.

Debt liability accumulated from 1st April 2010

Prudent provision for any subsequent borrowing from 1st April 2010 onwards will be calculated using Option 3 of DLUHC Guidance (the 'Asset Life Method') on a straight line basis, in line with estimates for the expected useful life of the asset financed by debt. Estimated life periods will be determined under delegated powers. In view of the variety of types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. MRP will be charged from the financial year after the asset becomes operational.

The determination as to which schemes shall be deemed to be financed from available capital resources and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

Third Party Loans

The only exception to these rules is loans classified as capital expenditure and raised by the Council for the purposes of funding third party loans. No MRP will be charged on this debt liability as the loans will be repaid in full in later years. This approach will be reviewed on a loan-by-loan basis annually to ensure this remains a prudent approach, otherwise MRP charge may be introduced.

Share/Equity Capital

The Council may invest in share and equity investments, either directly or through collective pooled funds. These investments will usually be treated as capital expenditure and in such cases, where these investments are funded by unsupported borrowing, MRP charges will be considered on a case-by-case prudent basis.

Private Finance Initiatives (PFI)

For assets acquired by leases, contracts or Private Finance Initiatives, the element of the annual charge that goes to write down the balance sheet liability will be applied as MRP.

Appendix 5: Annual Investment Strategy

1: Investment policy

DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

The Council's appetite for risk must be clearly identified in its strategy report. The Council affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Council will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.

Responsibility for risk management and control lies within the Council and cannot be delegated to an outside organisation.
Investment instruments identified for use in the financial year are listed in section 7 under the 'Specified' and 'Non-Specified' Investment categories.

Council's in-house funds
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that the Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations
The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long-term forecast is for periods over 10 years in the future):

Average earnings in each year	
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

2: Creditworthiness policy

The Council's counterparty and credit risk management policies and its approved instruments for investments are set out below. These, taken together, form the fundamental parameters of the Council's Investment Strategy.

The Council defines high credit quality in terms of investment counterparties as those organisations that:

- Meet the requirements of the creditworthiness service provided by the Council's external treasury advisors and;
- UK banking or other financial institutions, or are;
- UK national or local government bodies, or are;
- Countries with a sovereign ratings of -AA or above, or are;
- Triple-A rated Money Market funds.

The creditworthiness service provided by the Council's external treasury advisors applies a modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS – a traded insurance policy market against default risk) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted calculation with an overlay of CDS spreads, to determine suggested duration for investment. The Council will apply these suggested duration limits to it investments at all times, unless otherwise approved by the CFO.

Investments held in a multi-class credit fund are diversified across investment grade and high-yielding credit in accordance with the Council's treasury management objectives and appetite for risk.

The Council makes arrangements for monitoring of the more 'liquid' non-specified investments through professional advice, including from an independent investment advisor, from time-to-time. These arrangements are overseen by the Strategy & Resources Committee.

All credit ratings will be monitored daily**.** The Council is alerted to changes in ratings of all three agencies through its use of the Link creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings, the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively by Link. Extreme market movements may result in a downgrade of an institution, or removal from the Council's lending list.

Sole reliance will not be placed on the use of the Council's external treasury advisor's creditworthiness service. In addition, the Council will also use market data, financial press, and information on any external support for banks to help support its decision-making process.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times, and as such the CFO shall have the discretion during the year to lift or increase the restrictions on the counterparty list and or to adjust the associated lending limits on values and durations should it become necessary, to enable the effective management of risk in relation to its investments.

3: Sovereign Limits

Expectation of implicit sovereign support for banks and financial institutions in extraordinary situations has lessened considerably in the last couple of years, and alongside that, changes to banking regulations have focussed on improving the banking sectors resilience to financial and economic stress.

The Council has determined that it will only use approved counterparties from overseas countries with a sovereign credit rating from the three main ratings agencies that is equal to or above AA-. Banks domiciled in the UK are exempt from this minimum sovereign credit rating, so may be used if the sovereign rating of the UK fall below AA-.

The list of countries that qualify using these credit criteria as at November 2021 is shown below. This list will be amended by officers should ratings change in accordance with this policy.

AAA	AA+	AA	AA-
Australia	Canada	Abu Dhabi (UAE)	Belgium
Denmark	Finland	France	Hong Kong
Germany	USA		Qatar
Luxembourg			UK
Netherlands			
Norway			
Singapore			
Sweden			
Switzerland			

4: Banking services

Following a competitive tender exercise and the completion of the contract standstill period in December 2019, the Council completed the switching of Banker on 5 October 2020 from Barclays Bank to NatWest Bank. The Council has remaining residual accounts at Barclays for treasury management purposes and deputyship clients.

The Council may continue to use its own bankers for transactional purposes if the credit rating of the institution falls below the above minimum criteria, however, balances will be minimised in both monetary size and time invested.

5: Investment position and use of Council's resources

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Investments will be made with reference to core balances, cash flow requirements and the outlook for interest rates.

For its cash flow generated balances, the Council will seek to utilise its business banking reserve account and notice accounts, money market funds (CNAV, LVNAV and VNAV) and short-dated term deposits in order to benefit from the compounding of interest.

6: Specified investments

The Council assesses that an investment is a specified investment if all of the following criteria apply:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- The investment is not a long-term investment (i.e., up to 1 year).
- The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended].

- The investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:
    - The United Kingdom Government.
    - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland.
    - High credit quality is defined as a minimum credit rating as outlined in this strategy.

Specified investment instruments approved for use are:

Instrument	Minimum 'High' Credit Criteria	Maximum Amount
Debt Management Agency Deposit Facility (DMADF)	UK sovereign rating	No maximum
UK Government Gilts / Treasury Bills	UK sovereign rating	
Certificate of Deposits & Notice Accounts	Per Treasury Advisors creditworthiness service	£10m per individual/group in total
Term Deposits - Banks and Building Societies	Per Treasury Advisors creditworthiness service	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Bank Call/Instant Access Accounts	Per Treasury Advisors creditworthiness service	£20m per individual/group in total
Collateralised Deposit / Covered Bonds	AAA	
Bonds issued by multilateral development banks	AAA / UK sovereign rating	
Bond issuance issued by a financial institution which is explicitly guaranteed by UK Government (e.g., National Rail)	UK sovereign rating	
Sovereign bond issues (other than the UK Govt)	AAA / UK sovereign rating	
Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs):		
Money Market Funds (CNAV, LVNAV or VNAV)	AAA MMF rating	£20m per individual/group in total
CCLA Money Market Fund	Considered on an individual basis	
Bond Funds	Considered on an individual basis	
Gilt Funds	Considered on an individual basis	

The Council may enter into forward agreements up to 3 months in advance of the investment commencing. If forward agreements are made, the forward period plus the deal period should not exceed the 1 year to be classified as a specified investment.

Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is compounded by the counterparty to the principal investment amount. In such instances the interest amounts will be withdrawn as soon as reasonably practicable.

The counterparty limit with the Council's corporate bank may be utilised over and above the set counterparty limit on an overnight basis if cash surpluses are identified as a result of unexpected receipts of income after the day's dealing position is closed. This occurs when the timing for receipt of funds is uncertain, for example the sale of a property. In such instances, funds will be withdrawn to bring the Councils exposure back in line with the approved counterparty limit as soon as reasonably practicable and invested elsewhere in line with this strategy. If this happens, the CFO should be notified.

7: Non-specified investments

Non-specified investments are defined as those with less high credit quality, potentially for periods over one year, or for more complex instruments which require greater consideration and need to be passed by members and officers before authorisation.

Given the additional risk profile associated with non-specified investment, the Council may consult with its external treasury advisors before undertaking such investments where appropriate.

Non-specified investment instruments approved for use are:

Instrument	Minimum 'High' Credit Criteria	Maximum Amount
UK Government	Government backed	No maximum
Certificate of Deposits & Notice Accounts	Per Treasury Advisors creditworthiness service	£10m per individual/group in total
Term Deposits - Banks and Building Societies	Per Treasury Advisors creditworthiness service	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Collateralised Deposit / Covered Bonds	AAA	£20m per individual/group in total
Bonds issued by multilateral development banks	AAA / UK sovereign rating	
Bond issuance issued by a financial institution which is explicitly guaranteed by UK Government (e.g., National Rail)	UK sovereign rating	
Sovereign bond issues (other than the UK Govt)	AAA / UK sovereign rating	
Corporate Bond / Equity Holdings	Considered on an individual basis	£10m per individual/group in total

Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs):		
Property Funds	Considered on an individual basis	£20m per individual/group in total
Infrastructure Funds	Considered on an individual basis	
Diversified Income / Multi Asset Funds	Considered on an individual basis	
Enhanced Money Market Funds	AAA VNAV MMF rating	
Corporate Bond / Equity Funds / Share Capital	Considered on an individual basis	
Asset Backed Securities / Green Energy Bonds	Considered on an individual basis	£5m per individual/group in total
Ultra-short dated bond Funds	Considered on an individual basis	£5m per individual/group in total

Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is compounded by the counterparty to the principal investment amount. In such instances the interest amounts will be withdrawn as soon as reasonably practicable.

8: Third Party Loans

The Council has the power to lend monies to third parties subject to a number of criteria:

- Any loans to or investments in third parties will be made under the Well Being powers of the Council conferred by section 2 of the Local Government Act 2000 or permitted under any other act.
- The Well Being power can be exercised for the benefit of some or all of the residents or visitors to a local authority's area. The power may also be used to benefit organisations and even an individual.

The primary aims of any investment - in order of priority - are the security of its capital, liquidity of its capital and to obtain a return on its capital commensurate with levels of security and liquidity. These aims are crucial in determining whether to proceed with a potential loan.

Appendix 6 sets out the Council's framework within which it may consider advancing loans to third party, not for profit, organisations.

9: Investments defined as capital expenditure

The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and

Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.

Investments in "money market funds" which are collective investment schemes and bonds issued by "multilateral development banks" – both defined in SI 2004 No 534 – will not be treated as capital expenditure.

A loan, grant or financial assistance provided by this Council to another body will be treated as capital expenditure if the Council would define the other body's use of those funds as capital had it undertaken the expenditure itself.

10: Provisions for credit related losses

If any of the Council's investments appear at risk of loss due to default (i.e., this is a credit related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

11: End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

12: External fund managers

Up to £60m of the Council's funds may be externally managed on a discretionary / pooled basis, currently by CCLA, Allianz Global Investors and VT Gravis. The Council's external fund managers comply with the Annual Investment Strategy. The agreements between the Council and the fund managers additionally stipulate guidelines on duration and other limits in order to contain and control risk.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Council has appointed Link Group & Arlingclose to monitor the performance of some of these funds and is provided with a suite of regular reporting. This includes:

- Measuring the external manager's performance on a periodic and ongoing basis.
- Monitoring and impact assessment (where appropriate) of investment decisions made by the manager, in light of portfolio positioning as well as general economic and specific market background.
- Comparing fund manager performance against fund guidelines, benchmark, and target return (where applicable).
- Comparing fund manager performance against the Council's threshold for market risk and the degree of volatility in returns it is willing to accept in its risk-reward relationship

In addition to formal reports, representatives of Link Group meet with representatives of the fund manager semi-annually to review performance, address any concerns, and gain a better understanding of the manager's future strategy and direction.

13: Investment performance / risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or annual reports.

14: Pension fund cash

The Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1 January 2010. The Council will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with the Council will comply with the requirements of SI 2009 No 393.

Appendix 6: Third Party Loans Policy

Introduction

Government changes in the way councils are funded has prompted local authorities to look at more commercial and innovative ways of growing income streams from sources other than Government grants and council tax in order to support the delivery of front-line services.

Whilst the Council should not wish to become a commercial lender in the marketplace it can use its ability to borrow, at relatively economic rates, to support the delivery of improved outcomes for the residents of Cambridgeshire. At the same time this will facilitate the creation of a relatively modest income stream to support the Council's overall financial resilience. All applications must demonstrate alignment to the Council's core objectives and priorities and should support those outcomes.

The intention of this policy is therefore to establish a framework within which the Council may consider advancing loans to third party, not for profit, organisations.

Nature of Organisations Considered

The Council will consider the provision of a loan facility to organisations that fulfil the following criteria:

- Not For Profit Organisations where the loan required will be used to fund infrastructure to support the delivery of services to the residents of Cambridgeshire, and;
- Organisations that provide services that align to the Council's core objectives and priorities (including subsidiary companies and joint ventures)

Both of the above criteria are required to be fulfilled in order for the Council to consider advancing public funds.

Governance Arrangements

All proposals will be considered by the capital programme board or equivalent forum.

Loans of less than £250,000 that fulfil the policy framework are delegated to the Council's CFO in consultation with the Chair of S&R Committee. Should the Committee Chair declare a conflict of interest, consultation will take place with the Committee Vice-Chair.

Loans in excess of £250,000 or loans that are outside of the framework parameters require S&R Committee approval. The exception to this is loans associated with County Council owned assets which remain within the remit of S&R Committee.

Limits

No specific limits are proposed but all loans in excess of £250,000 will require S&R Committee approval. Given the level of administration that will be required to manage the loan agreement over the life of the loan, no requests for loans of less than £10,000 will be considered.

Business Case Review

Any application for loan finance must be accompanied by a robust business case. Due-diligence checks will be undertaken to test the underlying assumptions applied. Specialist support may be required to carry out these assessments.

Subsidy control and Interest Rates

Under EU law, State Aid rules were to be taken into account whenever public money is given to an organisation that undertakes any commercial operation. State Aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by public authorities. Subsidies granted to individuals or general measures open to all enterprises are not covered by the State Aid prohibition.

Although the UK has now left the UK, successor arrangements have been implemented to meet the UK's international obligations on subsidy control.

The general parameters of the scheme will not permit loans to be made where the funding could be used in the delivery of commercial activities. However, not for profit organisations often undertake commercial activities in order to support the delivery of non-commercial activities. State aid can be avoided by using the Market Economy Operator (MEO) principles. If the state is acting in a way that a rational private investor would, for example in providing loans or capital on terms that would be acceptable to a genuine private investor who is motivated by return and not policy objectives, then it is not providing State Aid. This is because the beneficiary is not considered to be obtaining an advantage from the State but on the same terms that it could have obtained on the open market.

The actual interest rate charged on loans of this nature will be set with reference to the minimum permitted within State Aid rules at the time of fund advance and the Council's cost of borrowing plus an appropriate credit risk margin, whichever is higher.
If there is any doubt as to whether State Aid may be an issue, Legal advice must be sought.

Loan Framework

- All loans must be secured against an asset or guaranteed by a public sector organisation with tax raising powers.
- The maximum loan to value will not exceed 80% unless fully guaranteed by a public sector body

- The maximum duration of the loan will be 30 years, but the loan period must not exceed the useful life of the asset.
- An independent valuation of the asset upon which the loan is secured will be undertaken by the Council.
- A robust business case must be developed that demonstrates that the loan repayments are affordable.
- The on-going value of the asset(s) that the loan has been secured against will be valued on a 5-year basis. A charge to revenue may be required if the equity value falls below the debt outstanding or if it becomes clear that the borrowing organisation is unable to service the debt.
- Guarantees will be called upon if the lending organisation falls into arrears of more than 12 months.

Given the administrative costs incurred in both establishing and managing loans of this nature an administration/arrangement fee will be applied to each loan made. The following arrangement fees will be applied:

Minimum Loan Value	Maximum Loan Value	Arrangement Fee
£10,000	£119,999	£1,200
£120,000	£289,999	1% of loan
£290,000	-	£2,950

Exemptions

Exemptions to this policy may be considered but any exemption will need to be approved by S&R Committee.

Agenda Item No:7

Treasury Management Report – Quarter Two Update 2021-22

To:	Strategy & Resources Committee
Meeting Date:	17th December 2021
From:	Chief Finance Officer
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	Through this report the Committee supervises the Council's treasury management, and ensures that public money across the Council's cashflows, borrowing and investments is utilised and deployed effectively and in compliance with the Treasury Management Strategy.
Recommendation:	The Strategy & Resources Committee is recommended to note the Treasury Management Quarter Two Report for 2021/22 and forward to Full Council to note.

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1. Background

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management recommends that Members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2. Economic Update

2.1 A current economic commentary is in Appendix 1, provided by Link Asset Services, the Council's treasury management advisers. Some of the key points to note are set out below.

2.2 The Monetary Policy Committee (MPC) voted unanimously in September to leave the Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; however, two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.

2.3 Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, however this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment now the furlough scheme has ended. At the MPC's meeting in February 2022 it will only have available the employment figures for November 2021; to get a clearer picture of employment trends, it will need to wait until the May 2022 meeting when data up until February 2022 will be available. At its May 2022 meeting, it will also have a clearer understanding of the likely peak of inflation.

2.4 CPI: Inflation is expected to remain above the 2% target for longer. The MPC was prepared to accept a temporary spike in inflation caused by sharp increases in monthly inflation figures in late 2021, largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which will eventually work their way out of the system. However, it did flag there is a potential danger that labour shortages could push up wage growth by more than it expects; if this occurs, Consumer Price Inflation (CPI) inflation will stay above the 2%.

3. Interest Rate Forecast

3.1 The latest forecast for UK Bank Rate along with Public Works Loan Board (PWLB) borrowing rates (certainty rate) from the Council's treasury advisors is set out in Table 1.

3.2 Comparing the forecasts from May to September shows that some PWLB rates have increased marginally. There are also now three increases in the Bank Rate expected over the period to March 24, up to 0.75%, instead of only one increase to 0.25%. However, many PWLB rates were significantly lower than forecast during the earlier part of quarter 2.

Table 1a: Interest Rate Forecast (%) September 2021

Link Group Interest Rate View 29.9.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Table 2b: Interest Rate Forecast (%) May 2021

Link Group Interest Rate View	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50
5 yr PWLB	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50
10 yr PWLB	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00
25 yr PWLB	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40

Forecasts for Bank Rate

3.3 The above forecast may need revising within a relatively short time frame for the following reasons:

- There is increasing evidence that the economic recovery has slowed down during the summer and now into the autumn; this could lead into stagflation.
- Some current key supply shortages could cause economic activity in some sectors to take a significant hit.
- Rising gas and electricity prices in October and next April, increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action to cool inflation.
- Consumers are sitting on around £200bn of excess savings left over from the pandemic which may start to be released into the economy.
- 1.6 million people came off furlough at the end of September; if some of these people became unemployed, they will have been available to fill labour shortages in many sectors of the economy, helping to reduce supply shortages which have been driving up both wages and costs.
- Further Covid-19 uncertainty heading into winter, on top of flu season, could depress economic activity.

Gilt yields / PWLB rates

3.4 Since the start of 2021, there has been a lot of volatility in gilt yields, and therefore PWLB rates. During September, gilt yields from 5 – 50 years rose steadily, increasing even further following the minutes of the September MPC meeting. Forecasts show a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2024.

3.5 While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant upward risk exposure to forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

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3.6 The Council continues to explore borrowing from the UK Municipal Bonds Agency as an alternative to the PWLB.

4. Summary Portfolio Position

4.1. The level of net debt borrowing set in the Treasury Management Strategy Statement (TMSS) for 31st March 2022 was £805.0m. On 1st April 2021, the net debt was £714.1m, and the actual at 30th September 2021 was £631.1m (excluding all Third-party loans and Equity). This is a decrease in borrowing over the period, due to some loans maturing and not yet being refinanced. Cash flows at the beginning of the year are typically stronger than at the end of the year, as many grant receipts are received in advance of spend (and due to the current Covid-19 pandemic the Council is in receipt of further grants compared to before the pandemic).

4.2 The 2021/22 net borrowing position is expected rise more substantially towards the end of the financial year as capital projects are progressed to completion and financed. However, forecast in-year underspends on the capital programme mean that is likely that the Council's level of net debt borrowing will not reach £805.0m by the end of the year.

4.3 Further analysis on borrowing and investment is set out in the next two sections. A snapshot of the Council's debt and investment position is shown in Table 2 overleaf.

Table 2: Net Borrowing quarter 2 2021/22

	Actual as at 1 April 2021	Actual as at 30 Sept 2021	In- months change
	£m	£m	£m
Borrowings			
Long term Borrowing (>12mth)	685.7	704.5	18.8
Short term Borrowing (<12mth)	127.0	62.0	-65.0
Total Borrowings	812.7	766.5	-46.2
Treasury Investment	-98.1	-135.3	-37.2
Total Net Debt/Borrowings	714.6	631.2	-83.4

5. Investments

5.1 The Treasury Management Strategy Statement (TMSS) for 2021/22, including the Annual Investment Strategy for financial assets, was approved by Council in February 2021. It sets out the Council's investment priorities as being:

1. Security of Capital;
2. Liquidity; and then
3. Yield

5.2 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. As shown by the interest rate forecasts in section 3, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates are barely above zero now that the Bank Rate is at 0.10%. Some entities are offering negative rates of return in some shorter time periods. Given this environment and the fact that increases in the Bank Rate are unlikely to occur before the end of the current forecast horizon of March 2024, investment returns are expected to remain low.

5.3 At 30th September 2021 the Council's investment balances totalled £135.3m; the balance is split between Money Market Funds, Call/Notice accounts and collective investment funds (see Table 3 below). The balance excludes Third Party Loans and Share Capital.

5.4 Property Fund: During quarter 2, the key focus for CCLA was to protect income. The capital value of the investment at 30th September 2021 was £11.5m (£10.4m at 31st December 20) compared to an original investment value of £12m. Income held up better than expected during the pandemic, reflecting the fund's active asset management strategy and tenant engagement. The dividend rate of return on the initial investment for quarter 2 was 3.5%.

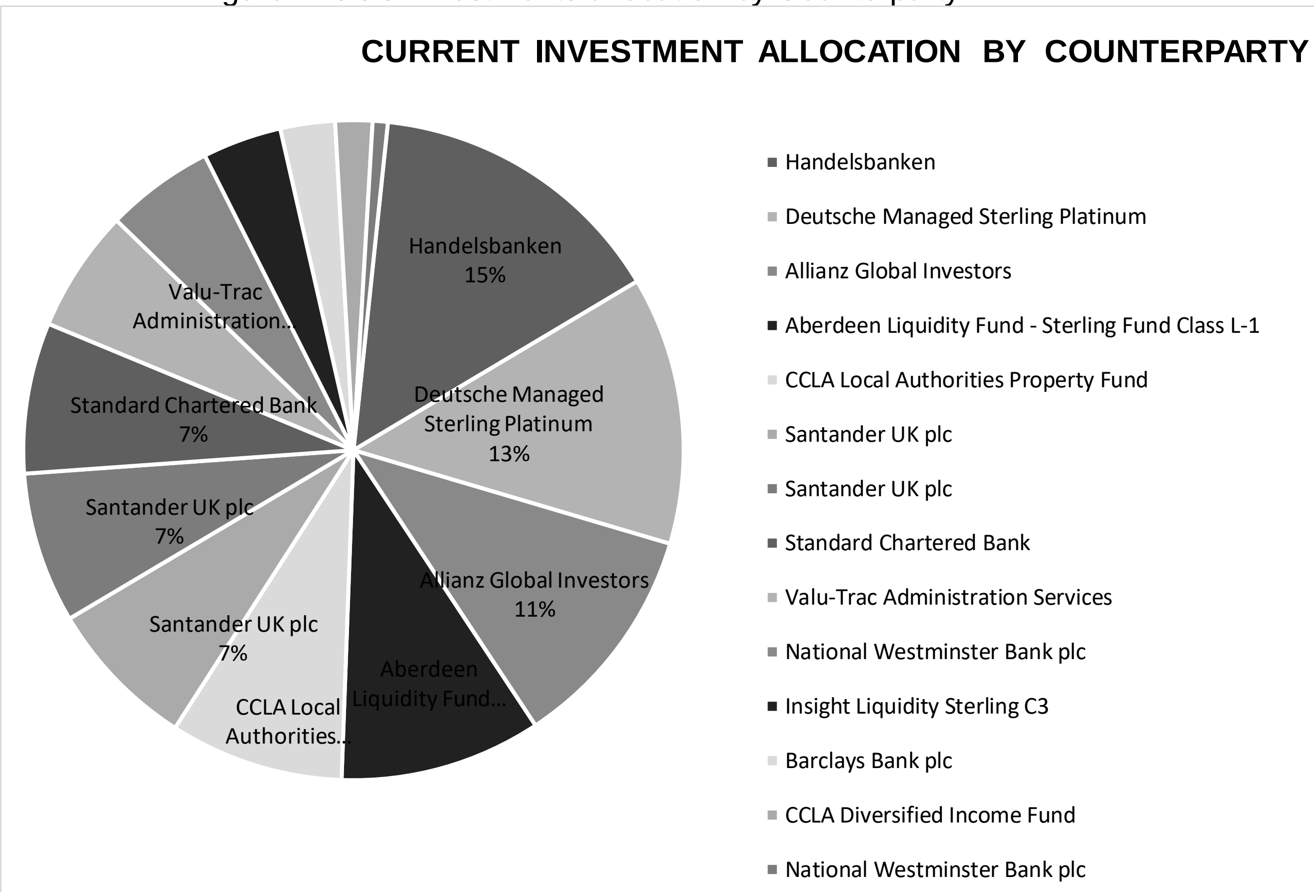
5.5 Diversified Income Fund: During quarter 2, the Council invested a further £350k in this fund, taking the total initial investment to £2.45m. At the end of quarter 2, the capital value of the investment was £2.51m. The dividend rate of return on the initial investment for quarter 2 (prior to the further investment) was 3.2%.

5.6 Multi-Class Credit Fund: At the end of quarter 2, the valuation of the CCC share of the fund stood at £15.0m. The Council originally invested £14.5m in September 2020, an increase in valuation of £496k. The Council receives dividend payment annually in December; the dividend rate of return on the initial investment for quarter 1 was 2.3%.

5.7 Infrastructure Income Fund: At the end of quarter 2, the valuation of the CCC share of the fund stood at £8.1m. The Council originally invested £8m in May 2021, an increase in valuation of £128k. The Council has received two dividend payments totalling £152k during 2021/22; the dividend rate of return on the initial investment was 3.77% in quarter 2.

5.8 The average level of investment in quarter 2 (excluding third party loans and equity) was £283.1m, which carried a weighted average rate of 1.54%. The level of investment funds varies dependent on the timing of precept receipts, grants, and the progress of the capital programme; at the end of quarter 2 investments (excluding third party loans and equity) totalled £135.3m. Figure 1 below shows the investment by counterparty as at 30th September 2021.

Figure 1: CCC Investments allocation by Counterparty



5.9 Table 3 below summarises the maturity profile of the Council's investment portfolio at the end of quarter 2 2021/22 (excluding third party loans):

Table 3: Investment maturity profile at end of quarter 2 2021/22

		Maturity Period					
		0d	0-3m	3-6m	~5yrs	Total	
Product	Access Type	£m	£m	£m	£m	£m	%
Money Market Funds	Same-Day	36.4				36.4	*26.9*
Bank Call Account	Instant Access	40.8				40.8	*30.1*
Notice Account	35 Day Notice			21.0		21.0	*15.5*
Pooled Property Fund	Redemption Period Applies				11.5	11.5	*8.5*
Pooled Diversified Income Fund	Redemption – two days				2.5	**2.5**	*1.8*
Pooled Multi-class credit Fund	Redemption Period Applies				15.1	**15.1**	*11.1*
Income Fund (Energy)	Redemption Period Applies				8.1	**8.1**	*6.0*
	Total	77.1	0.00	21.0	37.2	135.3	*100.0*
	%	*57.0*	*0.00*	*15.5*	*27.5*	*100.0*	

5.10 Set out below are details of the amounts outstanding on loans and share capital investments classed as capital expenditure advanced to third party organisations at the end of quarter 2:

Table 4: Loans/Equity holdings in This Land companies end of quarter 2 2021/22

Loan Summary	Amount Outstanding (£m)	Repayment Year
Land, Construction & Development loans	113.851	2026/27, 2027/28 and 2028/29
Equity holding	5.851	N/A
Total Loans/Equity in This Land Ltd	119.702	

Table 5: Loans/Equity holdings in Pathfinder Legal Services end of quarter 2 2021/22

Loan Summary	Original Amount (£m)	Amount Outstanding (£m)	Repayment Year
Cashflow loan	0.325	0.325	2029/30
Equity holding	0.475	0.475	-
Total Loans/Equity in Pathfinder Legal Services	0.800	0.800	

Table 6: Third Party Loans Principal Outstanding end of quarter 2 2021/22

Loan Counterparty	Original Amount (£m)	Amount Outstanding (£m)	Repayment Year
Arthur Rank Hospice Charity	4.000	3.360	2042/43
Estover Playing Field 2015 CIC (Guaranteed by March Town Council)	0.350	0.192	2024/25
Wisbech Town Council	0.150	0.150	2043/44
VIVA Arts & Community Group	0.300	0.286	2043/44
Total Third Party Loans	4.800	3.988	

5.11 Investment returns compared to benchmark are shown in Table 7 below.

Table 7: Average Benchmark Performance – quarter 2 2021/22

	Benchmark	Benchmark Return	Council Performance
Quarter 1	3m LIBID	-0.04%	0.08%
Quarter 2	3m LIBID	-0.05%	0.07%
Year To Date	3m LIBID	-0.05%	0.07%

5.12 Leaving market conditions aside, the Council's return on investments is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument:

- Credit risk is the consideration of the likelihood of default and is controlled through the creditworthiness policy approved by Council.
- The duration of an investment introduces liquidity risk; the risk that funds cannot be accessed when required.
- Interest rate risk, arising from fluctuating market interest rates.

These factors and associated risks are actively managed by the Council's Finance team.

6. Borrowing

6.1 The Council can raise cash through borrowing in order to fund expenditure on its capital programme for the benefit of Cambridgeshire. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, underlying borrowing requirement, forecast cash-backed reserves and both current and forecast economic conditions.

6.2 The Council will continue to utilise short to medium-term borrowing from other local authorities and authorised brokers, as well as PWLB whilst rates remain low. The Council intends to keep a proportion of the borrowing portfolio short-dated; but is also focused on extending the average duration of loans in the portfolio, whilst there are opportunities to fix loans for extended maturities at historically low levels.

6.3 In quarter 2, the Council repaid on maturity a total of £56.2m, of which £40m was short-term loans from other local authorities and £16.2m was longer-term loans from other authorities / PWLB. Loans raised during quarter 2 amounted to £26.0m, of which £10.0m was short-term borrowing maturing within 1 year and £16.0m was PWLB loans.

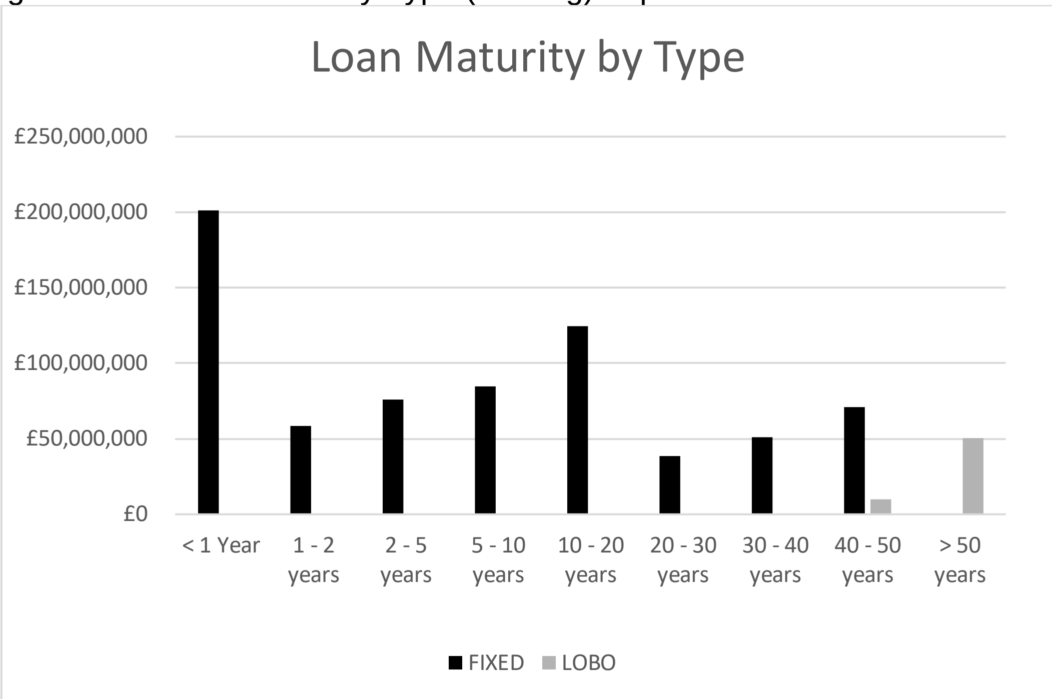
6.4 At the end of quarter 2, the Council held £766.5m of borrowing of which £62m was short-term borrowing that matures in less than 1 year from date of issue. The Council continues to be able to re-finance loans as required, generally at this time at a lower interest rate than the maturity loan. As opportunities arise, we are seeking longer loan terms, rather than less than 1 year, in view of the current conditions.

6.5 Table 8 below sets out the maturity profile of the Council's borrowing portfolio at the end of quarter 2; £458.9m.1m is held with the PWLB, £247.0m from other local authorities, £45.0m in market loans and £15.5m is a single market Lender Option Borrower Option (LOBO) loan. Of the £766.5m of borrowing, £201.4m (including both short-term and longer-term loans) will mature in less than 1 year, therefore potentially requiring refinancing.

Table 8: Loan Maturity Profile (Closing) – quarter 2 2021/22

Term remaining	Borrowing	
	£m	%
< 1 Year	£201,365,333	26.27
1 - 2 years	£58,688,333	7.66
2 - 5 years	£76,246,000	9.95
5 - 10 years	£84,661,667	11.05
10 - 20 years	£124,323,333	16.22
20 - 30 years	£38,666,667	5.04
30 - 40 years	£51,000,000	6.65
40 - 50 years	£81,000,000	10.57
> 50 years	£50,500,000	6.59
Total	£766,451,333	100.0

Figure 2: Loan Maturities by Type (Closing) – quarter 2 2021/22



6.6 The market LOBO loan is included in Table 8 at final maturity rather than next potential call date. In the current low interest rate environment, the likelihood of the lender exercising their option to increase the interest rate on this loan - and so triggering the Council's option to repayment at par - is considered to be low.

6.7 The Council is in an internally borrowed cash position and balances will need to be replenished at some point in the future (subject to expenditure demands). This strategy is prudent while investment returns are lower than the cost of servicing debt and also serves to mitigate counterparty risk. The Council therefore plans to maintain this internal borrowing position but will closely monitor those reserves, balances and cashflows supporting this approach.

6.8 No borrowing rescheduling was undertaken during quarter 2. Rescheduling opportunities are limited in the current economic climate. For PWLB loans, due to the spread between the carrying rate of existing borrowing and early redemption rates, substantial exit (premium) costs would be incurred. For market borrowing, the lender uses the certainty of the loans cashflow profile to hedge against forecast interest rate movements and so would pass the cost of unwinding these instruments onto the Council as an exit (premium) cost. Officers continue to monitor the position regularly.

7. Compliance with Treasury and Prudential Limits

7.1 The Council's treasury and prudential indicators are shown in Appendix 2.

7.2 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 31st March 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021/22.

7.3 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

8. Alignment with Corporate Priorities

8.1 Communities at the heart of everything we do

There are no significant implications for this priority.

8.2 A good quality of life for everyone

There are no significant implications for this priority.

8.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

8.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

8.5 Protecting and caring for those who need us

There are no significant implications for this priority.

9. Significant Implications

9.1 Resource Implications

This report provides information on performance against the Treasury Management Strategy. Decisions on treasury management, which are driven by the capital programme and the Council's overall financial position, will impact the Debt Charges Budget and are reported through the Budget Monitoring process.

9.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for this category.

9.3 Statutory, Legal and Risk Implications

The Council continues to operate within the statutory requirements for borrowing and investments. Further details can be found within Appendix 2.

9.4 Equality and Diversity Implications

There are no significant implications for this category.

9.5 Engagement and Communications Implications

There are no significant implications for this category.

9.6 Localism and Local Member Involvement

There are no significant implications for this category.

9.7 Public Health Implications

There are no significant implications for this category.

10. Source documents

10.1 None

Appendix 1: Extracted economic commentary from the Council's external Treasury Management Advisor (prepared in September 2021)

During the quarter ended 30th September 2021 *(quarter 2 of financial year 2021/22):*

- There was only a 0.1% m/m rise in GDP in July as rising virus cases and product/labour shortages stalled the recovery.
- There were signs that activity failed to pick up momentum in August and September as shortages worsened.
- Virus restrictions were lifted in full and the ending of the furlough scheme.
- There was a sharp acceleration in CPI inflation to a nine-year high of 3.2% in August.
- and strong gains in gilt yields, while sterling weakened, and the FTSE 100 made little headway.

The economic recovery stalled in quarter 2, despite the full lifting of COVID-19 restrictions on activity. The 0.1% m/m gain in GDP in July was much weaker than the 1.0% m/m increase in June and left the economy 1.0% below its February 2020 pre-pandemic level. Services output was particularly weak, falling by 0.3% m/m. In part, this was due to a rise in consumer caution prompted by the uptick in COVID-19 cases.

Public finances data for August revealed that the government's financial position isn't as bad as the Office for Budget Responsibility predicted back in March. But any windfall looks set to be used to reduce borrowing at a faster pace, rather than provide any extra support to the economy. Indeed, the £12bn rise in annual spending on social care announced in September is set to be fully funded by the new health and social care levy.

We now expect the economy to return to its pre-virus level by January, which is a few months later than we previously thought. For one thing, the end of summer has brought an uptick in new COVID-19 infections. Although these are yet to translate into more hospitalisations, this could be a headwind for consumer-facing services if households become more cautious. For another, the combined effect of September's petrol shortages, higher household energy bills, and the ending of the furlough scheme threaten to depress (non-fuel) consumption.

Consumer price inflation jumped from 2.0% in July to a nine-year high of 3.2% in August and is on track to reach 4.5% by the end of this year. Base effects linked to the sharp fall in prices in August 2020, mainly driven by the Eat Out to Help Out restaurant discount scheme, accounted for around 0.9 percentage points (ppt) of the 1.2 ppt rise. But there were signs that a pick-up in underlying price pressures accounted for the remaining 0.3 ppt, which was driven by inflation in hotels, new and second-hand cars and food. The jump in inflation in August came alongside further signs that cost pressures are still building earlier in the price pipeline. The prices balances of the IHS Markit/CIPS composite PMI rose sharply, suggesting that shortages are increasingly feeding through to higher prices. Meanwhile, manufacturing input producer price inflation (PPI) picked up from 10.4% in July to 11.0% in August and output PPI rose from 5.2% to 6.0%.

Appendix 2: Treasury and Prudential Indicators Quarter 2

Treasury / Prudential Indicator	**2021/22 Indicator**	**2021/22 Quarter 2**
Authorised limit for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	-----£1,074.0m-----	
Operational boundary for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	----- £1,044.0m-----	
Total Net Borrowing – Quarter 2	--------£631.1m------	
Capital Financing Requirement (CFR) *[Including PFI and Finance Lease Liabilities]*	£984.4m	£984.4m
Ratio of financing costs to net revenue streams	8.8%	7.67%
Upper limit of fixed interest rates based on net debt*	150%	98%
Upper limit of variable interest rates based on net debt*	65%	2%
Principal sums invested over 365 days (exc' third party loans)	£50.0m	£37.1m
Maturity structure of borrowing limits**: -		
Under 12 months	Max. 80% Min. 0%	26.27%
12 months to 2 years	Max. 50% Min. 0%	7.66%
2 years to 5 years	Max. 50% Min. 0%	9.95%
5 years to 10 years	Max. 50% Min. 0%	11.05%
10 years and above	Max. 100% Min. 0%	45.07%

*The interest rate exposure is calculated a percentage of net debt. Due to the mathematical calculation exposures could be greater than 100% or below zero (i.e. negative) depending on the component parts of the formula.

**The Treasury Management Code of Practice guidance notes requires that maturity is determined by the earliest date on which the lender can trigger repayment, which in the case of LOBO loans is the next break/call point. This approach differs to Table 6 at paragraph 6.5 above, which instead shows the Council's LOBO loan at maturity date as the likelihood of the option being exercised is low.

Agenda Item No: 8

Corporate Services Performance Report Quarter 2 2021-22

To:	Strategy and Resources Committee
Meeting Date:	17th December 2021
From:	Director of Business Improvement and Development Director of Customer and Digital Services Director of Law and Governance Director of Resources
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	To provide an overview of the proposed performance reporting protocol, renewed Key Performance Indicator (KPI) list and quarterly performance report for Corporate Services and seek endorsement.
Recommendation:	Strategy and Resources Committee is asked to:

a) Review and approve the proposed performance reporting protocol for Corporate Services set out in Section 2 of the report.

b) Approve addition to and removal of KPIs from Corporate Services KPI list set out in Section 3 of the report.

c) Monitor progress of Corporate Services set out in Section 4 of the report and consider whether performance is at an acceptable level and identify remedial action as required.

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1. Introduction to Corporate Services

1.1 Corporate Services comprises 16 services in four directorates:

Directorate	**Service**
Business Improvement and Development Amanda Askham	Business Intelligence
	Commercial
	Policy Design and Delivery
Customer and Digital Services Sue Grace	Communications
	Customer Services
	Emergency Planning & Business Continuity
	HR, Learning & Development and Health & Safety
	IT & Digital Services
Law and Governance Fiona McMillan	Democratic and Members' Services
	Information Governance
Resources Tom Kelly	Finance
	Internal audit
	Procurement
	Property
	Finance Operations
	Insurance

Business Improvement and Development

1.2 The Business Intelligence Service brings together capacity across the organisation to deliver the following functions: Analysis and insight, Management and performance information, and Research. Managing these areas of work collectively helps to both retain service specific expertise and strengthen our ability to link effectively across the County Council to provide a coherent picture of performance and service delivery. The management and performance information functions covering HR, adults, children's and education services are managed on a shared basis with Peterborough City Council, to align with the joint management of those services. The research team provides analysis for the Council and a wide range of partners.

1.3 The Commercial practice group leads on the development and delivery of the Council's commercial strategy. This includes developing a pipeline of commercial initiatives, for example, alternative service delivery models, private sector collaborations, product development and maximising commercial returns. The team also works closely with colleagues in the Resources Directorate to manage risks and returns in financial and property investments and support practice in contract management. The commercial group also provides specialist commercial project support and business case development.

1.4 Policy Design and Delivery comprises the Policy and Strategy and the Design and Behavioural Change teams. Policy and Strategy work with a range of partners to draw together what we know – for example on impacts of COVID, EU Exit, public service reform - holding a deep understanding of our context and developing well written policy response that can be turned into clear action. The Design and Behaviour Change team consists of service designers, business analysts and behavioural insight specialists whose mission is to improve the outcomes for Cambridgeshire communities by developing behaviour-based policy and interventions in a more open, data-driven and user-centred way, and to support the day-to-day delivery of excellent services in a way that supports our front-line professionals to focus on the person or situation in front of them.

Customer and Digital Services

1.5 The communications team incorporates three main functions: external communications including media relations, campaigns, partnership working, branding and social media; internal communications and staff engagement, and management of the external CCC website, content and development.

1.6 Customer Services is responsible for the delivery of 17 Cambridgeshire County Council services and is commissioned to deliver, 1 Peterborough City Council and 1 Cambridgeshire & Peterborough Combined Authority service via the Corporate Contact Centre, which has handled 21,906 contacts over the last year. Of these contacts, 57% are received by phone, 32% by e-mail and 8% by online form. The largest volumes being received for Adult and Children’s social care services, Blue Badges, Highways and Registrations. The service comprises of multi- skilled Advisors who manage incoming contacts across a variety of channels. Customer Services is also responsible for reception services at three corporate sites - New Shire Hall, Awdry and Scott House.

1.7 The Emergency Planning Team is a small service within the Customer & Digital Services Directorate, comprising four officers, delivering joint provision in a shared service for both Cambridgeshire and Peterborough. This provision is in line with the statutory responsibilities contained within the Civil Contingencies Act, along with other supporting legislation. The team undertakes emergency and business continuity planning and provides the 24/7/365 emergency operational response on behalf of both councils.

1.8 HR Services includes HR Advisory, Workforce Strategy & Policy and the Health & Safety and Learning & Development teams. These teams provide professional and expert advice to managers alongside offering learning, support and information to employees enabling all of us to best serve the communities and citizens of Cambridgeshire.

1.9 The IT & Digital Service is a shared service responsible for the delivery of IT Services to Cambridgeshire County Council & Peterborough City Council. These services include but are not limited to: IT service desk; hardware support; data centre management; business system support; digital development; and projects and programme management.

Law and Governance

1.10 Democratic Services develop and maintain the Council's Constitution and ensure it is followed at all times; provide advice and support to Councillors on all aspects of their work including making arrangements for Councillor training and development; make arrangements for, attend and minute a range of public meetings; maintain and publish the Forward Plan of Key Decisions; and manage the appointment of Councillors to sit on a range of external agencies and outside bodies.

1.11 One member of staff in Members' Services provides administrative support to Councillors; provides personal assistance to the Leader of the Council and other Group Leaders; supports Members in their use of IT, and provides administrative support to Democratic Services colleagues.

1.12 Information governance covers two main functions: data protection and freedom of information. The team provides training and support on data breaches, impact assessments, contracts, information sharing and freedom of information requests.

1.13 The council's legal services are provided by Pathfinder Legal Services Ltd (formerly LGSS Law Ltd), an alternative business structure company which is partly owned by the council. The Director of Law & Governance acts as an intelligent client between the council and Pathfinder, monitoring performance and raising service issues with Pathfinder.

Resources

1.14 The Finance service provides financial management advice and challenge to the Council. The team operates on a business partner and risk led basis to oversee production of revenue and capital budget plans, monitoring reports for Committees, and financial support to over 300 budget holders with the aim of ensuring funds are spent efficiently and effectively. The finance service also provides an accountancy function for statutory financial report, schools funding and treasury management.

1.15 The Internal Audit team is made up of assurance, control and risk specialists employed by the council as part of its corporate governance framework. The team provides objective assurance on the effectiveness of risk management, control, and governance processes in order to help improve the Council's operations, this culminates in the Head of Internal Audit's annual opinion reported to Audit & Accounts Committee. That Committee also regularly monitor's the service's progress against plan.

1.16 The role of the Procurement team is to develop a clear procurement strategy supported by category strategies and policies, and provide specialist advice and support to services, so the authority obtains the best value for money on all goods, works and services it commissions from external providers. The team supports the authority to comply with UK legislation which governs the procurement of goods (supplies), services and works.

1.17 The Property team is the steward of the Council's property estate, across our operational, commercial and rural portfolio. The teams are responsible for maintaining buildings and facilities and advising on compliance and safety. The strategic assets team, staffed by chartered surveyors leads on strategic asset management, valuation, and landlord and tenant matters.

Lead Authority Services

1.18 Finance Operations provides a transactional service in relation to accounts payable and accounts receivable as well as leading on debt management and client funds (deputyships). This includes handling more than 1.1million payments per year and collecting debt across 150,000 invoices. The regular finance monitoring reports include the finance operations KPIs: prompt payment of invoices, prompt registration of invoices and improvement in debt collection.

1.19 The Insurance team is responsible for ensuring that insurable risks are identified and catered for within the Council's insurance programme (including self-insurance). The service received 934 insurance claims in the latest year in relation to CCC and dealt with 343 underwriting and insurance enquiries.

1.20 Both services are led by Cambridgeshire as lead authority on behalf of West Northamptonshire Council, North Northamptonshire Council, Milton Keynes Council and other customers which leads to economies of scale. In a similar way, the Council receives Payroll, Pensions and Business Systems functions from West Northamptonshire Council who are the lead authority for these services.

2. Corporate Services Performance Reporting Protocol

2.1. The role of Policy and Service Committees in managing performance (subject to Strategy and Resources Committee approval of the upcoming draft Performance Management Framework) is to:

- Set outcomes and strategy in the areas they oversee
- Select and approve addition and removal of KPIs for the committee performance report
- Monitor progress quarterly
- Consider whether performance is at an acceptable level
- Seek to understand the reasons behind the level of performance being reported
- Identify remedial action that is required

2.2. Corporate Services' approach to performance reporting has been updated in response to the proposed new Performance Management Framework and the change in committee structure. Corporate Services performance has previously been reported to the General Purposes and Commercial and Investment committees. Strategy and Resources committee are responsible for oversight of Corporate Services. The Strategy and Resources committee will also be considering a proposed new Performance Management Framework, which would give the committee oversight of a new set of strategic, overarching KPIs for the Council.

2.3. It is proposed that Strategy and Resources Committee receives a Corporate Services Performance Report and a separate Council Performance Report quarterly. This is in addition to the continuation of the monthly Finance Report. The proposed initial reporting date is 29 March 2022.

2.4. It is proposed that the Corporate Services KPIs are next reviewed in December 2022 and annually thereafter, or earlier if in response to significant changes in strategy.

3. Corporate Services KPIs

3.1. Corporate Services KPIs have been reviewed by Directorate Management Teams, to ensure that they remain relevant, reliable, clear, fit for use and balanced. Members are asked to approve a proposal to:

- retain 11 KPIs;
- develop or review 7 new KPIs;
- move the reporting of 3 KPIs for consideration by the Energy and Green Investment Committee, because they are relevant to service areas now managed by the Place and Economy Directorate;
- remove 8 KPIs.

These changes create a new proposed list of 18 Corporate Services KPIs.

3.2. It is proposed that Corporate Services retain and report the following KPIs to Strategy and Resources Committee:

KPI Number	**KPI Description**	**Service Area**
184	Statutory returns completed on time	Business Intelligence
171	Percentage change in value of income obtained from agricultural farmland	Property
204	Annual forecast of the gross income from our total commercial investment as a percentage of initial investment	Finance
189	Number of sessions on website	Communications
190	Proportion of information enquiries resolved at first point of contact	Customer Services
187	Overall staff engagement from Cambridgeshire County Council staff survey	HR Services
194	Incidents resolved (KPI description under development)	IT & Digital Services
195	Requests resolved (KPI description under development)	IT & Digital Services
196	Availability of Universal Business System (KPI description under development)	IT & Digital Services
182	Proportions of Freedom of Information requests responded to within timescale (YTD)	Information Governance
183	Percentage of Subject Access Requests completed within 40 working days (YTD)	Information Governance

3.3. It is proposed that Corporate Services develop and report the following new KPIs to Strategy and Resources Committee:

KPI Number	KPI Description	Service Area	Rationale for introduction
TBC	(KPI description under development)	Policy Design and Delivery	Aim to present minimum of one KPI per service area
TBC	Staff absence and / or staff turnover (KPI description under development)	HR Services	Key measure of organisational health
TBC	Proportion of RIDOR serious incidents reported within 10 days	Health & Safety	Legal requirement
169	Number of contract waivers submitted without adequate time for procurement	Procurement	Best value; ongoing procurement compliance
TBC	Social value and local supply chain (KPI description under development)	Commercial	Relevant to Joint Administration Agreement
TBC	Value of income achieved from all income generating services	Commercial	Wider scope than previous KPI on income
TBC	Annual performance of gross income achieved from investments for commercial return as a percentage of initial investment	Commercial	Wider scope than previous KPI on investment, to reflect breadth of commercial portfolio

3.4. It is proposed that the following KPIs are considered by the Energy and Green Investment Committee. This is because oversight of the services covered by these KPIs has moved to the EGI Committee.

KPI Number	KPI Description	Service Area
165	Annual forecast of the net amount of income from our energy investments as a percentage of initial investment	Commercial
24	Percentage of premises in Cambs & P'boro with access to at least superfast broadband	IT & Digital Services
25	Percentage of take-up of new fibre broadband services delivered by the Connecting Cambridgeshire superfast broadband roll-out programme	IT & Digital Services

3.5. It is proposed that Corporate Services no longer report the following KPIs to the Strategy and Resources Committee:

KPI Number	KPI Description	Service Area	Rationale for removal
185	Inspection information returns completed on time	Business Intelligence	No longer useful, included in 184

KPI Number	KPI Description	Service Area	Rationale for removal
164	Annual forecast of the gross income from our commercial property as a percentage of initial investment	Commercial	Replaced by new investment KPIs with wider scope
172	Change in value of income obtained from traded services	Commercial	Replaced by wider scope income KPI
186	Proportion of citizens who feel well informed by the council	Communications	Benchmark data no longer available
188	Better Connected Survey (professional membership body for digital and IT leaders)	Communications	This information will be used to inform operational activity
191	Percentage of calls presented that are answered	Customer Services	This will continue as an operational KPI
192	Percentage of total contact that is deemed avoidable	Customer Services	This will continue as an operational KPI
193	Proportion of services with a completed Business Continuity Plan	Emergency Planning & Business Continuity	This will continue as an operational KPI

4. Corporate Services Quarterly Activity Update

4.1. The following describes activity and performance in corporate services over the past quarter. This will be replaced by the KPI scorecard at the next reporting point.

4.2. Customer Services

Call volumes have increased from August into October across most services as additional functions have opened and with the predicted peak associated with school admissions, education transport and concessionary bus pass renewals. Waste Management Household Waste Recycling Centre booking calls remain high, but proportionally low compared to online bookings (less than 2%). Social care contacts have stabilised and Blue Badge applications are returning to pre-pandemic volumes. Park and Ride contacts are slowly moving up each month, as are COVID 19 enquiries as we enter the winter months.

Calls handled over the August to October period average 12,547 per month, with an average wait time of 1:45 minutes. All telephony and administrative performance indicators have been consistently met. Online transactions are steadily increasing across the board.

The corporate reception sites remain closed to the public, with staff working at New Shire Hall and Scott House to oversee committee meetings primarily and the distribution of post, now that teams are starting to return to sites. All Customer Service Advisors continue to deliver the corporate contact centre by working from home.

Two new Team Managers are joining the team in January and recruitment is underway to appoint advisors into vacancies in January to ensure performance can be sustained and to prepare for the onboarding of the concessionary bus pass service for Peterborough residents (as commissioned by Cambridgeshire and Peterborough Combined Authority) and the Swaffham Prior Heat Network.

Preparation for the Christmas break is underway, to ensure continued support for social care services, the Registration Service and the COVID 19 enquiry line.

The COVID 19 Isolation Support Services, operated by the Contact Centre, continues to support residents across Cambridgeshire and Peterborough to self- isolate. 9660 residents were contacted in October with 7245 offered a support service. The main advice relates to isolation periods and health matters.

4.3. Emergency Planning

Cambridgeshire and Peterborough Local Resilience Forum (CPLRF)

The Emergency Planning team undertakes numerous workstreams in the CPLRF business plan, some had to be suspended during the height of our COVID response, but the plan has now been revised and re-started. For example, the team revised and prepared the plans for submission to DEFRA for its ‘Health check’. We now await the findings from this check and will act upon the recommendations to ensure that the multi-agency arrangements meet the established standards.

COVID 19

The team has continued to support activities on behalf of the CPLRF COVID 19 Tactical Coordinating Group and will continue with this work as necessary. Work has now been completed on a programme of work to decommission the COVID19 supplementary body storage facilities. The team will continue to closely monitor ongoing demands throughout the winter period, and will share intelligence with all partners including hospitals, funeral directors and the coroner.

Business Continuity Planning

Work has begun again with council services on the review and updating of business continuity plans, taking into account all of the work that was specifically undertaken with regard to changed service delivery in response to COVID.

4.4. Communications and Information

External Communications

On 1 November Cambridgeshire and Peterborough received Enhanced Response Area (ERA) Status due to a high number of COVID cases and the pressure on the local NHS. With support from the Cabinet Office, we have received a suite of communications that we are now using and sharing across our channels and our partner networks. These include:

- An announcement of the news in traditional media and on social media;
- Posters and social media posts have been made into a communications toolkit, which has been shared across our communications partnerships;
- Advertising vans sharing COVID alert messages are touring routes agreed with our District partners;
- The development of translations for all communities by the UK Health Security Agency over the next week; and
- A community engagement webinar led by the Health Security Agency about ERA status, we are working with community engagement colleagues to explore this option.

We are also developing a local campaign approach to the ERA so we can target our messaging.

We are working with all Chairs and Vice Chairs to develop and deliver communications activity arising from service and policy committees. In the last three months (11 August to 11 November) we have issued 103 releases and handled 184 media enquiries. In particular we have worked on issues relating to:

- The appointment of a new Chief Executive;
- COP26 including the electric bike ride to Swaffham Prior for people to hear more about the landmark scheme;
- New school to be built in Wisbech;
- Platinum Jubilee celebrations;
- Household Support Fund and direct voucher scheme;

- Fuel shortage;
- Afghan nationals resettlement scheme;
- National Libraries Week;
- Guided Bus;
- Cambridgeshire roads to be resurfaced;
- Getting our roads ready for winter;
- New equestrian, foot and cycleway in Papworth;
- Soham active travel consultation;
- King's Dyke milestone – piling work;
- Staying safe on the roads with the clocks going back;
- King's Dyke time capsule burial.

There have been 1,598,940 unique views on the website in the last three months, to 31st October. The most visited pages include:

- Recycling;
- Covid-19 and Rapid Testing pages;
- Online payments;
- School Term and Roadworks pages.

Internal Communications

One of our key focuses has been on staff Wellbeing. We have developed a Wellbeing Portal on our joint staff intranet. In October this had 1,472 unique viewers. Our latest Wellbeing Hour was on Menopause Awareness and was fully booked with 350 staff registering.

Our Cambridgeshire Conversations continue to be well received with around 200 staff attending each one. Director of Public Health Jyoti Atri has spoken at one about the Enhanced Response Area status. Adrian Chapman also spoke about his role as a White Ribbon Ambassador and since that meeting we have had four more men who work in the council sign up to be White Ribbon Ambassadors.

In the last 30 days (up to 15 November) there have been 4,325 unique viewers on our County Council intranet, up from 3,893 in the last report, and 2,984 unique viewers of the shared intranet pages with Peterborough City Council, up from 1,796 in the last report.

4.5. IT and Digital

Cambs 2020 programme/New Shire Hall & Move of the Shire Hall Data Centre

Over the last few months IT have completed a significant amount of work to install and commission all the IT services at New Shire Hall and to ensure the building was ready to be used by Members and staff as planned. The major works completed as part of this included the installation of networking, WI-FI, IT hardware on the desks as well as equipment to facilitate collaboration and hybrid meetings. All of the meeting rooms on site have Audio Visual equipment (screen/camera/soundbar). The multifunction room (MFR) has several large screens and all the equipment necessary to support public meetings. The collaboration spaces in the centre of the building both on the ground and first floors have been completed, and some have been fitted with interactive screens to further support collaborative working. A large video wall has been installed in the lobby where it can be used to share key information updates. The third and final moves of IT systems and equipment from the old Shire Hall Data Centre are planned for the end of November with preparations well advanced for this work.

Highways System

The existing Highways system is due for renewal and IT have engaged with the service to understand what is needed from the system in the future to support changes and improvements in service delivery. As part of that initial stages of procurement, a process of ‘Soft Market Research’ has been undertaken with colleagues from IT and the Highways Service with an initial review of prospective suppliers' products. Demonstrations of systems have now been arranged, giving the service the opportunity to see the system, ask questions and clarify the requirements specification before completing the formal tender process.

Freedom of Information System

A new case management system for the shared Information Governance Service across Cambridgeshire and Peterborough has been built by the Application Team in the IT service in collaboration with the Information Governance Service. It uses Microsoft 365 technology and leverages the Councils’ investment in that software. It is currently being updated by the Application Team following a period of testing and will go live by the end of November. The system also includes new web forms and Disclosure Logs which will be available on each council's websites. Overall, the system will streamline the process for managing this statutory requirement and ensure that information is available to the public in a timely and appropriate manner.

Operational update

The IT service continues to support staff and Members with remote working as well as planning the support needed for the phased return to offices. One area of work that is underway for this (and is already live for New Shire Hall), is the implementation of a workspace booking system.

4.6. HR

Wellbeing

The focus on staff wellbeing has continued throughout the last period with twice weekly wellbeing updates, guidance and tips issued in staff bulletins as well as monthly Wellbeing Hours on a wide range of subjects. The Wellbeing offer is captured on a SharePoint page which you can see here. In response to the employee engagement survey in June which focussed on Respect at Work, some open sessions have been held with staff and members of JMT to explore further the main themes that emerged from the survey responses, and these have been well attended.

The team have been supporting the Cambs 2020 programme and the contractual moves of teams out of the Shire Hall to different bases including the New Shire Hall in Alconbury which opened in September.

We recognise that many of our employees are also informal carers, who combine their work with us with providing care and support to someone on an unpaid basis. We are committed to supporting all informal carers that work for us. We have updated our Supporting Carers Guidance to give practical information on how to support anyone that also provides care. A carers support plan template is available, this has a lot of prompt questions to help identify what support measures would best help them.

Health & Safety

Continue to work with HR and Property colleagues to evaluate and clarify the processes staff and managers need to undertake if someone experiences COVID symptoms or is tested positive. In addition, they have been engaged in supporting the regular response to changes in Government advice in relation to safe working in our buildings, and individual circumstances that require a risk assessment to be carried out. We have continued the focus on ensuring that we have a clear roadmap out of the COVID restrictions into our future ways of working. This is widely communicated with staff. Balancing the desire that many people have to return to an office environment with the need to keep people safe is at the centre of this at all times.

The new mandatory vaccination requirements for people working in care homes came into effect on 11th November and these also apply to any other professionals who visit people in care homes. These regulations affect some Council teams and necessitated a clear process to set this requirement out to those affected. No dismissals have been necessary as the team has worked with managers to identify those in affected roles and put adjustments in place for those who remain unvaccinated to adapt their roles.

The HR Team are working with the Community Hub Team to create some additional staff capacity to prepare for any potential surge requirements for resource as we move into the Winter. Including offering existing members of staff the opportunity to take on additional relief contracts to support the COVID response around aspects such as isolation and vaccination support.

Equality, Diversity and Inclusion (EDI)

A quarterly EDI newsletter has been introduced along with a SharePoint page on CamWeb (this can be seen here.) that hosts information for staff to access. This is intended to help build awareness and knowledge, creating a bank of resources that people can draw on whilst we review and implement a new learning and development offer around EDI later this year. Our 'EDI Conversation' now takes place on a monthly basis. This is a monthly drop-in session for all staff, and this creates an opportunity to hear from speakers on specific topics, share views and help shape the Council's activity in this important area. These are regularly attended by in excess of 250 people each month.

Learning and Development

The Learning and Development Team have focussed on Apprenticeships, including:

- Developing an Apprenticeship Strategy to direct the use of the apprenticeship levy that is aligned to strategic priorities and creating increased internal apprenticeship opportunities to work towards achieving the public sector target.
- Increasing levy transfers to external organisations to provide apprenticeship opportunities within the community and improve utilisation of the levy transfer allowance.
- Analysing workforce and recruitment data to increase new apprentice recruitment opportunities into the council.
- Continued raising awareness of apprenticeships across the council, celebrating success and seeking approval to hold an apprenticeship conference and awards ceremony during National Apprenticeship Week – February 2022.

The team are also in the process of planning an apprenticeship awards ceremony and conference during National Apprenticeship Week (NAW) 2022.

4.7 Resources Directorate

Service	Key deliverables this quarter
Finance	• Enabling development of the Council's business plan, progression of revenue and capital plans and strategies • External audit has commenced, on schedule • Accounting for pandemic-related grants and submissions to central government, ensuring visibility and claim of allowable expenditure
Property	• Progression of delivery of Cambs 2020 spokes buildings (planning approvals at Roger Ascham, construction underway at CPDC) • Commissioning and operation of New Shire Hall, Alconbury Weald • Completion of farm rent reviews (rent reviews, new lets, commercial lettings) average a 9% uplift • Responding to local plan consultation as landowner and other strategic projects
Procurement	• Beginning implementation of social value portal in order to embed in procurements • 57 projects in progress with a total value of £2bn • Contract procedure rules re-drafted pending Committee consideration, commencement of procurement strategy • Recruitment to Head of Procurement and Senior Category Manager roles (new appointees starting in January)
Internal audit	• 854 audit days delivered to end of October, plan for 1450 by year end • Contract audits – successfully securing rebates from commercial contractor
Finance Operations	• Improvement of debt position, especially in relation to Adult Social Care, this is a medium term and complex project begun with additional resource allocated to debt management • Preparation for procurement and implementation of a new income management system • Embedding services for new Councils in Northamptonshire

Service	Key deliverables this quarter
Insurance	• Preparation of insurance programme tender for Cambridgeshire for 2022 and implementation of schools insurance framework for Cambridgeshire maintained schools.

4.8 Business Improvement and Development Directorate

Service	Key deliverables this quarter
Commercial	• Contractual risks and savings in Waste and Home to School Transport • Identification of increased commercial income and savings for business planning - draft proposals reaching a minimum of £2.5m more surplus across the next four years • Working with CUSPE researchers to think about a carbon credit trading approach • Initial meetings with services to look at developing new products and income streams using the Business Model Canvas • Implementation of a new contract for the delivery of education and social care transport services. It has taken over 12months of working with the Service to understand the commercial aspects, develop the contractual documents, create webpages, implement new processes and procedures, create contract a manual and roll out the new e-sign system. The contract went live to the market on 1 September, with a value of around £300million and a term of 5+5years.
Policy, Design and Delivery	• Supporting the development of the Council's new strategic priorities; • Developing the proof of concept for the doughnut economic framework; • Designing the next phase of Changing the Conversation in SEND; • Facilitated community groups as part of the Happy at Home project • Worked with the commissioning service and Nesta on a 100 day change to improve the Discharge to Assess process. • Project managing the New Shire Hall (NSH) project, as we start to welcome staff to work in the building from 1st November 2021. We are currently liaising with teams and individuals who are contractually based at NSH, who will be working in the building over the next few weeks.

Service	Key deliverables this quarter
Business Intelligence	• Developed the sample and questionnaire for the statutory Carer’s Survey. Every upper-tier or unitary authority does the survey and there are strict standards that allow us to benchmark our results against other areas. • Published the first suite of information about the impacts of the COVID-19 pandemic on communities in Cambridgeshire and Peterborough at https://cambridgeshireinsight.org.uk/coronavirus/impacts/. • Produced school level ‘catchment’ forecasts (which forecast the number of pupils in particular catchment areas for individual schools) • Completed the housing monitoring survey which provides information about new housing development in Cambridgeshire • Published dashboards for Adult Social Care on contacts, assessments, completed reviews, tested dashboards on reablement and workflow • Published the Ofsted Data Quality Dashboard, to highlight data quality errors in Annex A, the information that is required by Ofsted when they come for an inspection. The dashboard checks more than 100 areas for error automatically. • Submitted the statutory National Minimum Data Set return about Adult Social Care workforce • Drafted a new Performance Management Framework for the Council and supported the restart of performance reporting at Service Committees

5. Alignment with corporate priorities

5.1 Communities at the heart of everything we do
This paper describes KPIs for Corporate Services that underpin the delivery of all CCC corporate priorities.

5.2 A good quality of life for everyone
This paper describes KPIs for Corporate Services that underpin the delivery of all CCC corporate priorities.

5.3 Helping our children learn, develop and live life to the full
This paper describes KPIs for Corporate Services that underpin the delivery of all CCC corporate priorities.

5.4 Cambridgeshire: a well-connected, safe, clean, green environment
This paper describes KPIs for Corporate Services that underpin the delivery of all CCC corporate priorities.

5.5 Protecting and caring for those who need us
This paper describes KPIs for Corporate Services that underpin the delivery of all CCC corporate priorities.

6. Significant Implications

6.1 Resource Implications
There are no significant implications.

6.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications.

6.3 Statutory, Legal and Risk Implications
There are no significant implications.

6.4 Equality and Diversity Implications
An Equality Impact Assessment will be completed to ensure that the Council's performance management is inclusive and that any changes do not make barriers for people with protected characteristics. The outcome of the Equality Impact Assessment may lead to further revisions of these proposals.

6.5 Engagement and Communications Implications
There are no significant implications.

6.6 Localism and Local Member Involvement
There are no significant implications.

6.7 Public Health Implications
There are no significant implications.

6.8 Environment and Climate Change Implications on Priority Areas:

6.8.1 Implication 1: Energy efficient, low carbon buildings.
Neutral Status
Explanation: No significant implications

6.8.2 Implication 2: Low carbon transport.
Neutral Status
Explanation: No significant implications

6.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.
Neutral Status
Explanation: No significant implications

6.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.
Neutral Status
Explanation: No significant implications

6.8.5 Implication 5: Water use, availability and management:

Neutral Status
Explanation: No significant implications:

6.8.6 Implication 6: Air Pollution.
Neutral Status
Explanation: No significant implications

6.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.
Neutral Status
Explanation: No significant implications

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? Yes
Name of Officer: Henry Swann

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes
Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?
Yes
Name of Officer: Bea Brown

Have any engagement and communication implications been cleared by Communications?
Yes
Name of Officer: Sue Grace

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes
Name of Officer: Fiona McMillan

Have any Public Health implications been cleared by Public Health?
Yes
Name of Officer: Jyoti Atri

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?
Yes
Name of Officer: Emily Bolton

7. Source documents

7.1 None

Agenda Item No: 9

Mill and Rumbolds Farmhouse, Somersham – Replacement dwelling

To:	Strategy & Resources Committee
Meeting Date:	17 December 2021
From:	Director of Resources
Electoral division(s):	Somersham & Earith
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	The replacement of a farmhouse on the County Farms Estate at Mill Farm (Somersham) that is beyond economic repair is noted.
Recommendation:	Following approval of budget at the last meeting and endorsement by the County Farms Working Group, the Committee is asked to note this report.

Officer contact:
Name: John Nash
Post: Rural Asset Manager
Email: John.Nash@cambridgeshire.gov.uk
Tel: 07765586460

Member contacts:
Names: Councillors Nethsingha & Meschini
Post: Chair/Vice-Chair
Email: Lucy.Nethsingha@cambridgeshire.gov.uk
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Tel: 01223 706398

1. Background

1.1. Mill Farmhouse is a small 3-bedroom bungalow which has been suffering from subsidence related issues for many years. This movement is particularly common in the fens area given the structure of the soils. It has been exacerbated by nearby trees and movement of heavy machinery. Mill Farm Bungalow is one of the smaller farmhouses on the estate and is of a reduced size compared to comparable farmhouses on similar sized holdings on the estate.

1.2. The dwelling has been monitored on an ongoing basis, with only minor repairs in line with the budget having been undertaken to keep the house habitable during the tenant's occupation, whilst keeping these costs as low as possible.

1.3 PRP Structural Engineers (PRP) were instructed to inspect the property in April 2014. The structural report confirmed that the dwelling's stability was compromised and beyond economic repair. The dwelling has deteriorated further since this date and repairs are not able to keep the house habitable.

1.4 The current farm bungalow is let as part of a 118.055 ha (291.59 acres) farm comprising house, buildings, farmyard and land. The farm is let under a Farm Business Tenancy (FBT) until October 2040 at a current rent of £38,604 per annum. A further FBT of farmland and a further farmyard ending of the same date is also granted over 31.102 ha (76.853 acres) to the same tenant also forming part of Mill and Rumbolds Farm, the current rent for this tenancy is £8,840 per annum. Two further areas of farmland at Mill and Rumbolds Farm are also let to the tenant until 2040 on two further smaller tenancies with a combined rent of £5,738. This gives a total rent for the total holding of Mill and Rumbolds Farm of £53,182 pa. In addition, the tenant also has some short-term lettings from the Council and in total pays £116,804 pa in rent.

1.5 The proposal is for a replacement two storey 3-bedroom dwelling with a Gross External Area of approximately 153 sqm, which is in accordance with the design and scale of the most recently constructed dwellings on the county farms estate such as that at Meads Farm.

1.6 The current tenant was granted the tenancies of Mill and Rumbolds Farm until 2040.

1.7 Given the location of the current dwelling adjacent to the main farm access/drove and associated movement of large farm machinery, the proposal is for the dwelling to be repositioned into a more suitable location, in a neighbouring sheltered paddock set back from the main access.

1.8 External consultants have been instructed to prepare floor plans and elevations together preliminary costings for the replacement dwelling and preparation of planning application documents to be submitted by 15th December 2021.

1.9 A full costed business case for the replacement has been prepared. A detailed breakdown of the proposed costs at this stage is shown at Appendix 1.

1.10 Expenditure is likely to straddle financial years 21/22 and 22/23.

2. Main Issues

2.1 The farm was let as a fully equipped holding, with both a farmhouse and buildings integral to the property.

2.2 There is a potential risk that the current subsidence issue will accelerate and become a Health and Safety risk to the current tenant and his young family. There are cracks in the floors through which damp and effluent from foul drainage pipes, which run under the bungalow, could surface, for example in the kitchen.

2.3 The project is to comply with the Council's obligation as Landlord to provide a structurally safe and habitable dwelling, as defined in the Homes (Fitness for Human Habitation) Act 2018, in order that a rent can be charged for the residential element of the property. The tenant could insist the Council provides a replacement dwelling under the terms of his tenancy agreement. He has begun to escalate this by recently involving the Tenant Farmers Association who have contacted the Council.

2.4 The tenancy term helps to protect the investment, the tenant is capable, has suitable capital to run a business in the current uncertain climate and the long-term desire to continue to run a successful rural enterprise.

2.5 A new farmhouse would be built to the latest National House Building Council standards and, as such, would benefit from 10 years' warranty from completion, meaning that there would be no repair costs to the Council for the first decade. It is anticipated that the new dwelling's "design life" will be 50 years.

2.6 The farmhouse will be completed in accordance with the latest building and design standards and regulations, incorporating in its design energy provision from renewable sources ensuring that it complies with the Council's latest climate change requirements. In this regard the dwelling will incorporate the latest energy efficient building method including but not limited to heating being provided by an air source heat pump and roof mounted PV panels.

2.7 The Council carries out a 5-year rolling programme of inspections and repairs but intermittent visits take place much more regularly. Structural engineers are called in as required and they usually advice monitoring, removal of trees and checking drains. Often occupiers are able to live with structural movement but in this case because of broken sewage pipes under the house this was not possible. Problem dwellings are identified for disposal by the Council in the Rural Estate Farm Management Plans.

3. Governance

3.1 At its meeting in November this Committee agreed to approve the prudential borrowing for this scheme and requiring that any expenditure incurred ahead of receiving this report, in December, would be done in consultation with the Chair and Vice-Chair.

3.2 The County Farms Working Group, which is a formally appointed group of seven members, nominated by this Committee, had considered this matter on 14 September, the action points arising from that meeting are set out below and had been responded to in the run-up to the November meeting.

3.3 The questions addressed through the County Farms Working group included:

- Insurance – there is no insurance claim as subsistence is not covered under the current policy and there would be a large deductible for self-insurance in any case.

- Temporary accommodation – there are no plans to provide temporary accommodation as the current property should suffice until the new build is complete

- Location of rebuild - The farmhouse should be within the vicinity/curtilage of the yard and buildings where the Council has invested in crop stores and as security of valuable machinery, fertiliser and seed are issues to consider. The location of the new build means it could be ring fenced with direct access provided onto the lane so it could be sold separately in the future.

- Standard of replacement - Standards have risen and we need to invest in the estate to house existing tenants in appropriate accommodation and attract new tenants. The existing house is the smallest on the Estate.

- Value for money - The project will be tendered using the Council's procurement procedures. VFM is a balance between cost and investing in the rural estate. To run the farm and protect the Council's long-term investment a replacement house is required.

- Dwelling replacement frequency - We replaced a house in 2019/20 for similar reasons. Prior to that the last new house was in the early 1990's due to a road realignment. There are no other replacement dwellings on the horizon. We do consider requests for extensions through the standard improvement charge of 7% per annum. All properties are inspected as part of a rolling programme every 5 years and appropriate action taken to address issues. Property repairs take place routinely in year should issues arise and prior to the start of any new tenancy. The appendix summarises structural repairs and one rebuild undertaken during the period 2011-2020.

- Planning - it is unlikely the Council would get planning for a new dwelling in the countryside unless it is part of a farmstead. There have been earlier discussions with the planners who said that the existing dwelling would have to be demolished if a replacement was built. Huntingdonshire District Council has suspended discretionary pre application advice during 2021. This project will therefore be subject to a full application without the benefit of pre-app advice.

- Mitigation of costs - The cost of this work is not recoverable through an improvement charge as it is the Landlord's responsibility to provide habitable accommodation. We would expect the improved accommodation to be reflected in the next available rent review as part of the Tenant's overall rent package.

- Business model - It has been policy to offer accommodation with holdings where they already exist, this provides a base for new entrants to build and operate their businesses. Dwellings are let to farm tenants as part of holding through their Farm Business Tenancies. As a rule of thumb, the rent for dwelling is calculated as 50% of residential market rents and included in the overall rent payment. FBT terms are more onerous; for example tenants are responsible for replacing central heating boilers, doors and windows. It is the responsibility of the Landlord to provide habitable accommodation, and this rebuild fits in with this and modernising the estate. Rents are reviewed every 3 years in accordance with legislation.

3.4 The County Farms Working Group met again on 23 November and endorsed the requirement and business case as it now stands.

4. Alignment with corporate priorities

4.1 Communities at the heart of everything we do

There are no significant implications for this priority.

4.2 A good quality of life for everyone

There are no significant implications for this priority.

4.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

4.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

4.5 Protecting and caring for those who need us

There are no significant implications for this priority.

5. Source documents

5.1 Source documents
Strategy and Resources meeting 02/11/2021

APPENDIX

FARM DWELLINGS - SCHEDULE OF STRUCTURAL ISSUES AND ACTION TAKEN 2011-2020

Year	Farm Dwellings	Details	Action Taken following structural report	Costs	Structural report	Date of report
2011	N/A	None to report				
2012	Ditch Farm, Burwell	Movement cracking reported by tenant or officer	Crack stitch repair (Helefix)	£4,332	PRP - CL	14-Aug-12
2013	Smalleys Farm, Coates	Movement cracking reported by tenant or officer	Roof strengthening	£1,582	PRP - CL	25-Nov-13
2014	Frandor Farm, Steeple Morden	Movement cracking reported by tenant or officer	Floor stabilisation work	£5,995	PRP/DG	20-Apr-14
2014	Frandor Farm, Steeple Morden	Movement cracking reported by tenant or officer	Crack stitch repair (Helefix)	£10,500	PRP/DG	20-Apr-14
2015	Greenwood Farm, Ramsey	Movement cracking reported by tenant or officer	Floor stabilisation work	£23,835	CM/PRP	Jul-15
2016	Sparrowhall Farm, Stonea	Movement cracking reported by tenant or officer	Crack stitch repair (Helefix)	£4,470	PRP - CL	10-Jul-15
2017	Stonebridge Farm, Stonea	Movement cracking reported by tenant or officer	Crack stitch repair (Helefix)	£816	PRP - CL	11-May-16
2018	Middle Farm, Landbeach	Movement cracking reported by tenant or officer	Floor stabilisation work	£2,995	PRP - CL	20-Mar-17
2018	Manor Farm, Girton	Movement cracking reported by tenant or officer	Crack stitch repair (Helefix)	£816	PRP - CL	16-Jan-17
2019	Guant Fen Farm, Chatteris	Movement cracking reported by tenant or officer	Crack stitch repair (Helefix)	£1,947	PRP - CL	20-Mar-19
2019	Pantile Farm, Soham	Movement cracking reported by tenant or officer	Crack stitch repair (Helefix)	£1,740	PRP - CL	26-Jul-18
2019	Guant Fen Farm, Chatteris	Movement cracking reported by tenant or officer	Roof strengthening	£751	PRP - CL	20-Mar-19
2019	Pantile Farm, Soham	Movement cracking reported by tenant or officer	Roof strengthening	£757	PRP - CL	26-Jul-18
2020	Meads Farm, Warboys	Significant subsidence	Demolish & Rebuild	£258,037	PRP - CL [1]	13-Oct-16

Notes:

1. The structural report on Meads Farmhouse identified significant cracking and tilting of the property in several rooms (para 3 of the report) with floors and walls out of level in range of 2.5% to 4%. The report makes reference to Building Research Establishment Digest 475 which provides guidance of tilt of low rise buildings resulting from foundation movement. A classification of Ultimate Limit is given to a tilt of 1/50 (2%) and comments that "if a tilt reaches this level, the building may be regarded as in a dangerous condition; remedial action to relevel or demolish the building will be urgently required". The cost of remedial work was estimated at £155,000. This was deeemd not to be cost effective in a building of that age or type. A case was made for its demolition and replacement.

Agenda Item No: 10

CUSPE Policy Challenges Research on Models of Local Government after COVID-19

To:	Strategy and Resources Committee
Meeting Date:	17th December 2021
From:	Executive Director, Business Improvement and Development
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	The Committee is being asked to consider the research and recommendations from CUSPE on models of local government after COVID-19. The intended outcome is a decision as to whether and to what extent the research report's recommendations will be agreed to and implemented within the relevant Council services.
Recommendation:	The Committee is asked to:

a) Note and comment on the research undertaken by CUSPE on the wellbeing economy as a proposed model of local government decision-making after the emergence of COVID-19;

b) Consider the recommendations made by CUSPE as set out in the full report at Appendix 1, pages 17-18; and

c) Task officers to prepare a detailed strategy setting out the ways in which recommendations (if agreed) can be driven forward and delivered, either by the Council or in collaboration with our partners.

Officer contact:
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Member contacts:
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1. Background

1.1 In October 2016, Cambridgeshire County Council initiated an annual collaboration with the Cambridge University Science and Policy Exchange (CUSPE). The programme, known as the CUSPE Policy Challenges, brings teams of researchers from the University of Cambridge together alongside supporting members and officers to explore challenges the Council faces in the form of research questions.

1.2 In February 2021 it was decided that the 2021 round of the CUSPE Policy Challenges would be scaled down to a later start and shorter timeframe in light of the May 2021 elections, and that research topics would be limited to follow up questions based on previous CUSPE reports. In April 2021 Amanda Askham, Executive Director of Business Improvement and Development, proposed the topic of “Models of Local Government after COVID-19” as a follow up to the 2017 CUSPE report on “New Models for Transformation”.

1.3 The research project began in July 2021, with Amanda Askham as the officer supporting the researchers and Councillor Lucy Nethsingha, Leader of the Council, and Councillor Elisa Meschini, Deputy Leader of the Council, as the supporting members. The research report under consideration here is the outcome of the researchers’ development of and response to the topic of models of local government after COVID-19.

2. Main Issues

2.1 The main point of the CUSPE research report is that the Council should introduce a ‘wellbeing economy’ in Cambridgeshire as a model of local government appropriate to the recovery from COVID-19 and beyond. A wellbeing economy is a model of government decision-making that prioritises and aligns decisions around aspects of human wellbeing as measures of success, in contrast to models that prioritise conventional economic measures such as Gross Domestic Product (GDP).

2.2 After a brief introduction, the report discusses the rationale for focusing on wellbeing in light of COVID-19 in Cambridgeshire. Here it is emphasised that the model of a wellbeing economy has been deemed effective in battling various forms of inequality, whilst COVID-19 has exacerbated existing inequalities. Some Cambridgeshire and Peterborough specific statistics that corroborate this are highlighted, with sensitivity to the diversity of communities and outcomes within the area.

2.3 The report discusses examples of existing Council activity that move in the direction of a wellbeing economy – such as the measurement of environmental, economic, and health outcomes, the current interest in Doughnut Economics and community wealth building, and the Joint Administration Agreement – and proposes ways these can be further developed. It is also worth noting here that a wellbeing economy framework is relevant to recent Council work on social value in Procurement and the BID directorate, as wellbeing-enhancing initiatives for our communities could form part of a social value offer, and the framework could help connect social value to wider Council activity.

2.4 International case studies of governments that have adopted a wellbeing economy model are introduced and their local relevance proposed. Indications of potential movement in this direction at the national level in the UK are also mentioned. To illustrate how wellbeing priorities can be defined within the categories of financial, environmental, human, and social wellbeing, elements of the Joint Administration's priorities are put alongside the wellbeing priorities of New Zealand and Wales. The benefits of a 'wellbeing assessment' for all policy decisions are also discussed here.

2.5 The report highlights the connection between sustainability and wellbeing, citing the United Nations' 17 Sustainable Development Goals and the Liveable Cities project as support for the idea that reducing carbon emissions is integral to human wellbeing rather than a separate policy area.

2.6 The report discusses the implementation of a wellbeing economy measurement framework at the Council in terms of three core principles – the maintenance of human health, economic health, and environmental health – and two types of indicators – objective and subjective wellbeing. Data sources for measuring these indicators and ways of managing the measurement are suggested. A three-step process of implementation is recommended.

2.7 The report concludes with several policy recommendations deriving from the foregoing discussions, suggestions for the Council to conduct primary research that are beyond the scope of this research project but would enable a wellbeing economy framework to be more tailored to the County's needs, and 'future outlook' that supports the models of community wealth building and public-private partnerships as ways of overcoming the tension between the wellbeing benefits of sustainability to residents and the private sector's contribution to carbon emissions, as well as being key to implementing a wellbeing economy.

3. Alignment with corporate priorities

3.1 Communities at the heart of everything we do
The report above sets out the implications for this priority in 2.2, 2.3, and 2.7.

3.2 A good quality of life for everyone
The report above sets out the implications for this priority in 2.1, 2.2, 2.3, 2.4, 2.5, and 2.6.

3.3 Helping our children learn, develop and live life to the full
There are no significant implications for this priority.

3.4 Cambridgeshire: a well-connected, safe, clean, green environment
The report above sets out the implications for this priority in 2.4, 2.5, 2.6, and 2.7.

3.5 Protecting and caring for those who need us
There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications
The following bullet points set out details of significant implications identified by officers:

- The research report recommends the Council create a Wellbeing Officer role

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications
There are no significant implications within this category.

4.4 Equality and Diversity Implications
The following bullet points set out details of significant implications identified by officers:

- The research report recommends the adoption of a wellbeing economy framework as a means of tackling social and economic inequality in Cambridgeshire.

4.5 Engagement and Communications Implications
The following bullet points set out details of significant implications identified by officers:

- The research report advises the Council to conduct primary research to better understand what improvements in wellbeing mean to local residents.

4.6 Localism and Local Member Involvement
The following bullet points set out details of significant implications identified by officers:

- The research report advises the Council to consider community wealth building as a means of implementing a wellbeing economy.

4.7 Public Health Implications
The following bullet points set out details of significant implications identified by officers:

- The overall motivation of the research report is to propose a model of local government that is appropriate to the recovery from COVID-19.
- The overarching theme of the research report is that government decision making is improved by a central focus on resident wellbeing as a measure of success.
- It has the potential to address health inequalities.
- 2.6 above includes significant implications for this public health.

4.8 Environment and Climate Change Implications on Priority Areas

4.8.1 Implication 1: Energy efficient, low carbon buildings.
Neutral Status:
Explanation: While several examples and case studies of climate action are discussed, the research report only recommends the Council establish a more general connection between environmental sustainability and wellbeing.

4.8.2 Implication 2: Low carbon transport.
Neutral Status:
Explanation: While several examples and case studies of climate action are discussed, the research report only recommends the Council establish a more general connection between environmental sustainability and wellbeing.

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.
Neutral Status:
Explanation: While several examples and case studies of climate action are discussed, the research report only recommends the Council establish a more general connection between environmental sustainability and wellbeing.

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.
Neutral Status:
Explanation: While several examples and case studies of climate action are discussed, the research report only recommends the Council establish a more general connection between environmental sustainability and wellbeing.

4.8.5 Implication 5: Water use, availability and management:
Neutral Status:
Explanation: While several examples and case studies of climate action are discussed, the research report only recommends the Council establish a more general connection between environmental sustainability and wellbeing.

4.8.6 Implication 6: Air Pollution.
Neutral Status:
Explanation: While several examples and case studies of climate action are discussed, the research report only recommends the Council establish a more general connection between environmental sustainability and wellbeing.

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.
Positive Status:
Explanation: The research report recommends the Council establish a connection between environmental sustainability and wellbeing.

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? Yes
Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council’s Monitoring Officer or LGSS Law? Yes
Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?
Yes
Name of Officer: Amanda Askham

Have any engagement and communication implications been cleared by Communications?
Yes
Name of Officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes
Name of Officer: Amanda Askham

Have any Public Health implications been cleared by Public Health?
Yes
Name of Officer: Val Thomas

5. Source documents

5.1 Source documents

"CUSPE Team 3 2021: Models of Local Government after Covid-19" (CUSPE research report)

5.2 Location

Attached as Appendix 1.

Models of Local Government after Covid-19: Introducing the Concept of a Wellbeing Economy

Cambridgeshire County Council in collaboration with Cambridge University Science and Policy Exchange

2021

Ali Ahmad, Marianna Cavada, Alexander Johnston, Emily Staricoff

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Introduction

In this report we propose that the county council should introduce a wellbeing economy in Cambridgeshire, as a model for how the local government could look following the recovery from Covid-19. We will discuss the importance of wellbeing in light of Covid-19; briefly look at the current context in Cambridgeshire; evaluate various case studies and draw out what the county council could learn from them; look at the role of sustainability in wellbeing; discuss wellbeing in local governance; and discuss how a measurement framework could be implemented. Proposing a detailed framework of how Cambridgeshire's wellbeing economy could look is beyond the scope of this report. However, we will introduce the theory behind a wellbeing economy and explain how this could benefit Cambridgeshire. We believe that the introduction of a Wellbeing economy would serve as a means for the council to focus much of the work already carried out and align work to a rewarding framework. We will propose to the council that development of a wellbeing economy framework would be a constructive approach to take. Furthermore, the report will include various proposals and recommendations for the council to consider, acting as a sounding board for best practices surrounding development, implementation and evaluation of a wellbeing economy framework.

As the joint administration establish their priorities, they are presented with a unique opportunity to re-think the decision-making process within the council. The introduction of a wellbeing economy could serve as a means to shift the council's mindset to look at the impact of the council in a broader sense, integrating the fulfilment of the council's statutory duties with the drive to bring positive change to the lives of those it serves. Changing perspectives to think about the broad influence the council can have, rather than just what it is required to do, would establish a different way of working. A holistic approach, whereby decisions that are made by all committees within the council are aligned with one another, would bring endless benefits not only the council itself, but also to all those that the council serve.

In 2008, a Commission was set up in France on the request of President Nicholas Sarkozy in order to look into the limitations of GDP as a measure of prosperity and social progress. The Commission agreed that using national income is not a good indicator of human wellbeing and that the measurement itself contained several conceptual and statistical deficiencies. For example, National Accounts in different countries are computed in different ways which effects the final GDP figure and leads to flawed outcomes. At the moment, local and international policy-making are greatly influenced by variables that go into GDP growth such as economic prosperity, inflation and unemployment. Although these measures are important for the persistence of an economy, they prevent us from looking at what it is that civilisations have really been working towards: wellbeing. The narrow indicators of GDP have contributed to governments making bad choices for their people and precluded a probe into their welfare. With that in mind, the aim of this report is to look into other dimensions of social existence such as health, community, education, capabilities, freedom and sense of security. Whilst there is no single indicator that can give an insight into the proper ways of measuring these factors, this report will try to initiate a dialogue that would encourage the Cambridgeshire County Council to look into other avenues that would define and direct its future policies.

Although regions that focused on economic performance were able to invest in their infrastructure, it is also important to note that a focus on economic factors have contributed to the degradation of the environment in Cambridgeshire as in the world. One of the County's prized assets is its environmental assets and the sense of community that pervades every aspect of human life. Instead of measuring the productivity of all individuals and firms in the economy, we are encouraging a look into measures of societal wellbeing and assessing the failure of economic metrics of taking the individual into consideration. At the core of our study is a revelation that economic objectives should not be seen as ends by themselves but as a means for better living. Indeed, although there have been some GDP measures – such as 'green GDP' creating by the mining industry in order to take account of environmental degradation – which take into consideration other factors of life, we are suggesting a radically different system that prioritises individual perception and capabilities.

Importance of Wellbeing in Light of Covid

The Covid-19 pandemic has had an adverse impact on the UK economy as a whole leading to a 20.4% fall in the national GDP in the second quarter of 2020, according to the Office for National Statistics. For this reason, there has generally been a push in local councils, especially in Scotland and Wales, to make a further step in the right direction and make progress on the level of social factors that are unrelated to monetary gain. That is not to say that these regions, or any in the UK for that matter, have been solely focusing on financial factors but, in a capitalist world, this focus is inevitable and it all amounts to what is suggested on the accounting balance sheets. It must also be mentioned that matters do not work in the same way they used to in the past; in other words, the profit or return on an investment is no longer a business decision but one that measures the influence and consequences of a decision on society as a whole, in consideration of individual prosperity and the comfort of the individual. However, the point here is to bring forward a plan that would further establish and set in motion a grander scheme that gives more attention to wellbeing, community wealth and societal welfare. That is, to set in motion what is already there and to get this idea off the ground. A wellbeing economy is not counterproductive to GDP, it is merely a way to achieve social equality and do justice the citizen who does not have the right to just 'quit'.

In light of the Covid-19 pandemic, the Advisory Group on Economic Recovery in Scotland gathered evidence that a wellbeing economy was favourable in terms of generating economic growth and quality job creation whilst still addressing important issues such as climate change and fair work. The Advisory Group professed that the model of a wellbeing economy is now more vital than ever in order to build resilience in the face of future adversities, whether they are in the shape of other pathogens, cyber-attacks or other economically damaging threats.

The Covid-19 pandemic has further highlighted and exacerbated the existence of unequal distributions of income, issues in housing, racial discrimination, class divisions and social inequality in access to education, healthcare and transportation. With these issues highlighted in the report, it was concluded that it would be more suitable to address matters that pertain not only to financial and physical capital, but also to natural capital (geology, soil, air, etc.), human capital (skills, knowledge, health, etc.) and social capital (networks, communities, norms, etc.). Whilst each of these features can reinforce and reinvigorate the other, it should be mentioned that the different factors can also restrict and hinder one another; for example, a lack in financial capital can place limits on how much the local economy allows for investment in natural and social capital. Therefore, an assessment of each of these factors must take place and the impact of the pandemic on all these factors must be considered for the design of a new way forward. The pandemic has also affected different sectors disproportionally, therefore on the Gross Value Added (GVA) side of things a sectorial analysis – also taking into consideration the effects of Brexit – will have to be conducted paying attention to the segregation of sectors and their division into subsectors.

Current Context in Cambridgeshire

The Covid-19 pandemic has presented Cambridgeshire with a chance to remodel its approach to governance and reorganise its assets in a way that would be fairer to all individuals in society. The city of Cambridge, which forms the economic powerhouse of Cambridgeshire, has ranked 6th out of the top 50 cities where Gross Value Added (a measure similar to GDP but used for local economies) was measured, showing a 7.3% growth in 2021 compared to the projected 2% annual increase that was expected before the pandemic hit which was a rate higher than all regions in the South East. Of course, this boost in the GVA is a direct and indirect result of the lifting up of restrictions and the return to business. And, whilst this rate is favourable and welcomed, it is also indicative of the North/South divide in Cambridgeshire and a lack of implementation, or realisation, of the 'levelling up' agenda. The agenda of equality must be put at the heart, where its success is dependent on a radical rehabilitation of policy making priorities and the inclusion of wellbeing in local decisions. In the spirit of cultivating resilience and preventative action, the local economy must not be steered from above as it has been in the past but must be provided for and nourished in a manner that takes into consideration not only profit maximisation and high GDP but also the long-term effects of education, unemployment, income disparities, virtual infrastructure and life skills.

The pandemic acted to highlight at an international, national and local level the serious, and tragic, effect that inequalities can have. This is heightened in the local context, illustrated by the fact that life expectancy of a man living in the poorest part of Peterborough is 75.8 years, whereas the life expectancy for a man living in the richest part of Cambridge is almost ten years greater, at 85.2 years. This starkly emphasises the impact of inequalities across the county, and these have only been widened by Covid-19. There are many strategies at both a local and national level that are already in place to address this, for example the NHS Cambridgeshire and Peterborough Health inequalities Strategy. Furthermore, the PwC CNN Future of Local Governments report emphasises the importance of placing wellbeing at the centre of covid recovery schemes. We believe that the introduction of a wellbeing economy to Cambridgeshire as a model of local government after Covid-19 could act as an umbrella aim towards reducing these inequalities at a local level. The priorities and focus would be specific to local areas, leading to a direct impact on individuals experiencing these inequalities on a daily basis.

Regarding measurement practices, the Cambridgeshire County Council already places significant emphasis on several of the factors that could ultimately form part of a wellbeing economy framework. Indeed, environmental, economic, and health outcomes are regularly measured and analysed. However, there is the potential of presenting these measures together in a cohesive framework to ensure that each policy decision is made with the aim of balancing all of these important aims. Furthermore, currently only objective measures of wellbeing are used by the Council. During the height of the Covid-19 pandemic, however, the importance of subjective measures of wellbeing for government decision-making was made clear by the success of the weekly subjective wellbeing figures collected by the Office of National Statistics (ONS) in the "Coronavirus and the social impacts on Great Britain" bulletin. The analysis was of course UK-wide, and therefore measured the subjective wellbeing of the citizens of Cambridgeshire. Moreover, it was a short-term or "momentary" measure of subjective wellbeing, since it sought to monitor fast-moving changes in wellbeing as the pandemic progressed. The use of a long-term or "global" measure of subjective wellbeing could therefore be a significant asset to the Council as it eventually moves into the post-Covid phase.

We understand that the council is currently exploring the principles of Doughnut Economics, as pioneered by Kate Raworth. The Doughnut Economics model is designed to provide a framework to change the way in which we think about economics and economic growth that is suitable for the current century. The fundamental principle of the Doughnut is to "meet the needs of all people within the means of the living planet". The Doughnut illustrates a "social foundation" and an "ecological ceiling", between which is "the safe and just space for humanity" to thrive. The social foundation ensures that everyone has access to basic needs, such a food and water, education, housing and safety. The ecological ceiling states the fundamental properties of our living planet that must be sustained, or limited, to support life, such a biodiversity, climate change and pollution. The Doughnut states that we must not fall short of any of the social foundations but that we must also not exceed the ecological ceiling, but rather we must strive towards thriving within social and ecological limits.

Figure from: Doughnut Economics Action Lab. *Accessed: 7.11.2021.*

A core thought processes behind the Doughnut is the understanding that growth cannot continue endlessly and rather everything should go through a healthy phase of growth, followed by a period during which it can then thrive. Kate Raworth eloquently described this in her TED Talk, using the analogy of how a human will grow in height until adulthood, at which point they stop getting taller, but continue to develop and thrive as a person. The Doughnut says that the same principle must be applied to an economy. Raworth proposes that there is an ever increasing need to move the goal of economics away from endless GDP growth towards the ability to thrive in the "safe and just space for humanity", that the middle of the Doughnut provides. We believe that there is great synergy between the values of the Doughnut framework and those of a wellbeing economy. Both frameworks emphasise the need to place human and environmental factors at the centre of all decision-making processes. Furthermore, the introduction of a wellbeing economy could serve as an incredibly effective means by which to implement the Doughnut Principles of Practice. The culmination of Doughnut Economic principles underpinning a wellbeing economy represents a truly exciting opportunity for Cambridgeshire County Council to be a radical, transformative and forward-thinking organisation.

Local Application of Case Studies

The concept of a wellbeing economy first originated in Bhutan with the introduction of a measure of "Gross National Happiness" in 1972. Inspired by the Buddhist concept of the "Middle Path", the happiness that Bhutan seeks to measure covers a wide range of factors that influence human wellbeing. These encompass both traditional areas of concern in the West, such as living standards, health and education, along with additional, less traditional measures such as psychological wellbeing and environmental diversity. In 2011, the UN General Assembly acknowledged the universal benefits of such an approach by passing the resolution "Happiness:

towards a holistic approach to development". This report will present a detailed overview of a few case studies, which collectively demonstrate the various ways in which wellbeing frameworks have recently been incorporated in modern economies.

In 2019, New Zealand published the first ever Wellbeing Budget, whereby success of the country would be measured through wellbeing, rather than purely through economic metrics. Placing wellbeing at the heart of the budget takes a novel approach to economic growth, where a new Living Standards Framework is used in place of GDP to measure and track progress. The key features of the Living Standards Framework are financial, environmental, human (individuals) and social (communities). Aligned with these key features, New Zealand have developed a comprehensive list of 61 indicators within this framework that are measurable and trackable. The Living Standards Framework has been criticised for being overly complex, with suggestions that a single measure of quality of life would be more efficient. The subjective nature of the indicators has also been a point of criticism, with some suggesting that objective measures correlating to wellbeing, such as access to housing and education, would be better metrics. Nevertheless, evidence gathered from the Living Standards Framework analysis was used to inform where priority areas for investments should be; these are the areas that would have the most substantial and lasting intergenerational impact on wellbeing. In short, these are topics surrounding mental health, poverty, inequalities of marginalised groups, sustainability and productivity. The biggest new spend in the Wellbeing Budget was in a range of areas that will improve broad aspects of mental health. As well as solutions as an individual level, the importance of economic and social determinants of wellbeing were also highlighted.

All ministries of the government were instructed to design policies to improve wellbeing. Additionally, and of interest to local decisions, part of the novel approach to the Wellbeing Budget meant that every bid for funding from the budget has to go through a Wellbeing Analysis. This meant that initiatives were assessed on their impact upon the five key priority areas of the Wellbeing Budget. This has helped to shift public discussion towards increased interest and understanding of the budget. Additionally, the budget is clearly designed so that a growing economy demonstrates meaningful benefit to citizens' everyday lives, further increasing the favourable view in which the Wellbeing Budget was received.

In 2014, Wales launched 'The Wales We Want National Conversation. This was a 6-month national consultation period about the vision that citizens have for the future of Wales. This shaped the development of seven wellbeing priorities for the Wellbeing of Future Generations (Wales) Act of 2015. The priorities are: a prosperous Wales; a resilient Wales; a more equal Wales; a healthier Wales; a Wales of cohesive communities; a Wales of vibrant culture and thriving Welsh language; a globally responsible Wales. As a result of this act, all public bodies have a duty to work towards achieving all seven of these goals. To ensure accountability to this this act, Wales established a new government role, 'Future Generations Commissioner for Wales'. This role ensures that policy makers take responsibility for the long-term impact of all decisions that are made and monitors the extent to which wellbeing objectives are being met. If the structure of the local council allows, introduction of an analogous role to Cambridgeshire County Council would greatly accelerate the process of developing, introducing and evaluating a wellbeing economy framework. This role would serve to ensure the longevity of the framework. Furthermore, this would be a very progressive step that would take Cambridgeshire County Council one step ahead of international and national trends.

Over the last few years, there has also been murmurs of the establishment of a wellbeing economy by the UK parliament. For example, the 2019 Labour Party Manifesto included the promise of the introduction of a 'Future Generations Wellbeing Act', to ensure that all policies were built around striving for improvements in various aspects of health and tackling widening health inequalities. Furthermore, in January 2020 Lord Bird, a Crossbench Peer, introduced a Private Members' Bill titled 'Wellbeing of Future Generations Bills [HL]', which was inspired by the Wellbeing of Future Generations (Wales) Act of 2015. However, this Bill has not progressed further than its second reading. The Bill would require all public bodies to act in the interest of the environmental, social, economic and cultural wellbeing objectives, which would be determined through public consultation. Additionally, the Bill places an emphasis on the importance of consideration for the future generations in all policymaking decisions, alongside the introduction of a Commissioner for Future Generations for the United Kingdom and a Joint Parliamentary Committee on Future Generations. This suggests growing interest at a national, as well as international, level in this topic. We believe that the establishment of a Wellbeing Economy in Cambridgeshire would place the local government at the forefront of cutting-edge policymaking attitudes, providing an opportunity to be one step ahead of the national governments' decisions.

We believe that Cambridgeshire County Council could learn from the approaches that have already been taken in various ways. For example, the commonalities between the approaches taken by all of the aforementioned approaches can be drawn out and their skeleton structures aligned to the current priorities of the new administration. The recently signed Cambridgeshire County Council Joint Administration Agreement states that the council aims to work towards a "greener, fairer and more caring Cambridgeshire". The priorities agreed could align into the following categories: financial, environmental, human, social. By categorising the priorities in this way, these currently standing priorities could directly translate into Cambridgeshire's wellbeing economy priories; equivalent to those set by New Zealand in their wellbeing budget or Wales in their Wellbeing of Future Generations (Wales) Act of 2015. The table below gives an example of how all the priorities of the aforementioned case studies, as well as the joint administration, could align to four main categories: financial, environmental, human and social.

Category	Wales' seven wellbeing goals	New Zealand's six wellbeing priorities	Cambridgeshire Joint Administration priorities
Economic	• A prosperous Wales	• Building a productive nation • Investing in New Zealand	• Covid recovery Plan • Real Living Wage
Environmental	• A resilient Wales • A globally responsible Wales	• Transitioning to a sustainable and low-emissions economy	• Tackle the climate emergency • Move forward Net Zero target • Increase biodiversity • Encourage sustainable travel

Human	• A healthier Wales • A more equal Wales	• Taking mental health seriously • Improving child wellbeing	• Tackling poverty and inequality • Health in all policies • Focus on children and young people
Social	• A Wales of more cohesive communities • A Wales of vibrant culture and thriving Welsh language	• Supporting Māori and Pasifika populations	• Develop community hubs • Devolve power to local communities

Furthermore, the Joint Agreement Action Plan discusses the following actions:

- That the review process for decision making on spending and investments will ensure that all decisions are made in the context of meeting the Net Zero strategy.
- That all decisions are equally weighted for social, environmental and financial criteria. This would ensure that decisions are assessed for their impact on residents living in deprivation and on the population as a whole, with a commitment to fairness in overall allocation.
- A plan to deliver a 'health in all policies approach', which would include clear criteria for evaluating policies.

Taking inspiration from the New Zealand model, where every bid for funding from the budget has to go through a Wellbeing Analysis, these three actions could all be aligned to fall under a wellbeing economy umbrella, whereby all new committee proposals include a section where policy suggestions undergo a wellbeing assessment. The wellbeing assessment would ensure that all new policy proposals are aligned with the County Council's financial, environmental, human and social priorities, as stated above. Furthermore, the introduction of a wellbeing assessment to committee proposals could serve as a means for each committee's key performance indicators to be reassessed and viewed in a more holistic manner, ensuring that all of the key performance indictors align with the goals of the wellbeing economy framework. It would be of upmost importance that the wellbeing assessment was aligned to the principles of the Doughnut Economics model. For the greatest chance of success and impact, a wellbeing economy underpinned by Doughnut Economic principles, must not sit to the side of decision-making processes, but rather at the heart of all decisions that are made.

Sustainability and Wellbeing

Sustainability takes into account the aforementioned pillars of economic, environmental, human and social development. These should consider actions not just on an urban level, but also on the rural aspects, specifically for areas in the Cambridgeshire County Council.

Overall sustainability takes into consideration the consequences of our present action and impact of these actions on the future and the conditions of subsequent generations. In our case, how the rural environment will be affected in the future by our actions today. These ideas should be part of the CCC's holistic ambitions and not only across different sectors. Therefore, sustainability needs to be implemented as a holistic strategy across Cambridgeshire County. Similarly, we cannot rely on sustainability only, as this could have an impact on how people live and possibly individual lives. For example, how sustainability can improve individual lives in and around. Cambridgeshire and how can support a better approach for sustainable prosperity?

This section is discussing the relation of sustainability to the wider well-being. This is because often sustainability is not seen as been directly linked to higher levels of wellbeing, especially this is not well thought for rural areas. This is evident through local policy that should consider sustainability as a practice where people should to enhance the urban and rural environment or as a fulfilment of national and international goals. For example, protecting the environmental using less plastic, this often is a personal choice, or when the Council adopts strategies towards the national level of lowering carbon emissions. Furthermore, strategies should consider the impact of carbon on the rural areas of the County Council. For example, sustainability needs to be at the heart of decision making when planning future actions for the Cambridgeshire County.

Cambridgeshire County Council needs to establish a connection between policy for sustainability and wellbeing. This means, that a certain trust across all levels of citizenry should be built to develop strategies and policies which provides benefits for sustainable city and urban living. There have been several examples internationally for example, the 2030 Agenda for Sustainable Development which has clear aims for "people, planet and prosperity". The Sustainable Agenda was adopted by the UN members aiming for the fulfilment of the 17 UN Sustainable Development Goals and their 169 targets within the SDG goals. The 17 SDGs, consider the overarching strategies which cover most, if not, all the great challenges of the environment, across all scales. It is considered an important statement into the sustainability and wellbeing relationship. It is not until access to resources, equality, a sustainable environment, peace (these are some of the goals) are addressed that we can ensure global sustainability. For example, we cannot claim local sustainability, unless we take action for global sustainability. Equally, we should be able to address individual sustainability once we have implemented ways of local sustainability.

In this conceptualisation of implementing the individual, societal, and planetary wellbeing, The Liveable cities (LC) project (EPSRC) developed a methodology to measure performance in terms of wellbeing and the overall liveability within the lower carbon levels. Similar attempts to measure liveability levels were developed by private entities, for example, the Global Liveability Index 2021 and Liveability. The LC research developed radical solutions for achieving the UK's ambitious carbon reduction targets for people, environment and governance. What the research showed, is that environmental sustainability could add long term benefits to peoples' life. The LC vision is to transform urban and rural living by protecting and enhancing the environment as the way to achieve better living. The LC method, showed that environmental sustainability in particular is affecting overall living across the individual, societal, and planetary wellbeing.

According to the Carbon Majors Report 2017, 100 companies in the world are responsible for 71% of global greenhouse gas emissions. It is hardly the case that a small County like Cambridgeshire is held responsible for the remaining 29%. Yet, through collective action and community awareness a ripple effect of 'carbon conversations' and a sense of belonging to a worldwide movement can help the citizens feel more at ease and would enhance their mental and physical wellbeing. Environmental activism has been proven to have public good characteristics and although individual participation has low impact on the climate crisis, it instigates a psychosocial effect that encourages, or even forces, companies and governments to move away from environmentally harmful modes of living. Government action on the local level contributes to a higher level of citizen trust and to the creation of an idea of 'collective risk sharing' as well as a feeling of involvement which gives the citizens more power and control over their own wellbeing. These factors are reflected in measures of economic activity and form a vital part of human wellbeing.

In order to implement environmental sustainability and achieve wellbeing and a better liveability for all, a radical agenda is needed. For example, how are the three pillars of sustainability of 'society, environment, and economy' are prioritised in the County's Councils' Action. In particular, the Liveable cities research provides the evidence base for the short- and long-term benefits in the local economy. The aim for Cambridgeshire County Council in order to achieve sustainability in terms of low carbon strategies and to design these criteria into the future economy policy which can benefit people and the environment.

The shared benefits of practicing environmental sustainability are realised increasingly, but in a long-term manner. For example, cycling is a practice which helps to lower carbon emissions, reduce congestion in heavy traffic areas, and improve air quality. Additionally, cyclists could harness the societal benefits of becoming part of the cycling community in the city. However, designing this solution can seem challenging in terms of its timeframe. For example, the impact in the existing city infrastructure needs radical change in urban engineering and relevant decision-making in policy. Such a radical change would need time, resources, and mostly, political wiliness, which might exceed the timespan of the policy decision-makers.

When it comes to sustainability, all three pillars should be considered in order to achieve a holistic approach to wellbeing in cities. In order to achieve economic sustainability in the local governance, the County Council should prioritise environmental practices using an evidence-based scenario to show the short- and long-term benefits. Using academic research, the Council can design and develop local policy to support environmental sustainability and prove at the same time the wellbeing economic benefits. This will allow the Council to adopt a new strategy to focus on the paradigm shift that economy needs to adopt wellbeing and sustain quality of life in the future.

Other radical practices which can enhance low carbon can be designed in the future Local Plan. For example, academic research into the practice of smart cities, showed that cities can benefit from the overarching concept of smartness. Specifically, cities can become truly smart, meaning they can address local challenges understanding their potential for lowering their carbon emissions. A tool developed within the smart cities research has implemented more than 500 criteria into four main lenses: Environment, Society, Governance, and Economy to understand the impact of decision making across all lenses. This can offer a good opportunity for

Cambridgeshire County Council to further the smart agenda beyond the digital implementation that some consider smartness is all about (Cavada et al., 2019).

Implementing a Measurement Framework to Monitor the Success and Impact of a Wellbeing Economy

After assessing several case studies, discussed previously, we deem that any wellbeing economy should be loosely structured around three core principles: the maintenance of human health, economic health, and environmental health. Beyond these, there is wide scope for governments to introduce additional wellbeing factors, such as the maintenance of culture, that can be tailored in different regions. Once such a framework is established, governments are then faced with the challenge of how to best monitor these crucial factors. Recently, Pappalardo et al. presented the review article "Measuring objective and subjective wellbeing: dimensions and data sources", which highlights the many benefits of wellbeing measures to public policy makers. In today's increasingly fast-paced, technological society, there is large scope for the frequent measurement of several key markers of societal wellbeing. The article outlines a potential series of criteria for objective wellbeing as follows: health; safety; job opportunities; socioeconomic development; environment; civic and political engagement.

It is widely acknowledged that such objective measures provide good indicators of a healthy society. Moreover, they link closely with those observed in case studies, such as New Zealand's Living Standards Framework or the Wellbeing of Future Generations (Wales) Act of 2015, as well as with the principles of Doughnut Economics. There are several potential data sources by which each of the above criteria can be measured.

Objective measures of wellbeing

Regarding physical health, there is a wide range of readily available data on health standards available from Public Health England (PHE) in its Public Health Profiles. Many governments throughout the world make extensive use of data such as these at both national and local levels. It is self-evident that a key factor determining whether such measurement practices translate into positive outcomes for a community is the speed with which institutions can reverse the negative health trends of a population. This can be achieved by measuring and carefully examining trends in several key "risk-indicators", such as the number of people that drive carefully, who do not drink large amounts of alcohol, and who do not smoke. It is helpful to consider this as proactive monitoring, rather than purely reactive monitoring, such as measures of disease rates, etc. Once a trend is identified in the latter case, it is often too late to reverse negative outcomes for the individuals comprising the data sources. Of course, a comprehensive measure of health standards will require a wide selection of both types of indicators. Personal safety is another factor that can be placed in the broad category of physical health, and can be monitored with the wide range of statistics pertaining to criminality, which is one of the most common security threats in both developed and emerging nations.

The assessment of the economic health of a society is essential for the achievement of the broader aims of any wellbeing economy framework; it is therefore essential that measures of economic growth are included. Job opportunities can be broken into three broad categories: employment rate, quality of work, and work-life balance. Quality of work can be estimated in a variety of ways, including objective working stability and safety at work, while work-life balance can be estimated by calculating the average percentage of an individual's day that is spent at work. Socioeconomic development more broadly can be measured in a plethora of ways. According to the Organization for Economic Co-operation and Development (OECD), the economic wellbeing of a society ultimately reduces to two key factors: available income and wealth, and consumption expenditure. These objective measures are straightforward to measure.

Cambridgeshire County Council has already made a strong commitment to environmental health by signing up to the UK 100 clean energy pledge. Measuring the progress towards the Council's environmental goals is a challenge, and must balance both global and local considerations of environmental impact. It is beyond the scope of this report to recommend further measures in addition to the extensive range already employed by the Council. Rather, this report proposes that the Council's environmental aims take a central position within a new, wellbeing framework, to improve communication between different departments of the Council and ensure that environmental considerations are discussed during all policy decisions, and potential impacts are balanced alongside broader societal and economic goals.

Aside from measures related to the three core principles of physical health, economic health, and environmental health mentioned previously, it is interesting to note that Pappalardo et al. also include a measure of civic and political engagement. This can be broadly viewed as an instance in which a wellbeing framework includes a "cultural" element. In this case, its inclusion by a government reveals an underlying aim at cultivating a society that values the political engagement essential to a healthy democracy. It is also a key measure of social cohesion and the extent to which citizens trust their government. It is best measured by voter turnout, i.e., the percentage of the registered population that vote at both national and local elections.

The indicators outlined above provide a broad framework of objective measures that could potentially be useful for the Council to monitor. Additionally, it is worth noting that the UK national government periodically makes use of The English Indicies of Deprivation 2019 (IoD2019) to measure relative deprivation in small areas of England. There are seven domains of deprivation that are weighted and combined to create a single Index of Multiple Deprivation score. The seven domains are income, employment, education, health, crime, barriers to housing, and services and living environment. Furthermore, local data on deprivation are available via Cambridgeshire Insight and the Business Intelligence Team at Cambridgeshire County Council, who may like to take a lead on this aspect of the mindset shift. By inverting such measures, they could be used to measure wellbeing as opposed to deprivation. In this way, they could be combined to generate an 'Index of Wellbeing' score. This simple inversion represents a concrete example of how the Council could align pre-existing measurement structures with the principles of the Doughnut Economics framework.

Subjective measures of wellbeing

In addition to the measures of objective wellbeing mentioned above, there exist both global and momentary measures of subjective wellbeing:

- Global measures include large surveys with a single-item scale, such as the Positive and Negative Affect Scale
- Momentary measures include the Ecological Momentary Assessment (EMA) and Day Reconstruction Method (DRM)

Data science researchers tend to recommend the use of both for accurate results, however, this may not be feasible in the case of the Cambridgeshire council. Both EMA and DRM methods are quite involved, involving the participation of select samples of a population for extended periods of time. It is possible that the council could consider utilising such methods in the future, particularly in times of unprecedented societal stress, as exemplified by the weekly wellbeing figures collected by the Office of National Statistics (ONS) during the height of the Covid-19 pandemic in the "Coronavirus and the social impacts on Great Britain" bulletin. While momentary measures provide key insights during such times, Shiffman et al. demonstrate that future behaviours can be more easily predicted using global measures of happiness. As such, this report recommends that the council initially measures subjective wellbeing using the global measure already available from ONS data. This data consists of a quarterly estimate of personal wellbeing over the entirety of the UK, collected from the Annual Population Survey. The ready availability of such data will ensure that the necessary changes can be made to measurement strategies in an efficient, cost-effective manner, without the need to create additional teams to determine council-specific measures of subjective wellbeing. Further measures could potentially be added later on to expand the assessment of subjective wellbeing, if the initial implementation is successful.

One key advantage of monitoring a subjective measure of wellbeing, is the potential that it could be used as a "failsafe" in tandem with several objective measures of wellbeing. In this way, the chosen wellbeing framework could be consistently reassessed based on ONS data. If there is consistently a correlation between the implementation of a policy and a change, either positive or negative, in the subjective wellbeing of Cambridgeshire as a whole (or, indeed, individual regions) then the policy could be re-evaluated. One possible way in which this could be implemented is to introduce two broad metrics for the assessment of the wellbeing of the citizens of Cambridgeshire:

- Several objective measures of individual, societal, environmental wellbeing, analogous to New Zealand's Living Standards Framework or the Wellbeing of Future Generations (Wales) Act of 2015.
- One subjective measure, based initially on ONS data, that could potentially be further expanded to make use of other data sources, such as google search trends.

The specific choice of the objective measures used in this framework is flexible. It can vary as the goals of the council change in response to shifts in public opinion, national priorities, and the success of the initial implementation of a wellbeing economy. However, the key point is that the introduction of such a framework will send a clear message to council staff and the wider community that consideration of citizen wellbeing should never be neglected in council policy. Likewise, the rigour with which the council decides to monitor changes in both objective and subjective wellbeing is also variable. During the initial implementation phase, it is reasonable that this could simply consist of qualitative observations of general trends in plots of each measure produced by the council. If the initial implementation of the wellbeing framework shows promise, it may be the case that the council would desire to expand the programme by introducing a greater level of rigour to the measurement process.

Implementing a Wellbeing Economy

The implementation of a wellbeing economy for the Cambridgeshire County Council will involve a consideration of the time-scale over which the necessary changes will be made to the aims and policy assessment procedures employed by the council. In this report, a three-step framework is proposed, outlining the short-term, medium-term and long-term plans for implementing a measurement system for evaluating the success of any policy proposal. The stages are designed such that each stage could be the last stage reached, i.e., they are effectively three graded models of how to implement a measurement system that facilitates the maintenance of a wellbeing economy. The choice of which stage to reach is dependent upon the goals of the council, and the success of previous stages.

Stage 1 (short-term implementation – implement as soon as possible)

In this stage, only objective measures of wellbeing comprise the framework. Each new policy implementation must pass through a specific checkpoint (a "wellbeing assessment") in order to be implemented. This checkpoint will likely involve a meeting with senior members of the council. It must be demonstrated that there is reason to believe that the policy implementation will have a positive impact on the desired objective measures of wellbeing. Furthermore, at periodic intervals (to be defined in accordance with the frequency at which the key measures can be determined) the change in each measure will be published (e.g., for that quarter). The Council's Strategy and Resources Committee would provide the ideal platform for the discussion and assessment of each measure, and possible ways to improve each associated outcome.

Stage 2 (medium-term implementation - implement after the collection of two data points of the ONS annual measure of subjective wellbeing, i.e., 1-2 years after Stage 1 begins)

Identical to Stage 1, with the addition of at least one measure of subjective wellbeing to the overall list of measures. There is now the ability to annually examine the change in subjective wellbeing and analyse this in the context of any noticeable changes in objective measures. The inclusion of subjective wellbeing as an independent measure of the progress of the county would potentially send a significant message that the Council is concerned deeply with wellbeing at the fundamental level, and is striving towards the development of a county that puts the wellbeing of its citizens as one of its highest priorities.

Stage 3 (long-term implementation)

At this point, the Council will have developed a significant quantity of longer-term data. In order to introduce a greater level of rigour to the measurement process, a bespoke team (either internal to the council, or hired consultants) could be assigned the task of establishing the necessary numerical tools needed to automatically track and flag any significant correlations between desired measures. Once implemented, the variable costs of maintaining such a system would be effectively non-existent. A significant decrease in any objective measure will prompt an assessment by the department most associated with the measure and a brief report outlining potential ideas to reverse the trend. Moreover, if there is a significant decrease in subjective measures, it could then be determined which of the other measures correlates most with this change in subjective wellbeing. The associated department will then present a brief report outlining how to improve their measure and potential changes to the Council's operations will be discussed at the quarterly meetings of the Strategy and Resources Committee.

Policy Recommendations

This report recommends that:

1. That the council develops and implements a wellbeing economy framework in Cambridgeshire
2. The council works to transform ways of thinking and change mindsets to take a holistic and aligned approach to all decision-making processes
3. That all committee proposals include a section where policy suggestions must undergo a wellbeing assessment. The wellbeing assessment would ensure that all new policy proposals are aligned with the County Council's financial, environmental and human priorities.
4. Therefore, that the Council addresses matters that pertain not only to financial and physical capital, but also to natural capital (geology, soil, air, etc.), human capital (skills, knowledge, health, etc.) and social capital (networks, communities, norms, etc.).
5. That the Council confronts the North/South and East/West divide in Cambridgeshire in realisation of the 'levelling up' agenda, and with the goal of promoting wellbeing evenly across the County.
6. If the principles of Doughnut Economics are adopted, these should be used to underpin the development of the wellbeing economy framework.
7. That there is a creation of a new Wellbeing Officer role within the council's structure. This role would be responsible for holding the council accountable and ensuring that all of their actions are aligned with the priorities of the wellbeing economy.

8. The Business Intelligence Team leads on the transition to invert Measures of Deprivation to create an 'Index of Wellbeing' score, forming the foundations of a mindset shift within the organisation
9. The Council employs a range of objective measures of wellbeing, alongside one subjective measure of wellbeing (using ONS data) in order to regularly assess the success of its wellbeing economy framework by monitoring wellbeing at a fundamental level.
10. The Council initiates the three-stage scheme for the introduction of a measurement system for the wellbeing economy, presented in Section 6. In outline, Stage 1 consists solely of objective measures, Stage 2 introduces at least one subjective measure, while Stage 3 seeks to add quantitative rigour to the assessment procedure.
11. Cambridgeshire County Council needs to establish a link between sustainability and wellbeing across the individual, societal, and planetary wellbeing (LC, 2017). Through action, it needs to show the importance of low-carbon solutions. Academic evidence can support this radical solution.
12. It would be beneficial to use academic-developed tools to support solutions within the low carbon agenda. In this way, it is possible to minimise the cost and any risk involved in these decisions.

Conclusion and Ongoing Research Suggestions

Due to the shortened timeframe of this CUSPE research project, unfortunately we were not able to conduct any primary research. Nevertheless, we believe that in order to implement the recommendations from this report effectively, it would be essential for the County Council to conduct some primary research to establish the priorities of Cambridgeshire's wellbeing economy. We propose that the County Council could conduct a piece of research, with the aim to understand what improvements in wellbeing would look like from the point of view of local residents. It would be most impactful if the wellbeing priorities could be decided based on the views of the local residents. This would be most beneficial if all of the different areas of the county were assessed individually. It would likely result in some overarching priorities as well as other region-specific policies. It would be interesting to look at what wellbeing priorities would be most important for different age ranges.

We propose that the council could initially engage in open-ended discussions to scope what sort of wellbeing priorities would be suggested from local residents, of all ages and demographics. Once a shortlist has been created, a voting system could be set up to pass the final decision back into the hands of the local people. This could be done online, with the vote advertised widely across schools, workplaces and community centres. We would recommend that the wellbeing priorities are reviewed and updated in this manner on a regular basis. Although more logistically challenging, it is key to understand that the key indicators of wellbeing will be very dynamic overtime. Taking inspiration from Wales' National Conversation, this would likely increase engagement in local policy making, especially if local residents can see their views and feedback reflected in the work of the council.

We believe that Cambridgeshire County Council is in a very strong position to introduce a wellbeing economy, building on much of the foundations that are already established within the organisation. This would serve as a framework by which many current activities of the organisation could culminate and align so that the whole is greater than the sum of its parts. We believe that the policy recommendations in this report come in a timely manner as the joint administration establishes its priorities. This is an exciting opportunity for Cambridgeshire County Council, and we look forward to seeing where it is taken.

Future Outlook: A Transition into a Wellbeing Economy through PPEs and Community Wealth Building

The neoliberal economic system has long ignored the impact of its policies on human wellbeing but this does not mean that wellbeing cannot be integrated into classical and liberal approaches to politics and economics. A transition into a wellbeing economy would entail redistributing income in a way that is fairer to all members of society, the rich and poor alike. An added focus on income disparity, housing conditions, job security and economic justice is essential to the model of wellbeing and is a necessary factor in fostering local potential of under-represented members of the society of Cambridgeshire. The movement away from the neoliberal model – not to say that this is the that Cambridgeshire follows such models but to highlight possible roots that it might have in this model – requires a deeper analysis of the local situation through the lens of wellbeing and through criteria that contribute to human and social wellbeing. The implementation of a wellbeing economy requires structural changes and systemic work that should be supported by research and analytic premises that support its continuation as well as ensure that the application of wellbeing is meaningful within local contexts. In Cambridgeshire, a radical overnight change is not required since a focus on wellbeing is already there; ideas of wellbeing should be introduced, however, more formally, in a gradual manner, and a study of their effects is to be considered until a full model matures and a combination of different approaches should be achieved. The Covid-19 pandemic has put local ecologies and health in danger, and showed the weakness of models that have their roots in neoliberalism. The neoliberal model considers the wellbeing approach to be 'weak' and 'unrealistic' but this stance has been brought into doubt with current events. The current global economy has its roots in a design that ignores both nature and mental health, and is not prepared to adapt to changes in societal needs. With this in mind, a complexity of approaches that covers many sectors of the economy is needed at the *local level* for such deep structural change that lead to an economy that gives attention to wellbeing

In order to implement a model of wellbeing that is as spread out in Cambridgeshire as possible, the Council could benefit Public-Private Partnerships in which the existence of private companies can be utilised to the citizen's advantage. Whilst private consumers have the option of boycotting goods and services, citizens of Cambridgeshire face high costs of relocating and 'opting out', which is why focusing on wellbeing through sustainability will contribute to a higher citizen retention rate and, consequently, a decrease in loss of local culture. Public-Private Partnerships (PPEs) would contribute to maintaining the focus on citizens and exploit the benefits of capitalism in order to serve local communities. Breaking the barriers between companies and governments requires administrative action at the highest level of both organisations with the aim of merging profit maximisation goals with those that seek the maximisation of social welfare. The two need not be mutually exclusive. Government inclusion in the market can lead to expansion of welfare services, but the inclusion of private companies in governmental decision does not, partly because private companies are not accountable for the citizens that they serve or liable for any form of transparency in their dealings. Local populations have a higher degree of trust in their councils , the same cannot be said with regards to their views of 'the market' which is more random, foreign to them and self-interested in nature. The issue at hand pertains more to the ability of a synergetic symbiosis that would serve the wellbeing of citizens and less about the functionality and ultimate objectives of each sector. The goal of this type of hybrid form of organisation is to encourage local involvement and participation, and result in a 'collective mentality' that promotes ideas of welfare in local economies combining features of market capitalism and societal benefits. Local governments, for example, may involve a higher degree of taxation on companies that hinder or degrade these welfare values. It should also be realised that in some instances, citizens end up paying (in the form of taxes) for the effects that private companies have on the planet. Citizens are often unfairly taxed for environmental damage and waste management. The majority of this damage actually comes from private companies that emit greenhouse gases, and externalities that come at a price and social cost that damages local populations in Cambridgeshire.

Moreover, it is favourable in Cambridgeshire to tie a wellbeing economy with the idea of community wealth building, the two reinforce each other and constitute a synergetic combination. Community wealth building the economy towards thoughtful actions about individuals, it pushes businesses to contribute to the prosperity of local citizens and empowers them to feel like they are part of the local economy to which they can contribute and take decisions in. The idea has been launched in other UK councils, such as North Ayrshire in Scotland, where the public sector and private sector showed high degrees of collaboration driven towards the enhancement of wellbeing in local societies. It is a notion based on the ideals of sustainability and participation, and one that could be easily actioned in Cambridgeshire County Council given the diminished focus on monetary aspects to begin with. The community wealth building approach was initially developed by the Democracy Collaborative in the USA and has proved to be successful in Cleveland and Ohio, as well as Lancashire and Preston in the UK, the latter of which showed a 4-time increase in local spending and a huge reduction in the unemployment rate (almost halved). All in all, it is our stance in this report that community wealth building and wellbeing go hand in hand, and should be implemented together. The result would be a highly resilient economy, reduction in inequalities, added consideration to the climate emergency, a higher rate of re-investment and the ability to deal with social challenges through the integration of economy and society. For more on the community wealth building plan in North Ayrshire, the first to be implemented in Scotland starting 2019, refer to NAC CWB Strategy Brochure (north-ayrshire.gov.uk).

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Agenda Item No.11

Strategy and Resources Committee Agenda Plan

Notes

The definition of a key decision is set out in the Council's Constitution in Part 2, Article 12.
* indicates items expected to be recommended for determination by full Council.
+ indicates items expected to be confidential, which would exclude the press and public.

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Agenda Plan, Training Plan and Appointments to Outside Bodies and Internal Advisory Groups and Panels

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
17/12/21	Corporate Services Performance Report	A Askham/ T Kelly/ S Grace	Not applicable	06/12/21	9/12/21
	Strategic Framework, MTFS and Draft Revenue and Capital Business Planning Proposals for 2022-21 to 2026-2027 (whole Council)	T Kelly/ A Askham	Not applicable		
	Integrated Finance Monitoring Report for the Period Ending 31st October 2021	R Barnes	2021/024		
	Treasury Management Report – Quarter 2	K Kent-Augustin	Not applicable		
	Draft 2021/22 Capital Programme and Capital Prioritisation	T Kelly	Not applicable		
	Joint Agreement Performance Tracker and Peer Review Action Plan	A Askham	Not applicable		
	Mill Farmhouse Update Report	J McMillan	Not applicable		

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	CUPSE Models of Local Government after Covid-19	D McWherter	Not applicable		
27/01/22	Business Plan* [recommended for determination by Council] (includes Local Government Finance Settlement and Consultation Report)	T Kelly	Not applicable	19/01/22	24/01/22
	Integrated Finance Monitoring Report for the Period Ending 30th November 2021	R Barnes	2022/003		
	Trees Framework	Jo German	2022/009		
	Waste Management PFI Contract – Update on Variations to Waterbeach Facility Permits+(Confidential item)	A Smith	2022/012		
	Corporate Risk Register	A Askham	Not applicable		
	Education IT System procurement	K Hlalat	2022/015		
	Performance Management Framework	T Barden	Not applicable		
29/03/22	Integrated Finance Monitoring Report for the Period Ending 31st January 2022	R Barnes	2022/002	16/03/22	21/03/22
	Treasury Management Report – Quarter 3	K Kent-Augustin	Not applicable		
	Corporate Services Report (including financial monitoring)	A Askham/ T Kelly/ S Grace	Not applicable		
	No Car Zones	M Staton	Not applicable		
	Joint Agreement Performance Tracker and Peer Review Action Plan	A Askham	Not applicable		
	Performance Reporting	T Barden	Not applicable		
	Insurance Retender	M Greenall	2022/017		

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
03/05/22 Reserve date				19/04/22	22/04/22

Please contact Democratic Services democraticservices@cambridgeshire.gov.uk if you require this information in a more accessible format