GENERAL PURPOSES COMMITTEE

Tuesday, 24 November 2020

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

10:00

Shire Hall
Castle Hill
Cambridge
CB3 0AP

COVID-19

During the Covid-19 pandemic Council and Committee meetings will be held virtually for Committee members and for members of the public who wish to participate. These meetings will held via Zoom and Microsoft Teams (for confidential or exempt items). For more information please contact the clerk for the meeting (details provided below).

AGENDA

Open to Public and Press

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 – 20th October 2020 and Action Log **1 - 2**

View minutes here

General Purposes Committee meeting 20/10/2020

3. Petitions and Public Questions

KEY DECISIONS

The General Purposes Committee comprises the following members:

For more information about this meeting, including access arrangements please contact

Councillor Steve Count (Chairman) Councillor Roger Hickford (Vice-Chairman) Councillor Anna Bailey Councillor Ian Bates Councillor Simon Bywater Councillor Steve Criswell Councillor Lorna Dupre Councillor Derek Giles Councillor Mark Goldsack Councillor Peter Hudson Councillor David Jenkins Councillor Noel Kavanagh Councillor Peter McDonald Councillor Elisa Meschini Councillor Lucy Nethsingha Councillor Tom Sanderson and Councillor Josh Schumann

Clerk Name:	Michelle Rowe
Clerk Telephone:	01223 699180
Clerk Email:	michelle.rowe@cambridgeshire.gov.uk

GENERAL PURPOSES COMMITTEE MINUTES-ACTION LOG

This is the updated action log as at 27th October 2020 and captures the actions arising from the most recent General Purposes Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 20th October 2020					
Minute number	Item title	Responsible officer(s)	Action	Comments	Completed
277.	Integrated Finance Monitoring Report for the period ending 31st August 2020	C Malyon	Circulate methodology for the distribution of the additional £1billion of Government funding.	The latest distribution and methodology is available at Covid 19 Emergency Funding for Local Government	Complete
		G Beasley J Atkin	Investigate whether the four staff self isolating who were unable to work at home were receiving sick pay.	E-mail sent 3 November 2020.	Complete
		G Beasley L Robin	The Chief Executive agreed to check whether there had been any significant outbreaks in community settings or workplaces.	E-mail sent 16 November 2020.	Complete

278.	Business Planning Proposals for 2021-26 – Opening Update and Overview	C Malyon	It was agreed to make representations to Government about how the additional £1b funding would be allocated.	Officer to Official representations have been to MHCLG in advance of the spending review and local government settlement. The Council participates in Society of County Treasurers and County Council Network lobbying.	Complete
		C Malyon T Kelly	The need to go through the earmarked reserves to understand the impact of using these reserves for something else. There was also a need to review the impacts for next year to identify how many were one off funding solutions and how many would have a revenue impact	Current reserves and balances are shown within Appendix 2 of the Integrated Financial Monitoring Report. Forward projections for reserves and assumptions are shown in the draft MTFS (considered at this meeting). Further briefing is available for political groups as part of budget setting in the coming weeks.	Complete

Integrated Finance Monitoring Report for the period ending 30 September 2020

To:	General Purposes Committee
Meeting Date:	24 November 2020
From:	Chief Finance Officer
Electoral division(s):	All
Forward Plan ref:	2020/019
Key decision:	Yes
Outcome:	To present financial information to assess progress in delivering the Council's Business Plan.
Recommendation:	General Purposes Committee (GPC) is recommended to:

a) Approve the earmarking of the unringfenced grant (£4.982m) due to be received in November 2020 for the purposes of responding to the coronavirus pandemic, as set out in section 6.1;

b) Note the additional funding anticipated for the Emergency active scheme as set out in section 7.6;

c) Approve that the additional £4.1m Pothole Grant Funding is allocated as set out in section 7.6;

d) Note the new ring-fenced capital funding for the March Community Centre as set out in section 7.6;

e) Delegate authority to the Chief Finance Officer to increase the capital budget in 2020-21 by way of prudential borrowing or other allowable funding in order to acquire a property as part of the Rural Estate, in accordance with section 7.7 of this report (and a confidential report recommended by the C&I Committee).

Officer contact:
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Member contacts:
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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 -£0.1m (-0.0%) forecast year end variance, however there is major uncertainty about pandemic impact in the second half of the year Amber	This is a £0.402m decrease in the revenue pressure since last month's forecast. Forecast use of grant for Covid-19 pressures has increased by £0.1m. There is a £2.0m decrease in the forecast capital year-end variance compared to last month.	Capital programme forecast outturn -£0.3m (-0.2%) forecast year end variance Green

Number of service users supported by key care budgets

Older people aged 65+ receiving long term services	Sept-20	May-20	Trend since May 20
Nursing	454	472	Decreasing
Residential	848	898	Decreasing
Community	1,887	1,861	Increasing

Adults aged 18+ receiving long term services	Sept-20	May-20	Trend since May 20
Nursing	70	72	Stayed the same
Residential	354	351	Stayed the same
Community	2,368	2,360	Stayed the same

Children open to social care	Sept-20	Apr-20	Trend since Apr 20
Children in Care	695	730	Decreasing
Child Protection	391	324	Increasing

2.2 The key issues included in the summary analysis are:

- The overall revenue budget position is showing a forecast year-end underspend of -£0.1m. The pressures are largely within People & Communities (P&C) (+£13.4m), Place & Economy (P&E) (+£3.3m), Commercial & Investment (C&I) (+£2.5m), and LGSS Operational (£0.6m). These are offset by underspends in Funding Items (-£19.6m). See section 3 for details.

- The Capital Programme is forecasting a year-end underspend of -£0.3m 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)

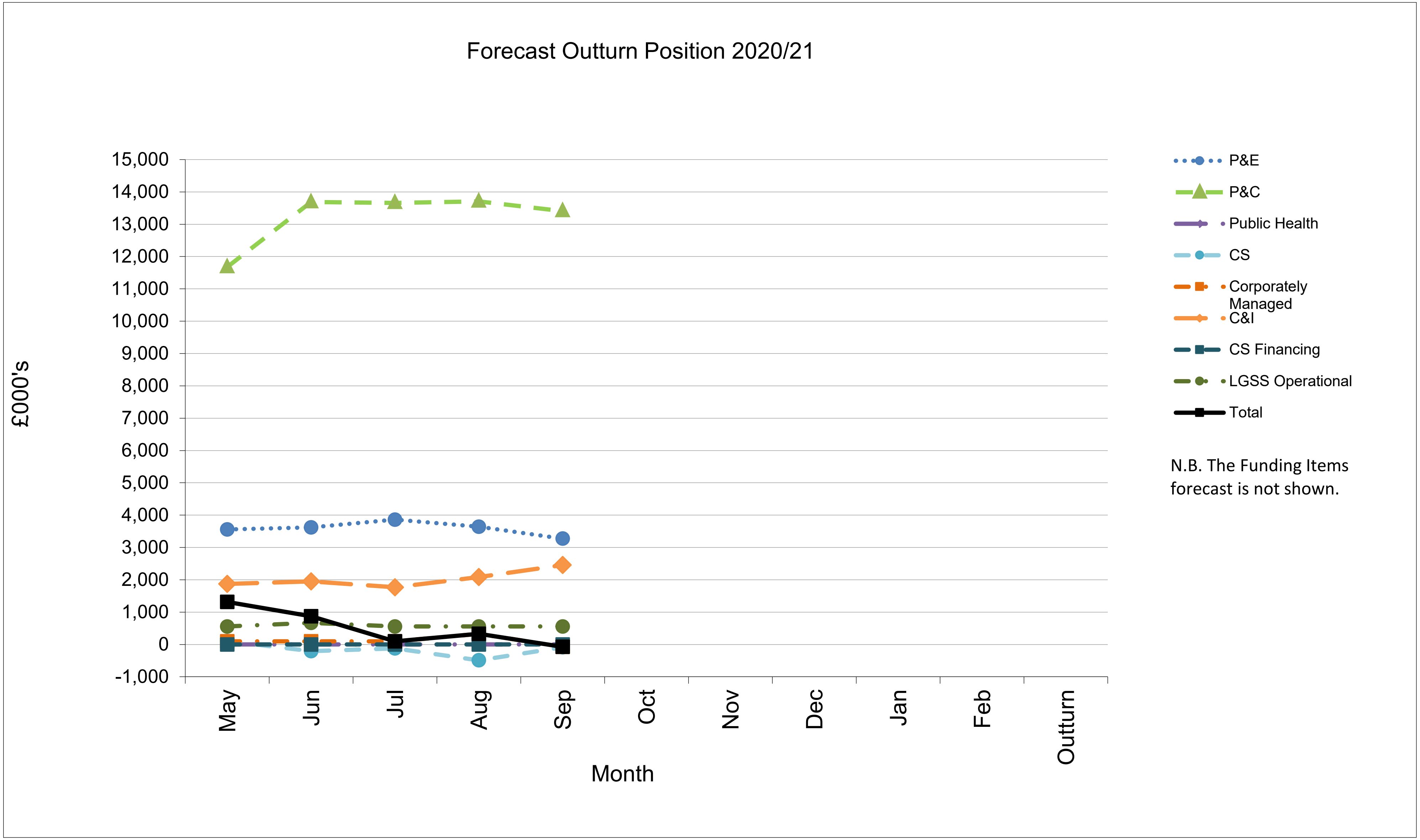
Original Budget as per Business Plan £000	Forecast Variance (Aug) £000	Service	Current Budget for 2020/21 £000	Actual (Sept) £000	Forecast Variance (Sept) £000	Forecast Variance (Sept) %	Overall Status	DoT	Covid-19 Financial Impact £000	Non Covid-19 Financial Impact £000
56,470	3,645	Place & Economy	56,414	18,891	3,272	5.8%	Red	↑	4,422	-1,150
275,096	13,707	People & Communities	274,633	126,013	13,408	4.9%	Red	↑	15,395	-1,987
0	0	Public Health	0	-7,039	0	-	Green	↑	157	-157
17,214	-492	Corporate Services	16,807	11,274	-87	-0.5%	Green	↓	508	-595
12,226	327	Corporately Managed	11,989	8,381	-75	-0.6%	Green	↑	0	-75
-9,277	2,087	Commercial & Investment	-9,163	-910	2,456	-	Red	↓	2,866	-410
29,570	0	CS Financing	29,570	3,904	0	0.0%	Green	↔	0	0
381,299	**19,274**	**Service Net Spending**	**380,250**	**160,514**	**18,974**	**5.0%**	Red	↑	**23,348**	**-4,374**
16,844	-19,504	Funding Items	16,844	7,411	-19,606	-	Green	↑	-	-
398,143	**-230**	**Subtotal Net Spending**	**397,095**	**167,926**	**-632**	**-0.2%**	Amber	↑	**23,348**	**-4,374**
6,286	557	**Memorandum items:** LGSS Operational	7,069	4,373	557	7.9%	Amber	↔	0	557
	327	**Grand Total Net Spending**	**404,164**	**172,299**	**-75**	**0.0%**	Amber	↑	**23,348**	**-3,817**
148,989		Schools	148,989							
553,418		**Total Spending 2021/21**	**553,153**							

1 The budget figures in this table are net.

2 For budget virements between Services throughout the year, please see Appendix 1.

3 The budget of £0k stated for Public Health is cash limit budget. In addition to this, Public Health has a budget of £26.4m from ring-fenced public health grant and £2.5m from Test and Trace Support Grant, which make up its gross budget.

4 The ‘Funding Items’ budget comprises the £9.0m Combined Authority Levy, the £416k Flood Authority Levy and £7.4m 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 2020/21
15,000
14,000
13,000
12,000
11,000
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
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May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Outturn
Month
P&E
P&C
Public Health
CS
Corporately Managed
C&I
CS Financing
LGSS Operational
Total
N.B. The Funding Items forecast is not shown.

3.1.1 In addition to the County Council forecast shown above for management accounting purposes, the Council is also monitoring and estimating the full potential financial consequences of the pandemic through an additional and enhanced process. The latest position as at 5 November is shown below.

Sum of Gross upper estimat	Column Labe												
Row Labels	Ring Fenced Grant	New Commitments	Income forgone	Savings Shortfall	Total	MHCLG	NHS	DSG	PCC	T&T	Other	SFC	Net total
Adults		30,616	434	4,588	35,638		-8,366		-418		-11,647		15,206
C&I		169	2,317	452	2,938								2,938
Communities		2,091	763		2,854				-148		-405		2,301
CYP	871	5,981	3,080	1,436	11,367			-871			-1,298		9,198
GPC		2,355	535		2,890				-103	-182			2,605
Health		2,474		17	2,491					-2,311			180
E&S		594	262		856								856
H&T		4,187	3,116	990	8,293						-2,142		6,151
Total	**871**	**48,467**	**10,507**	**7,483**	**67,328**								
						-34,893						-4,144	-39,037
GRAND TOTAL						-34,893	-8,366	-871	-669	-2,493	-15,492	-4,144	399

<u>Key to abbreviations</u>

MHCLG – Ministry of Housing, Communities & Local Government
DSG – Dedicated Schools Grant
PCC – Peterborough City Council
T&T – Test & Trace
SFC – Sales, Fees and Charges
C&I – Commercial & Investment
CYP – Children and Young People
GPC – General Purposes Committee
E&S – Environment & Sustainability
H&T – Highways & Transport

The Other Income column includes: Infection Control Grant from Department of Health & Social Care and the Food & Essential Supplies Grant from DEFRA.

3.1.2 This illustrates a potential financial impact, this year, on the Council of over £67m. After taking account of confirmed and anticipated funding (shown on the right hand side of the table above) this would present a deficit of £0.4m, an improved position compared to last month. However, the latest MHCLG allocation of £4.98m was less than the Council had expected based on the previous tranches of funding, and were all of the consequences captured above to be realised there would remain a deficit compared to funding.

3.1.3 This method of anticipating the financial impact on the Council differs from the overall forecast shown on the previous page on a management accounting basis. At this stage there remain major variables and uncertainties about the impact of the pandemic and the approach remains that GPC continues to hold the MHCLG unringfenced funding centrally to offset a variety of risks across different departments of the Council. The main differences between the forecasting methods include:

- Adults Services – we have not yet included a longer term “recovery” estimate of the impact on Adults services of the pandemic in our management accounts, whereas there is provision for this in the full consequences forecast. Additionally the management accounts acknowledge some reductions in demand, as fewer people are receiving social care compared to the Spring, with more NHS funding. As the year progresses, the likelihood of this longer-term impact being felt in financial forecasts before March 2021 is decreasing
- Children’s Services – the anticipated national increase in demand is shown within the full consequences forecast, but not yet evident on commitment records underpinning the management accounts.
- Financing differences- the full consequences forecast includes the impact of redistributing staff internally and some capital impacts that will not have an impact on the revenue position necessarily.

3.1.4 Most recently, coinciding with the tightened national restrictions, rising numbers of infections and other national issues, further funding has been announced for local government. For Cambridgeshire, these include the following items, which are not reflected in the numbers above:

- Contain Outbreak Management Fund – CCC will receive £5.229m (on the basis of £8 per person) for funding and disbursement towards programmes that sustain low and lowering transmission rates
- Winter Grant Scheme (DWP) – CCC will receive £1.46m enabling support to families with children and vulnerable households directly where they have been impacted by the pandemic, including some families who normally have access to Free School Meals. This funding is part of a wider package which also includes Department for Education funding for Holiday Activities, Healthy Start, and DEFRA’s support for food-aid
- Support for Clinically Extremely vulnerable at £14.60 per Clinically Extremely vulnerable person for a 28 day period – further details awaited.

3.2 Key exceptions this month are identified below.

3.2.1 Place & Economy:
+£3.272m (+5.8%) pressure is forecast at year-end.

- Parking Enforcement

Outturn Variance £m	Outturn Variance %
+2.959	(-%)

A +£2.959m pressure is forecast. This is a decrease of £0.332m on the position reported last month. With restrictions around the Covid-19 virus, there is significant shortfall in income especially for on-street parking and bus lane enforcement. The assumptions behind this shortfall are continually being monitored.

- A combination of more minor variances sum with the above to lead to an overall forecast outturn of +£3.272m. For full and previously reported details, see the P&E Finance Monitoring Report.

3.2.2 People & Communities:
+£13.408m (+4.9%) pressure is forecast at year-end.

- Older People's Services

Outturn Variance £m	Outturn Variance %
+1.046	(+2%)

A +£1.046m pressure is forecast. This is a decrease of £0.379m on the position previously reported in June, and a reduction of £0.565m since last month.
The Council's response to the Covid pandemic has included reprioritising the activities of preventative services and this was expected to have an adverse effect on demand for social care during the course of the pandemic. This is being reflected though increased levels of community-based care provided since the start of the financial year. Conversely, the Covid pandemic has had a significant impact on existing clients with the most acute needs placed in care homes, resulting in a notable decrease in placements.

New placements out of hospital or to facilitate avoidance of admission into hospital were funded through NHS England as continuing health care in the short term. Work has been completed to further refine the assumptions regarding the financial impact of clients with assessed social care needs returning to local authority funding streams, and this has resulted in the £565k reduction in this month's forecast.

- Executive Director

Outturn Variance £m	Outturn Variance %
+0.427	(+14%)

A +£0.427m pressure is forecast. This is a decrease of £0.370m on the position previously reported in July, of which £0.339m relates to a change since last month. The pressure is being forecast in relation to the purchase of Personal Protective Equipment (PPE) for use by CCC staff, in order to comply with government and Public Health England guidance for the protection of front-line workers during the Covid 19 pandemic. Expenditure on PPE is expected to be lower than originally expected as a result of being able to access dedicated funding sources including PPE provided by central government. This spend is offset by the centralisation of underspends on mileage across the directorate over the Covid period.

- A combination of more minor variances sum with the above to lead to an overall forecast outturn of +£13.408m. For full and previously reported details, see the P&C Finance Monitoring Report.

3.2.3 Public Health:

A balanced budget is forecast for year-end.

- Behaviour Change / Preventing Long Term Conditions

Outturn Variance £m	Outturn Variance %
-0.444	(-12%)

A -£0.444m underspend is forecast, of which -£0.340m relates to a change since last month. Activity levels over the Covid period have not reached the level originally budgeted for.

- A combination of more minor variances sum with the above to lead to an overall balanced budget forecast; the -£585k underspend being reported in the Public Health directorate will be transferred to Public Health ring-fenced grant reserve at year-end, leading to a balanced budget overall . For full and previously reported details, see the PH Finance Monitoring Report.

3.2.4 Corporate Services:

-£0.087m (-0.5%) underspend is forecast for year-end. There are no exceptions to report this month; for full and previously reported details, see the CS & LGSS Finance Monitoring Report.

3.2.5 Corporately Managed:

-£0.075m (-0.6%) underspend is forecast for year-end. There are no exceptions to report this month; for full and previously reported details, see the CS & LGSS Finance Monitoring Report.

3.2.6 CS Financing:

A balanced budget is forecast for year-end. There are no exceptions to report this month; for full and previously reported details, see the CS & LGSS Finance Monitoring Report.

3.2.7 Commercial & Investment:

+£2.456m (-%) pressure is forecast for year-end.

- Collective Investment Funds

Outturn Variance £m	Outturn Variance %
+1.028	(+66%)

A +£1.028m pressure is forecast. This is primarily due to the following:

- A lower overall yield has been selected than originally anticipated, taking account of environmental and sustainability governance, on the £20m investment into a multi-class credit fund. As a result £0.281m of income is expected, however this is £0.930m less than expected.

Across C&I more broadly, Commercial Income exceeding £10m is expected this year.

- A combination of more minor variances sum with the above to lead to an overall forecast outturn of +£2.456m. For full and previously reported details, see the C&I Finance Monitoring Report.

3.2.8 Funding Items:

-£19.606m underspend is forecast for year-end. This relates to forecast usage of the unbudgeted Covid-19 support grant from MHCLG in relation to forecast pressures as a result of the Covid-19 pandemic. The amount of Covid-19 grant identified as required has increased by £0.1m since the previous report last month.

3.2.9 LGSS Operational:

+£0.557m (+8.1%) pressure is forecast for year-end. There are no exceptions to report this month; for full and previously reported details, see the CS & LGSS Finance Monitoring Report.

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 2020-21 Business Planning process. Currently, the Council is on track to deliver £9.2m of savings against its original plan. Green rated savings total £8.1m. 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 positon within this report. As pressures arise in-year, further mitigation and/or additional savings will be required to deliver a balanced positon.

4.2 A summary of 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	0	0	0	Green	29	-8,099	0	Amber	2	-470	115	Red	3	-5,800	5,030	Black	6	-1,560	1,560	-15,929	6,705

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 Finance Monitoring Report (section 5).

6. Funding Changes

6.1 Coronavirus (COVID-19) pandemic funding- 4th tranche

On 22nd October, the Ministry of Housing, Communities and Local Government (MHCLG) announced a fourth tranche of COVID-19 funding for councils. The Council is due to receive an additional £4.982m in unringfenced funds in November 2020. This funding is intended to help councils address the pressures they are facing in response to the pandemic and takes the total allocation to CCC from MHCLG under this heading to £34.9m. At this stage the Council is continuing to hold these grants centrally (reporting the additional funding under funding items in this report to GPC) rather than making a direct allocation to individual services given current uncertainties.

General Purposes Committee is asked to approve the earmarking of the unringfenced grant (£4.982m) due to be received in November 2020 for the purposes of responding to the coronavirus pandemic.

7. Capital Programme

7.1 Capital financial performance

A summary of capital financial performance is shown below:

Original 2020/21 Budget as per Business Plan £000	Forecast Variance - Outturn (Aug) £000	Service	Revised Budget for 2020/21 £000	Actual-Year to Date (Sept) £000	Forecast Variance - Outturn (Sept) £000	Forecast Variance - Outturn (Sept) %	Total Scheme Revised Budget (Sept) £000	Total Scheme Forecast Variance (Sept) £000
29,051	-	P&E	50,093	12,706	-	0.0%	424,172	-
61,817	5,025	P&C	50,754	18,762	3,014	5.9%	573,379	-
10,866	-3,296	CS	15,404	1,389	-3,296	-21.4%	67,092	-
140	-	Corporately Managed	730	737	-	0.0%	6,951	-
74,569	0	C&I	71,043	5,655	0	0.0%	428,322	-
-	-	Outturn adjustment	-	-	-	-	-	-
176,443	**1,729**	**Total Spending**	**188,025**	**39,248**	**-282**	**-0.2%**	**1,499,916**	**-**

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 2020/21 of £37.4m and is currently forecasting an in-year pressure of £3.9m 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 2020-21 capital programme variations budgets

7.2.1 A summary of the use of the 2020-21 capital programme variations budgets by services is shown below. As 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 re-phasing exceeds this budget.

Service	Capital Programme Variations Budget £000	Forecast Variance - Outturn (Sept) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (Sept) £000
P&E	-12,043	-931	931	7.73%	0
P&C	-6,523	-3,509	3,509	53.80%	3,014
CS	-3,827	-7,123	3,827	100.00%	-3,296
Corporately Managed	-183	0	0	0.00%	0
C&I	-17,625	-2,179	2,179	12.36%	0
Outturn adjustment	-	-	-	-	-
Total Spending	**-40,201**	**-13,742**	**10,446**	**25.98%**	**-282**

7.2.2 As at the end of September, Corporate Services schemes have exceeded the capital variations budget allocated to them, forecasting an in-year underspend of -£3.3m. People & Communities are declaring an in-year pressure of £3.0m, as the level of variation is not expected to fully use the -£6.5m P&C capital variations budget. The current overall forecast position is therefore a -£0.3m 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 are identified below.

7.3.1 Place & Economy:

A balanced budget is forecast at year-end.

- King's Dyke

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
10,400	9,758	-642	-1,621	979	0	-642

An in-year underspend of -£0.6m is forecast. This is a decrease of £1.0m on the underspend position previously reported in July and relates in full to a change since last month. Progress onsite has been rapid during Aug/Sept in the ground improvement works at the western end of the scheme with surcharge now being placed. This rapid progress has required budget planning adjustments to bring forward the profile to this financial year, over the original forecasting.

The contractor is continuing construction work on site alongside the design work. This will continue into the winter months. Work on the underpass is also ongoing, with the main compound now being complete. This will help sustain the rate of progress, including under socially-distanced conditions.

The construction is due to complete by December 2022, with project risks being managed by the team on a daily basis; for example Technical Approvals, Network Rail, and Natural England licensing queries.

- P&E Capital Variation

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
-12,043	-11,112	931	2,036	-1,105	0	931

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 £0.9m underspend is balanced by use of the capital variations budget; this relates primarily to the underspend on King's Dyke together with more minor variances

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

7.3.2 People & Communities:
A +£3.0m (+5.9%) in-year pressure is forecast at year-end.

- Adult Social Care

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
6,998	5,815	-1,183	0	-1,183	0	-1,183

An in-year underspend of -£1.2m is forecast across Adult Social Care schemes, which relates in full to a change since last month. This is due to changes on the scheme outlined below:

- East Cambridgeshire Adult Service Development

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
1,558	375	-1,183	0	-1,183	0	-1,183

Rephasing of £1,183k has been incurred. The planning stages of the project and confirming financial agreement with the NHS has meant that the earliest start on site is likely to be January 2021.

- Cultural & Community Services

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
7,909	4,887	-3,022	-22	-3,000	0	-3,022

- An in-year underspend of -£3.0m is forecast across Cultural & Community Services schemes, of which -£3.0m relates to a change since last month. This is due to changes on the scheme outlined below:
  - Community Fund

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
5,000	2,000	-3,000	0	-3,000	0	-3,000

The Community Fund has been fully committed in 2020-21, however the approved schemes are at differing stages. It is unlikely that the fund will be distributed in its entirety during this financial year and will be carried forward into 2021-22 for those projects with longer construction/implementation timescales.

- P&C Capital Variation

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
-6,523	0	6,523	4,523	2,000	6,523	0

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. At this stage of the year the level of rephasing is not expected to exceed the -£6.5m capital variations budget, so to show the impact of the overall P&C forecast pressure, the capital variations budget is shown fully utilised with zero spend expected.

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

7.3.3 Corporate Services:

A -£3.296m (-21.4%) underspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details, see the CS & LGSS Finance Monitoring Report.

7.3.4 Corporately Managed:

A balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details, see the CS & LGSS Finance Monitoring Report.

7.3.5 Commercial & Investment:

A balanced budget is forecast at year-end.

- Decarbonisation Fund

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
3,000	3,353	353	-	353	-	353

An in-year pressure of £0.4m is forecast due to accelerated spend – progress faster than expected. This forecast is based on the number of projects expected to go ahead and estimated costs of the projects. There are between 14 and 19 projects expected to complete this year. The accelerated spend means that the benefits will be gained earlier than originally anticipated; the total scheme forecast remains a balanced budget.

- C&I Capital Variation

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Sept) £'000	Forecast Spend - Outturn Variance (Sept) £'000	Variance Last Month (Aug) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance: Rephasing £'000
-17,625	-15,446	2,179	2,532	-353	0	2,179

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 £2.2m underspend is balanced by use of the capital variations budget; this decrease since last month relates primarily to the pressure on the Decarbonisation Fund as reported above.

- For full and previously reported details, see the C&I 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 are identified below:

7.4.1 Place & Economy:

A total scheme balanced budget 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 total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details, see the P&C Finance Monitoring Report.

7.4.3 Corporate Services:

A total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously details, see the CS & LGSS Finance Monitoring Report.

7.4.4 Corporately Managed:

A total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously details, see the CS & LGSS Finance Monitoring Report.

7.4.5 Commercial & Investment:

A total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously details, see the C&I 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	17.8	-	5.2	-0.6	**22.4**	22.4	-0.0
Basic Need Grant	20.6	-	-	-	**20.6**	20.6	-
Capital Maintenance Grant	3.9	-	-	1.2	**5.1**	5.1	-
Devolved Formula Capital	0.8	1.4	-	-0.0	**2.2**	2.2	-
Specific Grants	9.0	0.1	2.7	3.0	**14.9**	14.3	-0.6
S106 Contributions & Community Infrastructure Levy	8.5	2.7	-2.9	2.9	**11.2**	11.1	-0.1
Capital Receipts	7.3	11.3	0.0	-5.1	**13.5**	15.3	1.7
Other Contributions	11.4	0.0	1.7	7.8	**20.9**	18.5	-2.4
Revenue Contributions	-	-	-	-	**-**	-	-
Prudential Borrowing	97.1	46.0	-59.7	-6.2	**77.2**	78.4	1.2
TOTAL	**176.4**	**61.5**	**-52.9**	**3.0**	**188.0**	**187.7**	**-0.3**

1 Reflects the difference between the anticipated 2019/20 year end position used at the time of building the initial Capital Programme budget, as incorporated within the 2020/21 Business Plan, and the actual 2019/20 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 (Specific Grants)	P&E	+£0.3	A second tranche of Emergency Active Travel Funding has been awarded to CCC by the Department for Transport (DfT). We are awaiting details of the funding split between revenue and capital but for this report have assumed the split is the same as the first tranche. The capital amount is therefore estimated as £333k. General Purposes Committee is asked to note the additional funding for the Emergency active scheme as above.
Additional/ Reduction in Funding (Specific Grants)	P&E	£4.1	The County Council has been allocated an additional £4.1m on top of the originally budgeted £6m from the Department for Transport as part of the Pothole Grant Funding which is for fixing potholes or resurfacing to prevent potholes from appearing in the first place. Subject to approval from General Purposes Committee, the additional 2020/21 Highway maintenance allocation of £4.1m from Central Government will be spent on resurfacing schemes in accordance with the County Council's approved asset management strategy. The additional funding will be built into the budgets once approved by GPC. General Purposes Committee is asked to approve that the additional £4.1m Pothole Grant Funding is allocated as above.
Additional/ Reduction in Funding (Specific Grants)	C&I	£0.4	£0.4m of EU funds have been allocated to the refurbishment project for the March Community Centre. This project will expand the workshop and teaching space at the venue, enabling the service to deliver a revised and refocused learning programme in Fenland, focussing on vocational skills and employability. The funds are due to be claimed in full from the Cambridgeshire and Peterborough Combined Authority by March 2021. No additional prudential borrowing is required for the project General Purposes Committee is asked to note the new ring-fenced capital funding for the March Community Centre as above.

7.7 Additional in-year prudential borrowing request

At the October Commercial and Investment (C&I) Committee meeting, consideration was given to the acquisition of land, located in East Cambridgeshire, as part of the Rural Estate.

The full report and appendices were received and recommended by the C&I Committee in private, as they contain commercially sensitive information. Those papers which include a financial analysis and background information are available to any member of the General Purposes Committee on request.

The Council is empowered to acquire and manage what are known as "County Farms", as part of the functions conferred by the Agriculture Act 1970. The Council's power to borrow specifically for this function is longstanding, having first been enshrined in the Small Holdings and Allotments Act 1908.

Under the Council's Constitution and capital strategy the decision to acquire land at this value is the responsibility of the C&I Committee, however it is for GPC to consider budgetary implications where these arise during the year and specifically any changes in prudential borrowing. C&I has recommended this purchase, for its part, delegating the final agreement to the Chief Finance Officer in consultation with its Chairman.

Funding for the full cost of the acquisition, set out in the confidential report to C&I, is now requested from prudential borrowing. The Council is not publishing the price offered in the public domain whilst the acquisition remains subject to negotiation, except to confirm that the total cost is between £3m and £4m, and subject to validation by a registered valuer appointed by the Council. The increase in the annual cost of borrowing will start in 2022/23, and decreases each year thereafter. The expected income is initially less than the cost of financing the borrowing, but with the prospect that this will rise. The report to C&I recommended the acquisition as a long-term investment.

At this time the Council also has carried forward capital receipts on its balance sheet received from This Land, which in part relate to the Council's disposal of areas formerly part of the Rural Estate. From one perspective, this purchase replenishes the land disposed of. Although it is expected that borrowing will be used to fund the additional budget for this purchase, the capital regime is uncertain pending a number of central government decisions, and so the recommendation is drafted to enable the Chief Finance Officer to apply the optimum financing strategy, across the whole capital programme for the Council later in the financial year.

General Purposes Committee is asked to delegate authority to the Chief Finance Officer to increase the capital budget in 2020-21 by way of prudential borrowing, or other allowable funding, in order to acquire this property as part of the Rural Estate.

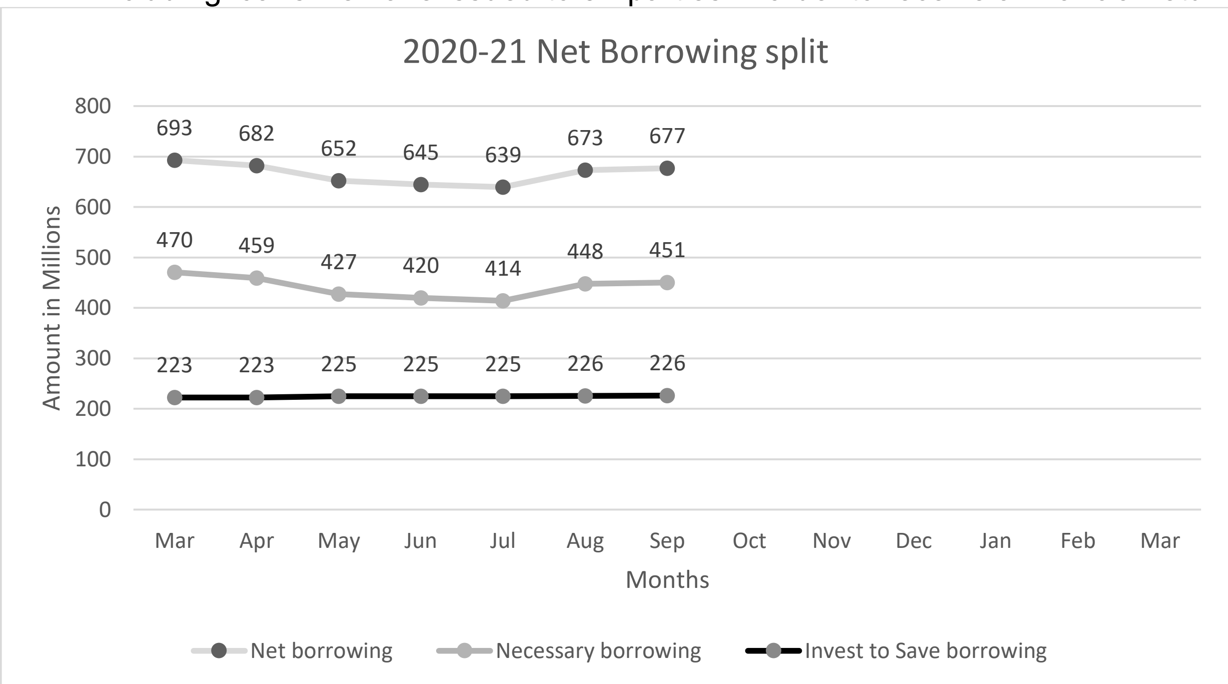
8. Balance Sheet

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

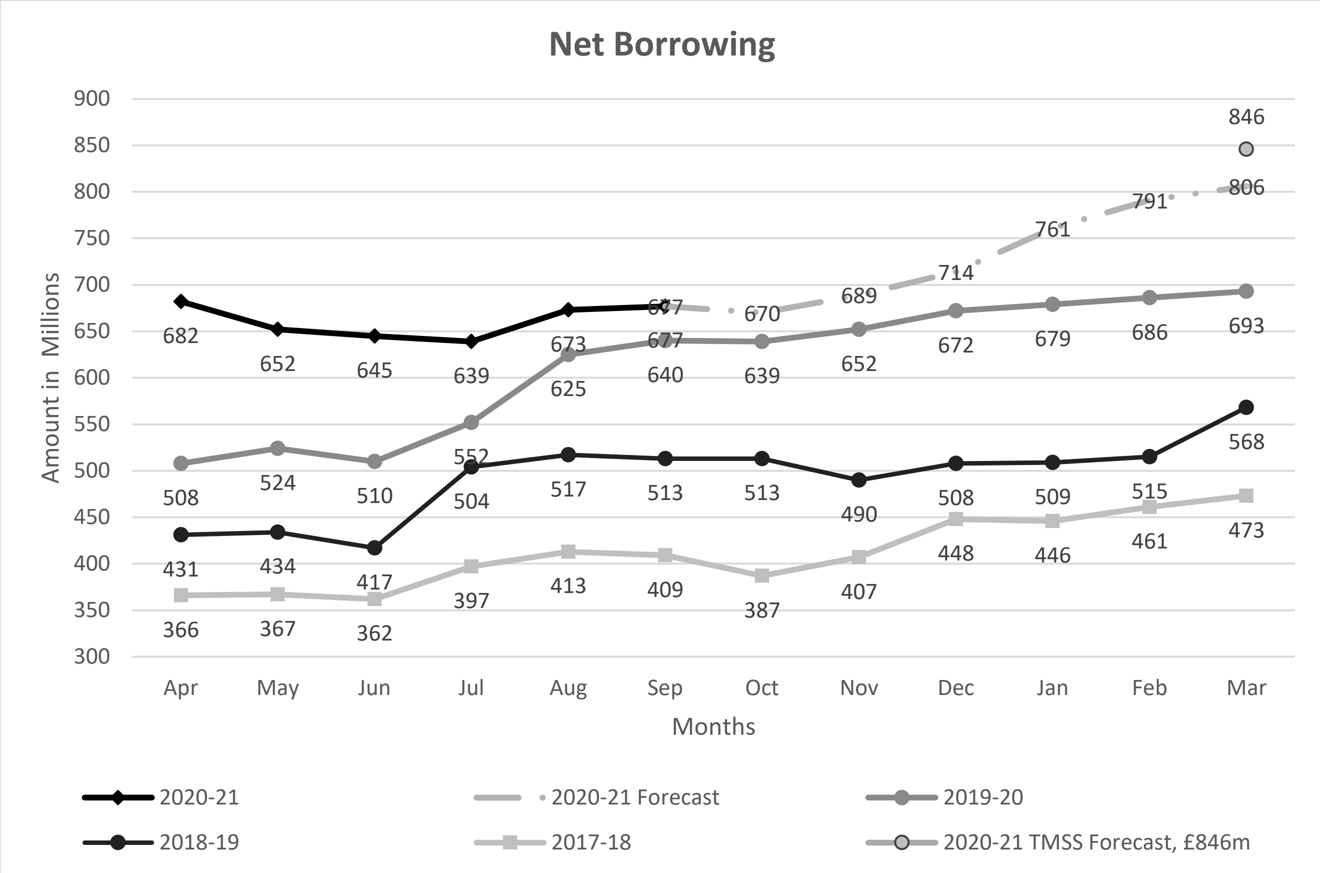
Measure	Year End Target	Actual as at the end of Sept 2020[1]
Level of debt outstanding (owed to the council) 91 days +, £m: Adult Social Care	£3.37m	£6.97m
Level of debt outstanding (owed to the council) 91 days +, £m: Sundry	£1.71m	£2.34m
% of Undisputed Commercial Supplier Invoices Paid Within 30 Days	95.0%	97.2%
% of Undisputed Commercial Supplier Invoices Paid Within Terms	85.0%	82.0%

[1] The debt figures from Oct 19 onwards 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 £4.02m. 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 2020-21, it is estimated that £226m 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 the previous financial year. At the end of September 2020, investments held totalled £95.7m (excluding all 3rd party loans) and gross borrowing totalled £772.7m, equating to a net borrowing position of £677.0m.



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 2019-20 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. The 2020-21 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 2020-21 TMSS was set in February 2020, it anticipated that net borrowing would reach £846.0m by the end of this financial year. Based on the 2019-20 outturn position and subsequent revisions to the capital programme, the net borrowing is currently predicted to be below this, at £806.0m 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 Council's 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 A good quality of life for everyone

There are no significant implications for this priority.

9.2 Thriving places for people to live

There are no significant implications for this priority.

9.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

9.4 Net zero carbon emissions for Cambridgeshire by 2050

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.

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Chris Malyon

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS 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

11. Source documents

11.1 Source documents

P&E Finance Monitoring Report (September 20)
P&C Finance Monitoring Report (September 20)
PH Finance Monitoring Report (September 20)
CS and LGSS Cambridge Office Finance Monitoring Report (September 20)
C&I Finance Monitoring Report (September 20)
Capital Monitoring Report (September 20)
Report on Debt Outstanding (September 20)
CCC Prompt Payment Report (September 20)

11.2 Location

1st Floor,
Octagon,
Shire Hall,
Cambridge

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**	**Public Health £'000**	**P&E £'000**	**CS Financing £'000**	**Corporate Services £'000**	**Corporately Managed £'000**	**C&I £'000**	**LGSS Op £'000**	**Financing Items £'000**
Opening Cash Limits as per Business Plan	275,096	0	56,470	29,570	17,215	12,226	-9,277	6,286	
Greater Cambridge Partnership budgets not reported in CCC budget					-649				
Cambridgeshire Music and Outdoor Education - moving from C&I to P&C	-72						72		
Integrated Finance- moving from LGSS to Corporate Services					6			-6	
Transfer re Social Work recruitment	31				-31				
Transfer for temporary relocation of Babbage House staff					-15		15		
Transfer from Democratic Services to School Organisation and Planning Service	29				-29				
Transfer from Fostering to Communications	-34				34				
Transfer of IT trainer budgets from LGSS to Corporate Services IT & Digital Service					262			-262	
Transfer of IT CCC SLA, Customer Services, Desktop and laptop charges to LGSS to replace annual recharging	-20				-400	-255		675	
Transfer of Ely Archives property costs from P&C to County Offices	-78						78		
County Offices and Early Help District Delivery Service adjustments	-5						5		
Transfer of Recruitment team from P&C to Corporately Managed	-212					212			
Transfer budget for additional Information Management storage					20		-20		
Transfer IT networks budget from IT Managed to IT Operations						-202		202	
Temp transfer to central code of in-year CS&Mgd Qtr1 service underspend on mileage/subs relating to COVID					2	-2			
Transfer Children's Centres CPSN and VOIP budgets	-9					9			
Transfer Desktop and Application support budgets to IT Operations					-175			175	
Centralisation of postage budgets	-93		-40		133		0		
Transfer of P&E Management restructure savings from PCC Shared Service			-22		22				
Transfer Non-Exec Director fees budget to C&I					35		-35		
Budget for New Homes Bonus contribution no longer required for Greater Cambridge Partnership					376				
Current budget	**274,633**	**0**	**56,408**	**29,570**	**16,807**	**11,989**	**-9,162**	**7,069**	**16,844**
Rounding	0	0	0	0	0	0	0	1	0

Appendix 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2020 £000s	Movements in 2020-21 £000s	Balance at 30 Sept 2020 £000s	Forecast Balance at 31 March 2021 £000s	Notes
- County Fund Balance	17,658	1,829	19,487	19,562	
1 P&C	0	0	0	0	
2 P&E	0	0	0	0	
3 CS	0	0	0	0	
4 LGSS Operational	825	-228	597	284	
General Reserves subtotal	18,483	1,601	20,084	19,846	
5 Insurance	4,165	-578	3,587	3,587	
Specific Earmarked Reserves subtotal	4,165	-578	3,587	3,587	
6 P&C	0	0	0	0	
7 P&E	0	0	0	0	
8 CS	3	-3	0	0	
9 C&I	0	0	0	0	
Equipment Earmarked Reserves subtotal	3	-3	0	0	
10 P&C	1,097	0	1,097	1,097	
11 PH	2,728	0	2,728	2,469	
12 P&E	4,669	-98	4,571	1,312	Includes liquidated damages in respect of the Guided Busway
13 CS	5,360	-113	5,247	3,119	
14 Corporately Managed	63	0	63	63	
15 C&I	705	0	705	0	
16 Transformation Fund	24,593	7,953	32,546	27,546	Savings realised through change in MRP policy.
17 Innovate & Cultivate Fund	972	-71	901	436	
18 Corporate	14,612	15,301	29,912	0	Includes COVID-19 Support Grant 1st, 2nd and 3rd tranches
Other Earmarked Funds subtotal	54,799	22,972	77,771	38,241	
SUBTOTAL	**77,450**	**23,992**	**101,442**	**61,674**	
19 P&C	2,518	0	2,518	0	
20 P&E	5,024	7	5,031	0	
21 Corporately Managed	0	0	0	0	
22 C&I	11,632	177	11,809	0	
23 Corporate	60,761	5,336	66,098	55,718	Section 106 and Community Infrastructure Levy balances.
Capital Reserves subtotal	79,935	5,520	85,456	55,718	
GRAND TOTAL	**157,385**	**29,513**	**186,898**	**117,393**	

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 2020 £000s**	**Movements in 2020-21 £000s**	**Balance at 30 Sept 2020 £000s**	**Forecast Balance 31 March 2021 £000s**	**Notes**
1 P&E	0	0	0	0	
2 P&C	224	-24	200	200	
3 CS	0	0	0	0	
4 Corporately Managed	2,093	0	2,093	2,093	
5 C&I	0	0	0	0	
Short Term Provisions subtotal	2,317	-24	2,293	2,293	
6 Corporately Managed	3,613	0	3,613	3,613	
Long Term Provisions subtotal	3,613	0	3,613	3,613	
GRAND TOTAL	**5,930**	**-24**	**5,906**	**5,906**	

Appendix 3 – Savings Tracker 2020-21 Quarter 2

RAG	Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 20-21 £000	Actual Investment - 20-21 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 20-21	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 20-21	Variance from Plan £000	Saving complete?	% 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.	1,536	1,520	0	0	-5,681	-62	-63	-62	-63	-250	-4,558	-62	-63	-62	-63	-250	**0**	No	**0.00**	↔	-
Red	A/R.6.176	Adults Positive Challenge Programme	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.	2,000	2,213	0	0	-3,800	-950	-950	-950	-950	-3,800	-3,102	-230	-40	-100	-45	-415	**3,385**	No	**89.08**	↓	Delivery of the APC demand management saving has been heavily impacted by Covid. The focus on hospital discharges and emergency work has resulted in saving delivery within assistive technology and reablement (two key areas) to be significantly below the pre-Covid profile. Work is ongoing to evaluate what savings can still be delivered, either this year or next, and what further opportunities for demand management there now are.
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.	0	0	0	0	0	-120	0	-12	-12	-144	0	-120	0	-12	-12	-144	**0**	No	**0.00**	↔	On track
Black	A/R.6.181	Review of commissioned domiciliary care	A review will be undertaken to ensure that the hours of domiciliary care we provide are required to meet people's needs, particularly ensuring that care is tailored to individuals' lifestyles. This should allow fewer hours to be commissioned, for example, where there are care calls that are not needed, and release some capacity to use elsewhere. This is associated with a transformation fund investment, providing capacity to undertake this work.	0	0	0	0	0	-75	-75	-75	-75	-300	0	0	0	0	0	0	**300**	No	**100.00**	↓	Shortfall due to Covid-19.
Green	A/R.6.182	Improved Better Care Fund	A review has been conducted of expenditure funded by ringfenced social care grants, particularly the IBCF. A number of areas of spend (those not achieving sufficient outcomes) are proposed to be discontinued, with funding redirected to meet demand pressures.	0	0	0	0	0	-170	0	0	0	-170	0	-170	0	0	0	-170	**0**	No	**0.00**	↔	Complete
Green	A/R.6.201	Cambridgeshire Skills	'Cambridgeshire Learning & Skills' is being transformed into 'Cambridgeshire Skills' a new stand-alone, self-financing service which aims to deliver more substantial, direct delivery of adult learning and skills, particularly targeted at those furthest away from learning and work to support their social and economic wellbeing.	0	0	0	0	0	-180	0	0	0	-180	0	-180	0	0	0	-180	**0**	Yes	**0.00**	↔	Saving complete
Green	A/R.6.202	Youth Justice / Youth Support	A reduction in staff capacity (£15k) and grants to external organisations (£15k) across the Youth Offending and Youth Support Services.	0	0	0	0	0	-30	0	0	0	-30	0	-30	0	0	0	-30	**0**	Yes	**0.00**	↔	Saving complete
Green	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 2020/21.	2,271	1,367	0	0	-1,311	-783	-784	-783	-784	-3,134	-1,311	-783	-784	-783	-784	-3,134	**0**	No	**0.00**	↔	Current forecast indicating savings will be made.
Green	A/R.6.257	Early Help offer within Children's services	This saving will be achieved by ensuring that early help services are targeted in as effective and efficient a way possible.	0	0	0	0	0	-187	-188	-187	-188	-750	0	-187	-188	-187	-188	-750	**0**	No	**0.00**	↔	Some delays in the restructure due to Covid, as reported on the Covid log, but service are looking to pull these back through vacancy savings.
Green	A/R.6.266	Children in Care Stretch Target - Demand Management	Please see A/R.6.255 above.	2,271	1,367	0	0	0	-375	-375	-375	-375	-1,500	0	-375	-375	-375	-375	-1,500	**0**	No	**0.00**	↔	Current forecast is a £c285k overspend but savings plans are being refined and put in place to bring forecast back to balance by year end, although potential Covid spike in CiC numbers could need to be managed.
Green	A/R.6.267	Children's Disability 0-25 Service	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.	0	0	0	0	0	-12	-13	-12	-13	-50	0	-12	-13	-12	-13	-50	**0**	Yes	**0.00**	↔	Saving taken from budget and staffing forecasts within revised budget.
Green	A/R.6.268	Utilisation of Education Grants	Contribution from the LAC Pupil Premium Grant to fund work with children in care	0	0	0	0	0	-12	-13	-12	-13	-50	0	-12	-13	-12	-13	-50	**0**	No	**0.00**	↔	On track
Green	A/R.6.269	Review of Education support functions	Review of Education support functions including business support.	0	0	0	0	0	-43	-43	-43	-42	-171	0	-43	-43	-43	-42	-171	**0**	No	**0.00**	↔	On track
Red	A/R.6.270	Home to School Transport	Review of Home to School Transport processes and provision to include procurement, shared services, demand management and supporting independence	0	0	129	0	0	0	-200	-200	-200	-600	0	0	0	0	-195	-195	**405**	No	**67.50**	↓	Savings were due to be achieved through a number of workstreams including route reviews and independent travel training. Travel training requires pupils to be in school and to be trained on public bases which was not possible over the summer term 2020. A decision was also taken to delay tender rounds recognising the pressure on the transport sector, reducing available savings from route reviews.
Green	A/R.7.102	Registration Service - Certificate Income	An increase in statutory charges for certificates has resulted in an increase in income collected by the Registration Service.	0	0	0	0	0	-35	-35	-35	-35	-140	0	-35	-35	-35	-35	-140	**0**	Yes	**0.00**	↔	Saving complete

RAG	Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 20-21 £000	Actual Investment - 20-21 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 20-21	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 20-21	Variance from Plan £000	Saving complete?	% Variance	Direction of travel	Forecast Commentary
Black	A/R.7.105	Income from utilisation of vacant block care provision by self-funders	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	0	0	0	0	0	-37	-38	-37	-38	-150	0	0	0	0	0	0	**150**	No	**100.00**	↓	This saving has been impaired by the change in the care home market as a result of covid 19. There are now more vacancies in care home beds across the market than previously. This reduces the likelihood of being able to sell our vacant block beds to people who pay for their own care as there is more choice across the market and it is no longer anticipated that any saving will be delivered this year.
Red	A/R.7.106	Client Contributions Policy Change	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.	0	0	153	0	0	-350	-350	-350	-350	-1,400	0	0	0	-100	-60	-160	**1,240**	No	**88.57**	↓	Delivery of the saving in-year is expected to be significantly impaired. The impact of the pandemic in conjunction with resourcing issues has impacted on timescales for commencing the programme of reassessments following amendment of the contributions policy.
Green	B/R.6.102	Waste	Reduction in the amount of Waste being landfilled.	0	0	0	0	0	-100	-100	-100	-100	-400	0	-100	-100	-100	-100	-400	**0**	No	**0.00**	↔	-
Green	B/R.6.204	Road Safety	H&CI committee members approved the implementation of a new transformative model for delivering all elements of road safety (education, engineering, school crossing patrols, safety cameras, audits etc). The approach is an integrated model with Peterborough, built around core and commercial activities. The £50k will be achieved through more efficient working practices (moving resource online and co-location)	0	0	0	0	0	-12	-13	-12	-13	-50	0	-12	-13	-12	-13	-50	**0**	No	**0.00**	↔	-
Green	B/R.6.214	Street Lighting - contract synergies	Every year the budget is changed to reflect the level of synergy savings which will be achieved from the joint contract. This will not lead to any reduction in street lighting provision.	800	228	0	0	-216	5	5	5	6	21	-216	5	5	5	6	21	**0**	No	**0.00**	↔	-
Black	B/R.7.119	Income from Bus Lane Enforcement	Utilising additional bus lane enforcement income to fund highways and transport works, as allowed by current legislation.	0	0	0	0	0	-162	-163	-162	-163	-650	0	0	0	0	0	0	**650**	No	**100.00**	↔	Due to COVID, existing income target not being met.
Black	B/R.7.120	Deployment of current surpluses in civil parking enforcement to transport activities	Deploymentof current surpluses in civil parking enforcement to transport activities, including a contribution to Park & Ride, as allowed by current legislation.	0	0	0	0	0	-85	-85	-85	-85	-340	0	0	0	0	0	0	**340**	No	**100.00**	↔	Due to COVID, existing income target not being met.
Black	C/R.6.103	External Auditor fee	Saving to be achieved from reduction in expenditure on External Audit, as per fees set by Public Sector Audit Appointments	0	0	0	0	0	-3	-4	-4	-4	-15	0	0	0	0	0	0	**15**	No	**100.00**	↔	No further reduction this year, after a number of years of falling external audit prices for local government, the Redmond Review and auditor action is likely to lead to increases.
Green	C/R.6.106	Reduction in costs on Redundancy, Pensions & Injury budget	Reduction in costs on Redundancy, Pensions & Injury budget, held within Corporate Services.	0	0	0	0	-30	0	0	0	-10	-10	-20	0	0	0	-10	-10	**0**	No	**0.00**	↔	-
Green	C/R.6.108	Democratic Services	Savings from efficiencies in the Democratic Services team and additional income from public sector partners.	0	0	0	0	0	0	0	0	-30	-30	0	-30	0	0	0	-30	**0**	No	**0.00**	↔	-
Green	C/R.7.102	Business rates income from Alconbury Enterprise Zone	Cambridgeshire County Council's shared of retained business rates income from the Alconbury Weald Enterprise Zone.	0	0	0	0	0	-22	-23	-22	-23	-90	0	-22	-23	-22	-23	-90	**0**	No	**0.00**	↔	-
Green	E/R.6.033	Drug & Alcohol service - funding reduction built in to 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.	0	0	0	0	-162	-32	-32	-32	-31	-127	-162	-32	-32	-32	-31	-127	**0**	No	**0.00**	↔	On track
Green	E/R.6.034	Recommissioning of the Integrated Contraception and Sexual Health (iCASH) Service contract	This saving has been deferred from 2019/20 into 2020/21 and refers to the recommissioning of integrated sexual and reproductive health services described under saving E/R.6.042	0	0	0	0	0	-4	-4	-4	-3	-15	0	-4	-4	-4	-3	-15	**0**	No	**0.00**	↔	On track
Green	E/R.6.042	Joint re-procurement of Sexual Health Services	The re-commissioning of Integrated Sexual and Reproductive Health Services (SRH) for one service across Cambridgeshire and Peterborough. Peterborough City Council will delegate authority to Cambridgeshire County Council to commission, contract and performance manage the successful bidder on its behalf. Service efficiencies and transformational changes will secure the planned savings.	0	0	0	0	0	-12	-12	-12	-14	-50	0	-12	-12	-12	-14	-50	**0**	No	**0.00**	↔	On track
Amber	E/R.6.043	Joint re-procurement of Integrated Lifestyle Services	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.	0	0	0	0	0	-12	-12	-12	-14	-50	0	0	-7	-12	-14	-33	**17**	No	**34.00**	↓	Delivery of this saving has been delayed due to Covid-19
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.	369	239	0	0	0	-99	-99	-99	-100	-397	0	0	0	-397	0	-397	**0**	No	**0.00**	↔	-
Green	F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	Savings to be generated from Energy Efficiency Fund capital investment. Element to repay financing costs. Links to capital proposal B/C.5.029	0	0	0	0	-58	0	0	0	-8	-8	-58	0	0	0	-8	-8	**0**	No	**0.00**	↔	-
Green	F/R.7.105	Renewable Energy Soham - Income Generation	Income generation resulting from capital investment in solar farm at Soham. Links to capital proposal C/C.2.102 in BP 2016-17.	0	0	0	0	-282	-4	-5	-4	-5	-18	-282	-18	0	0	0	-18	**0**	No	**0.00**	↔	-
Green	F/R.7.106	Utilisation/commercialisation of physical assets	One Public Estate	0	0	0	0	-21	-9	-9	-9	-9	-36	21	-9	-9	-9	-9	-36	**0**	No	**0.00**	↔	-
Black	F/R.7.110	Return on Commercial Property Investments	The Council is developing a portfolio of commercial property investments. This is the rental income generated from the leases of these properties.	1,000	145	257	0	-4,700	-26	-26	-26	-27	-105	-2,600	0	0	0	0	0	**105**	No	**100.00**	↔	This was a small extension of the current target; due to the pandemic there is pressure on rental returns from some of the assets.

RAG	Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 20-21 £000	Actual Investment - 20-21 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 20-21	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 20-21	Variance from Plan £000	Saving complete?	% Variance	Direction of travel	Forecast Commentary
Green	F/R.7.113	Invest to Save Housing Schemes - Income Generation	The Council is a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. This will require CCC to move from being a seller of sites to being a developer of sites, through a Housing Company. In the future, CCC will operate to make best use of sites with development potential in a co-ordinated and planned manner to develop them for a range of development options, generating capital receipts to support site development and significant revenue and capital income to support services and communities.	0	0	0	0	-8,406	0	0	0	54	54	-3,575	0	0	0	54	54	**0**	No	**0.00**	↔	On track
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.	0	0	0	0	0	-18	-19	-19	-19	-75	0	-38	0	-37	0	-75	**0**	No	**0.00**	↔	-
Amber	F/R.7.129	Pooled Property Fund Investment (CCLA)	In accordance with the Council's treasury management strategy, the Commercial & Investment Committee has supported a pooled property fund investment. The Local Authorities' Pooled Property Fund, managed by CCLA, has over £1.1bn invested spread across property classes throughout the UK. The Council has funds available to invest with a long-term horizon and the expected net returns are shown on this line.	0	0	0	0	0	-105	-105	-105	-105	-420	0	-95	-80	-80	-67	-322	**98**	No	**23.33**	↔	Anticipate lose 24% of annual return from CCLA fund, due to the fund granting rental holidays in turn to tenants
Green	F/R.7.130	Increase in ESPO dividend	Increase in ESPO dividend	0	0	0	0	0	0	0	0	-250	-250	0	0	0	0	-250	-250	**0**	No	**0.00**	↔	-
Green	G/R.6.004	Capitalisation of interest on borrowing	Through a change in the Council's accounting policy in 2017-18, the cost of borrowing within all schemes will be capitalised. This will help to better reflect the cost of assets when they actually become operational.	0	0	0	0	-308	0	0	0	-49	-49	-319	0	0	0	-49	-49	**0**	No	**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

Agenda Item No: 6

Medium Term Financial Strategy 2021-26

To:	General Purposes Committee
Meeting Date:	24 November 2020
From:	Deputy Chief Executive & Chief Finance Officer.
Electoral division(s):	All
Forward Plan ref:	Not applicable
Key decision:	No
Outcome:	This report sets out the Council's key elements of the draft Medium Term Financial Strategy. The strategy is updated annually at the commencement of the business planning process but is refined during the process as the financial climate and the Council's approach to its finances gain greater clarity. The final Strategy is adopted at the Council meeting in February that agrees the Business Plan. Its core purpose is to provide a financial framework within which individual service proposals can be developed before Council approves the budget. Obviously this year the impact of Covid 19 has had a significant impact on the Council's ability to establish a robust view of the short and medium term financial challenges facing the Council.
Recommendation:	It is recommended that General Purposes Committee considers the elements of the Draft Medium Term Financial Strategy for 2021-26 attached in the Appendix to this report.

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1. Background

1.1 The Council has an integrated approach to service planning and budget setting and it delivers this through the business planning process that culminates annually with the Council agreeing the Business Plan in February.

1.2 The Business Plan covers a five year timeline and integrates policy objectives, resource allocations, and performance targets. The General Purposes Committee has a responsibility in owning and overseeing this process (as well as being the Service Committee on behalf of corporate services).

1.3 A key component of the Business Plan is the Medium Term Financial Strategy (MTFS) which sets the financial framework that services should adopt in the construction of their budget proposals at the start of the business planning process. The MTFS and the Business Plan are the responsibility of Full Council and cannot be delegated. GPC recommends budget proposals to Council which Council must agree, or not, as part of the budget setting decision making process.

1.4 The draft 2020-25 MTFS can be found in Appendix A. The financial estimates underpinning the draft MTFS, including inflation, demand, pressures and funding forecasts, are provisional and will be refined during this year's business planning process prior to consideration by Council in February.

2. Purpose and Key Developments

2.1 One of the major functions of the MTFS is to set out the Council's projected resources for the next five financial 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 proposals as these are contained elsewhere in the Business Plan. These proposals will be considered by service committees before being approved by Council in February.

2.2 The MTFS provides a guide and a context to aid services in developing their budgets and agrees a number of corporate methodologies for this process.

2.3 Budget allocations at this point are provisional as there will be a number of factors that affect the final allocations. Such changes will arise from flexing to reflect the proposals brought forward through savings proposals, transformation, as well as changes that could arise from the next Spending Review, changes to legislation, or unforeseen service pressures.

2.4 The 2021-26 MTFS has been developed during a period of immense uncertainty surrounding the UK's public finances. The expected fundamental review of council funding due this year has been postponed as a result of Covid 19. As a consequence the three year settlement proposed will now be replaced by a single year settlement. Clearly developing medium term financial plans, with any accuracy, on the back of a world-wide pandemic and short term funding is almost impossible. The spending review is due on the 25th November but the detail of the Council's grant settlement for 21/22 will not be known until later in December.

2.5 The MTFS includes significant narrative around the economic context in which the Strategy has been developed. The purpose of this being to provide the reader with the context in which the strategy has been developed. By its nature this outlook is always more robust for the earlier years of the Strategy compared to the latter years given the plethora of factors that will affect the local, national and world wide economies. This is challenging in a normal year but is understandably exacerbated many times over this year as a result of the world wide pandemic. As a result the Strategy attached as an Appendix to this report currently includes the following elements:

1: Executive summary

3: Transformation

7: Balancing the budget

8: Reserves policy and position

10: Risks

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.

3. Covid 19 Impact

3.1 In any normal year developing a medium term view of expected the factors such as demand, inflation, income, interest rates, and government funding etc that affect the Council’s financial positon is very difficult. In the current environment this is virtually impossible. The MTFS will therefore contain projections for 5 years as normal but the focus will even more than normal be on the first financial year.

3.2 As previously highlighted in previous reports to the Committee a number of scenarios were developed using various data sets to project the potential implications of the pandemic on the Councils finances for next year. Since those scenarios were developed both the pandemic and the data available to support the Council’s forecasting have evolved. As a consequence rather than using a range of scenarios the Council will be using all the latest information available to construct a single view of the financial position in 21/22. Given the pace of change this projection will be constantly updated using the latest information until the point at which the Council consider the final budget in February.

3.3 To date the Government have effectively covered the additional costs arising from C19 that have been incurred by the Council in the current financial year – and this is reflected in the latest reports to the Committee in the Integrated Finance Report. As has been previously reported to the Committee, given this funding, the big challenge for the Council was always going to be 21/22. The latest forecasts have identified that the ‘budget gap’ for 21/22 has reduced which whilst are dependent on a number of significant assumptions does provide the Council with a greater range of options than was first feared.

3.4 Although the projected budget gap for next year has reduced the scale of it is still significant. Whilst officers continue to work on developing proposals that could reduce this further any new proposals will not bridge this deficit. Whilst the Government's funding for next year may reduce the gap further it is highly unlikely to cover this deficit.

3.5 As a consequence the Council will have to consider how it intends to bridge this deficit in order to comply with its statutory responsibility to set a balanced budget. As the Committee will be aware this will have to be found through one of the following:

- Additional council tax increases (above the 2% already built in to the projection)
- Service reductions
- Use of reserves

Any use of reserves that are not aligned to one off items of expenditure will defer, rather than remove, the need for further savings in future years.

3.6 Given the financial implications arising from the pandemic the one year spending review and the resulting grant settlement for 21/22 have even greater importance this year than in previous years. Whilst the overall strategic departmental expenditure limits are expected to be announced on 25th November the Council will not receive notification of its revenue support grant settlement until December. It is therefore anticipated that a further report will be presented updating the Committee on the latest position at the December meeting.

4. Alignment with corporate priorities

4.1 A good quality of life for everyone

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

4.2 Thriving places for people to live

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

4.3 The best start for Cambridgeshire's children

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

4.4 Net zero carbon emissions for Cambridgeshire by 2050

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

5. Significant Implications

5.1 Resource Implications

This report sets out the provisional revenue resource and a proposed capital programme for all service areas. The final resource allocation will be approved by Council as part of the Business Plan in February 2021.

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no issues directly arising from this report

5.3 Statutory, Legal and Risk Implications

There are no issues directly arising from this report

5.4 Equality and Diversity Implications

There are no issues directly arising from this report

5.5 Engagement and Communications Implications

There are no issues directly arising from this report

5.6 Localism and Local Member Involvement

There are no issues directly arising from this report

5.7 Public Health Implications

There are no issues directly arising from this report

Have the resource implications been cleared by Finance?
Yes
Name of Financial Officer: Chris Malyon

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? No, not applicable

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

Have the equality and diversity implications been cleared by your Service Contact?
No, not applicable

Have any engagement and communication implications been cleared by Communications?
No, not applicable

Have any localism and Local Member involvement issues been cleared by your Service Contact?   No, not applicable

Have any Public Health implications been cleared by Public Health
No, not applicable

6. Source documents

6.1 Source documents

a) Draft Medium Term Financial Strategy 2021-26

b) Council Business Plan 2020-25

6.2 Location

Strategic Finance Business Partners. Email corporate.finance@cambridgeshire.gov.uk

Business Plan 2020 to 2021

Section 2 – Medium Term Financial Strategy (extracts)

Appendix A

Contents

1) Executive summary

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. The Coronavirus pandemic has transformed the environment in which local authorities operate with wide ranging repercussions for service provision and the financial resources required to deliver services. In this context, forward planning with any degree of certainty is extremely challenging. Over the first quarter of the 2020-21 financial year, the Council has seen its budget shortfall for the financial year 21/22 increase from £4m to between £33m-£82m due to significant projected income losses, foregone savings and new cost pressures associated with the on-going impact of the pandemic. Given the uncertainties that the virus has created on the Council's net resources it has begun budget planning for 2021-2026 with a scenario-based approach in order to provide a resource framework that can flex according to the ever changing environment.

The longer-term impacts of COVID 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
- Significant losses of fees and charges and precept income are anticipated due to supressed demand for some services and increases in Council Tax Support
- A number of new responsibilities for local authorities with significant resource implications, such as the provision of personal protective equipment, support to track and trace and outbreak containment as well as infection control measures. As yet the extent of Government support for local authorities in funding these new burdens on an ongoing basis remains unclear.
- Providing additional support for our local care markets to ensure sufficient appropriate care provision remains available

However, the shift in attitudes and behaviours resulting from the pandemic is also likely to provide a number of opportunities to adapt service delivery models to reduce costs;

- The introduction of Community Hubs to deliver targeted support for vulnerable people has led to increased collaboration across the wider public sector. The delivery mechanisms established during this period will be further developed through the Council's Think Communities Programme.
- A significant increase in agile working has yielded savings on overhead costs for the Council
- A shift towards providing services online, from social worker consultations to music lessons has helped the Council to reduce staff mileage, supporting both the Council's budget position but also our commitment to deliver net zero carbon emissions by 2050

In May 2019, the Council declared a Climate and Environment Emergency and in June 2019, the Government legislated for reaching net zero carbon emissions by 2050. 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 not least due to uncertainty around our future relationship with the European Union following Brexit. Potential impacts on economic growth, migration policy, and the cost of goods and services may influence levels of resources available to local authorities. In addition to the international uncertainty, there are a number of Central Government consultations currently underway (or 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 green paper on the longer term funding of Adult Social Care. Local Authorities had expected these funding reforms to take effect from 2021-22 however Government has confirmed that these will now be deferred until 2022-23. The outcomes of these 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 from 2022 onwards. 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. The Council will raise this issue as part of our response to the ongoing consultations on the new funding model for Local Government.

In July 2020, Government issued a call for evidence on the future of the business rates system and committed to a "fundamental review" of business rates with results to be announced at the 2021 Spring Budget. The consultation covered issues pursuant to the current system, such as the frequency of revaluations and the business rates multiplier but also explored more radical options such as taxes levied on the capital values of business premises or online sales. It is possible that the funding model for local government could be impacted significantly by these reforms however the implications for the proposed 75% business rates retention scheme are as yet unclear.

The Government also announced that the next revaluation, originally scheduled for 2021, would instead take effect from April

2023. This is a welcome announcement for Cambridgeshire as a high-growth county and provides the Council with further certainty in the short term regarding its core revenue funding.

Local taxation models, including Council tax and business rates, have the potential to be adapted as a means of incentivising increased energy efficiency across existing domestic and on-domestic buildings. A number of pilot projects are currently underway which will aim to build evidence around the viability and appetite for introducing Council tax and/or business rates incentives as a means to stimulating the energy efficiency market and saving carbon.

The Council has developed a strategic approach to the creation of transformation and innovation proposals. This has helped to ensure that proposals and ideas are captured and turned from suggestions into realities. In order to support the continuation of this strategic approach The Council previously established a Transformation Fund currently held at more than £20m ensuring that finance is not a barrier to transformation. This has supported Adult's and Children's services in particular to transform the current models of delivery and in doing so sustain higher levels of service than could have been afforded without the transformation funding.

The Council has also created a number of investment opportunities to support the delivery of the Climate Change and Environment Strategy; from broadening the scope of the Transformation Fund to include schemes which improve environmental sustainability, to launching a £16m Environment Fund to decarbonise Council properties, electrify the Council's vehicle fleet and assist oil-dependent communities in moving off oil.

The Council has to make some bold reforms but we are pushing at all boundaries to ensure that we are still able to fulfil our statutory duties, protect the most vulnerable and respond to the climate and environment emergency.

Some service reductions are inevitable, these will be less than otherwise would have been the case had the Council not embarked upon this journey, and we will always focus on transforming rather than cutting services within this approach. The Council will continue to 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 2020-21 do contain some proposals, the delivery of which, will be challenging.
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.

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. 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.

The key elements of this Strategy, on which basis the Business Plan is predicated, are set out below. A key point to note is that, as it stands, general Council tax is not currently expected to increase for the duration of Strategy period, but the Adult Social Care precept is assumed to increase by 2% in all five years. As yet there is no confirmation the precept will be available beyond 2020-21.

- No increases in general council tax from 2021-22 until 2025-26 (a 1% increase in the Council tax generates £3.0m)
- An increase in the Adult Social Care Precept of 2% for all five years of the Strategy;
- The strategic approach to developing savings and transformation proposals that support the Business Plan continue to evolve through a focus on demand management, (this entails employing a place based approach that builds on communities natural resources) efficiency, accountability, partnership and co-production;
- For the financial year 2021-22 the base budget will use the budget allocations built into the existing Business Plan but any variations will be managed, where possible, through the transformation work-streams that will bring forward cross-Council and multi-agency proposals;
- Funding for invest to save schemes will continue to be made available via the Transformation Fund as part of the Business Planning process, , subject to robust business cases and with a major drive to reduce the carbon footprint of the Council and more broadly for Cambridgeshire, in partnership with others;
- The Council will continue to adopt a more commercial focus in the use of its assets (both human and infrastructure) looking for opportunities to generate income in order to protect frontline services;
- The General Reserve will be held at (and if necessary restored to) approximately 3% of expenditure (excluding schools expenditure and Combined Authority levy);
- Staff pay inflation for National Joint Council pay scales has been budgeted for at 2.75% for 2021-22 and 2022-23 and 2% thereafter. Inflation for locally agreed pay scales has been budgeted at 2% for all five years of the Strategy.
- Fees and charges will be reviewed annually in line with the Council's fees and charges policy;
- The capital programme will be developed in line with the framework set out in the Capital Strategy where prudential borrowing will be restricted and any additional net revenue borrowing costs would need Council approval;
- All savings proposals will be developed against the backdrop of the Council's outcome-based approach to Business Planning, recognising the need to embrace change and innovation;

- All 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 in 2022-23.

3) Transformation

Since 2016 we have invested heavily in an ambitious transformation agenda for Cambridgeshire citizens. Investment in a number of cross organisational change programmes through a dedicated team and fund has delivered significant financial and social returns. The Council has saved over £100m over the last four years with much of this work being supported by the Transformation Team, including £25m being saved as a direct result of investments made through the Transformation Fund.

The transformation programme is inter-linked with the Council's business planning process but predicting the on-going implications and financial consequences of COVID-19 is challenging and has necessitated the use of a different process (and underlying assumptions) in the development of the Business Plan for 2021-2022 and beyond. Our financial forecasts have been developed using a number of different scenarios, which quantify (as far as possible) the financial implications on the Council of the changing national and local conditions. However, it is clear that the scope for traditional efficiencies has diminished. Therefore the development of the Business Plan is focused on a range of more fundamental changes to the way we work.

Some of the key themes driving the current thinking are;

- **Economic recovery** – we know that the impact of the measures to reduce the spread of COVID-19 will impact the economic recovery substantially. The Office for Budget Responsibility is forecasting at least a 10% drop in GDP in the UK in 2020. This will impact employment and household income levels for many people across Cambridgeshire. The stress and anxiety caused by worrying about money, or not having enough money to maintain the right housing or buy basic necessities or afford basic utilities, is an important factor that affects demand for many of our services. Economic recovery is therefore at the heart of improving outcomes for people and managing demand for Council services.

- **Demand Management** – this is fundamentally about supporting people to remain as healthy and as independent as possible, for as long as possible, which is a significant priority as demand increases as a result of COVID-19. It is about working with people and communities to help them help themselves or the person they care for or their community e.g. access to advice and information about local support, asset building in communities and access to assistive technology. We saw communities rise to the challenges of the pandemic and support networks appearing to gather around those who needed it. We must build on this and look at how we further support these networks and groups to continue, and where public services are undisputedly needed, it is about ensuring support is made available early so that people's needs don't escalate to the point where they need to rely heavily on public sector support in the long term.

- **Think Communities** – In support of the need to manage demand and enable people to remain living in their own homes in their local communities and delay the need for more specialist services, continued investment in our Think Communities approach is paramount. Harnessing the capacity within our local district and parish councils, the voluntary, community and faith sectors, volunteers and local place based health, County Council and blue light services will enable us to build place based support services wrapped around our vulnerable people and communities; which will reduce or delay the need for more specialist expensive services and build resilient and sustainable communities where people feel proud to live.

Our aspiration for the transformation programme was to deliver a programme that would provide the Council with the financial capacity to invest in new service areas that would improve the quality of life for residents, contribute to the Cambridge economy and address the growing environmental challenges we face. As a result of this investment in transformation the Council has taken great strides towards achieving this ambition. There are have a broad portfolio of examples to draw from which demonstrate our ability to drive efficiencies, deliver value and deliver better outcomes for people that cost less through changes to practice and use of technology and some of these are outlined below:

Programme	Financial benefit	Change in practice	Outcomes for citizens
Adults Positive Challenge Programme A whole system ‘behaviour change’ transformation programme across Adults Social Care	£3m of savings have been realised to date with additional savings expected over the next 3 years.	Embedding ‘strengths’ based practice and early identification approaches within all customer ‘touch points’ Expansion and intensification of effective community and preventative solutions e.g. as Technology Enabled Care	Increased independence of citizens and reliance / demand on public services. Significant long-term cost reduction to the health and social care system.
Resilience and independence in the SEND environment Ensuring education and care support packages for children and young people with SEND were appropriate to meet need, of a high quality and support and enable young people to acquire, develop and maintain independence ahead of their transition to Adult Social Care.	£1m of savings have been realised	Support the use of managed risk by professionals and providers in the commissioning and reviews of support packages provided to children and young people with special educational needs or disabilities.	Placements are able to offer the right support at the right time, without limiting or restricting independence and / or compromising individual and family resilience.
Cambs 2020 Rationalisation of our buildings portfolio and workforce cultural change programme	A revenue saving of £210k per year, and a capital income in excess of £45m over the next 40 years	New agile ways of working adopted across Council services. Our workforce is ready and adaptable to work within and across organisational boundaries.	Officers are located closer to both service users and partners ensuing that the right services can be accessed at the right time
Reablement Recruitment Redesign of recruitment team and an innovative recruitment campaign to attract more reablement workers into Adult Social Care	£750k saved Reduced agency worker cost and reduced onboarding time result in being able to deploy new workers sooner	Increased efficiencies and productivity in recruitment practices across all areas of children’s and adults services Improved candidate / employee experience	Reduced delays in hospital discharge time. Increased number of individuals who could return home rather than going into care Increased recruitment from local area
Total Mobile A mobile app integrating critical aspects of the Adult Social Care case management system to enable adult social care staff to access and input information via their mobile device.	Significant improvements to the efficiency and productivity of frontline workers, maximising the avoidable demand	Supporting the workforce to become digital by default allowing for increased flexibility	A higher number of citizens will be able to access the support of preventative services due to increased efficiency, and worker access to real-time data and information will enable better quality,

Programme	Financial benefit	Change in practice	Outcomes for citizens
	opportunities identified in APCP.		strengths based support without any delay.
SEND Transformation To positively influence the drivers of avoidable, high-cost demand for SEND services that don't maximise long-term independence for children and young people into adulthood.	Reduced risk of exclusion, and associated challenges face as a result - 33% reduction in exclusions in settings that are utilising the new approach to date	Test and learn interventions focusing on different tools to support strengths based working, focusing on outcomes and impact on demand in the system.	Embedding trauma informed practice and 'STEPS'; a revolutionary new approach to managing behaviour in settings and schools in order to reduce exclusions and placement breakdown.

Flexible Use of Capital Receipts Strategy

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 will 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. The flexibility was originally announced for 2016-17 to 2018-19, however this was extended by a further 3 years as part of the 2018-19 Local Government Finance Settlement.

This flexibility is as long as the Council complies with the following:

- The expenditure is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years; and

- The expenditure is properly incurred for the financial years that begin on 1 April 2016 to 1 April 2021, and can only be met from capital receipts which have been received in the years to which this direction applies.

The Council has decided to use this direction to fund the transformation resources that have been brought together to support the Transformation Programme, as well as the cost of redundancies required in order to deliver transformation of services. As a result of using this direction (using capital receipts partly to fund transformation rather than the capital programme), prudential borrowing undertaken by the Council for the years 2017-18 to 2021-22 is budgeted to be between £3.0m and £3.9m higher in each respective year. This affects the Council's Prudential Indicators as follows:

Table 3.1: Effect of using Capital Receipts on Prudential Indicators

Prudential Indicator	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Capital Financing Requirement	+3.0	+6.9	+10.2	+13.4	+16.6
Operational Boundary (Total Borrowing)	899.3	984.6	1,058.0	1,128.7	1,117.3
Authorised Limit (Total Borrowing)	929.3	1,014.6	1,088.0	1,158.7	1,147.3

This is expected to create additional Financing costs in the revenue budget of £88 - £161k in each of 2017-18 to 2021-22.

The Council funded £2.9m of expenditure in 2017-18 using this direction, £3.9m in 2018-19 and £2.7m in 2019-20. It is intended to fund a further £3.2m in 2020-21. This expenditure will help to deliver the following savings (all savings are ongoing):

Table 3.2: Transformation Spend to be funded by Capital Receipts, and associated savings

Scheme	Prior Years £k			2019-20 £k			2020-21 £k	
	ACTUAL COST	BUDGETED SAVING	ACTUAL SAVING	ACTUAL COST	BUDGETED SAVING	ACTUAL SAVING	BUDGETED COST	BUDGETED SAVING
Adult Social Care Transformation	1,070	-11,941	-10,359	1,258	-4,582	-4,582	909	-3,800
Learning Disability Transformation	112	-480	-393	-	-450	-450	-	-
Commissioning	240	-451	-269	-	-2,051	-2,051	1,369	-4,634
Children's Change Programme	832	-2,808	-2,472	202	-340	-340	197	-830
Children's Centres & Children's Health Services Transformation	74	-772	-772	-	-	-	-	-
Learning Transformation	525	-819	-719	91	-	-	539	-4,753
Communities	-	-	-	-	-60	-60	-	-
Public Health Transformation	-	-	-	-	-189	-189	-	-
Transport Transformation	65	-1,999	-1,823	-	-460	-460	6	-50
Assets / Facilities work stream / Property projects	526	-894	-756	528	-21	-21	90	-397
Automation	339	-397	-191	-	-	-	-	-
Organisational Structure Review	1,032	-1,793	-2,312	-	-	-	-	-
Commercialisation	1,456	-5,400	-2,000	567	-1,351	-351	107	-600
Waste Transformation	13	-1,025	-250	-	-60	-60	-	-
Libraries Transformation	213	-230	-230	-	-	-	-	-
Shared Services	157	-	-	99	-1,615	-537	-	-
To be confirmed	200	-	-	-	-	-	-	-
TOTAL	**6,855**	**-29,009**	**-22,546**	**2,745**	**-11,179**	**-9,101**	**3,218**	**-15,064**

These workstreams are focused on delivering the following outcomes:

Transformation Scheme	Activity
Adult Social Care Transformation	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 increasing demand and pressure on the sector. This work will focus on promoting independence and changing the conversation with staff and service-users to enable people to stay independent for longer, and has been in place has already had success in 2018/19 and 2019/20 and proposals are in place for 20/21 for Cambridgeshire and Peterborough. Following the implementation of Mosaic we will also look for opportunities to streamline reporting and information systems and release capacity of front line staff to work in an asset based and transformational way.
Learning Disability Transformation	Major programme to implement the revised model of care – meeting people's needs through a strengths-based approach to social care. Programme also includes delivery of strategic commissioning activity, including the development of new care capacity to allow service users to return to live in-county – and converting residential provision to supported living to promote independence for people with learning disabilities as well as providing cost savings to the Council.
Commissioning	Supporting a review of market interventions and market shaping activities to ensure efficient delivery of statutory service provision; incorporating the development of sustainable market capacity, which is cost efficient, outcomes focused and aligns to place based community needs. This includes commissioning across older people, working age adults with physical disabilities, mental health, learning disabilities and children.
Children's Change Programme	Identifying additional opportunities within the children's service to ensure services are targeted to those in greatest need. The programme has created a single front door for children's services, and development of a new residential model for children on the edge of care.
Child & Family and Children's Health Service transformation	Best Start in Life is a 5 year strategy which aims to improve life chances of children (pre-birth to 5 years) by addressing inequalities, narrowing the gap in attainment and improving outcomes for all children, including disadvantaged children and families. The vision is that "Every child will be given the best start in life supported by families, communities and high quality integrated service.
Learning Transformation	Responding to the growing demand for our SEND services by working with families and schools to provide the right level of support and to promote independence for children and young people. This is being done through a number of areas including providing independent travel training, this enables young people to have the skills and confidence to travel more independently for their education but also gives them life skills for their future.

Transformation Scheme	Activity
Communities	A Review of required management and support functions within the team, depending on the outcome of funding bids.
Public Health Transformation	We have delivered efficiencies and shared good practice through creating a joint public health directorate across Cambridgeshire County Council and Peterborough City Council. We can now transform services and make efficiencies through joint commissioning of public health programmes across the Cambridgeshire and Peterborough area, working in partnership across both local authorities and local NHS commissioners.
Transport Transformation	Through the Total Transport transformation programme we are scrutinising contract services to ensure the Council delivers the most efficient special school transport services whilst ensuring all eligible pupils receive free transport in line with the Council's policy on journey times.
Assets / Facilities work stream / Property projects	Generating income through commercialising property assets and re-shaping the property portfolio to support business outcomes. Includes the Cambs 2020 programme which will see the Council move out of its current main base in Cambridge and adopt a Hub and Spokes model of office accommodation.
IT Strategy	• Provide systems and tools to enable staff to work effectively • Support joint working with an improved ability to collaborate and work seamlessly across the two councils • Be cost effective, minimising duplicate costs & rationalising systems • Support the delivery of savings elsewhere across the council
Commercialisation	Development of a Strategic Investments model for the authority and creation of a dedicated investment vehicle to deploy multi-million pound investments for a commercial return. Review of specific areas identified within the contract register to discover what potential there is for savings through more commercially minded renegotiation, re-consideration of service specifications and consideration of where smarter payment processes may assist in driving down costs.
Shared Services	A joint working agreement is now in place with Peterborough City Council along with a growing number of shared posts. A new operating model for services previously governed by the LGSS Joint Committee has been agreed and is being implemented during 2020-21.

7) Balancing the budget

Every local authority is required, under legislation, 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.

The Business Planning process is a rolling five year assessment of resource requirements and availability, providing clear guidance on the level of resources that services are likely to have available to deliver outcomes over that period. This process takes into account changes to the forecasts of inflation, demography, and service pressures such as new legislative requirements that have resource implications.

Due to the extent of current uncertainties around the impacts of the pandemic on demand for services, fees and charges income and new duties for local authorities and the extent to which these will be funded by Government, a scenario planning approach was adopted during the first stage of business planning in order to allow the Council to set a balanced budget for 2021-22. The Council modelled three possible budget scenarios based on varying levels of ongoing disruption due to COVID-19. The parameters of each scenario can be broadly summarised as follows:

For each scenario the likely impacts on service demand or customer base have been modelled using a wide range of data drawn from published economic impact assessments, observed trends in service provision during 2020-21 and benchmarking against forecasting models used by other local authorities. Some of the key areas of impact reviewed have included:

- The impact of excess deaths on our social care service user population
- The impact of 'deconditioning' amongst existing clients, either as a result of being unable to access preventative medical services or as a result of disruptions to their ordinary care package support
- Changes in choices about care – anticipating preferences about residential care to change given the risks reported on in national media
- Ensuring care and early years providers are resilient and viable to continue to provide support to service users
- Carer breakdown – as a result of increased pressures during lockdown, carers being unable to cope and increased support needed to provide for social care needs
- Economic and social pressures leading to increased safeguarding risk for children in families
- The impact of schools' changes in teaching and all-round curriculum on services that they usually pay the Council for
- The impact of changes in visitor / client numbers on services such as libraries
- The income effects of lower levels of economic activity, particularly in town centres, affecting service such as on-street parking, streetworks permits and Park and Ride and Guided Busway services
- The impact of higher unemployment and benefits claimants on Council Tax income
- The impact of economic downturn on property investments

The Council will progress its detailed service-level budget planning based on the most likely scenario; this will remain subject to revision until the point at which the budget is agreed by Full Council in February. However, broader planning will be undertaken as part of the budget setting process to consider measures that could be taken to allow the Council to set a balanced budget in each scenario.

The Council will monitor the trajectory of service demand and costs against the scenarios set out above throughout the budget setting process and will review the assumed scenario position prior to each decision point in the budget approval process. The scenarios provide fixed points of reference for budget planning spanning a range of possible circumstances and are subject to revision as the emerging picture becomes clearer. It may therefore be appropriate to incorporate elements from multiple scenarios in the assumed budget position at key decision points in order to take account of the most recent developments in the local and national outlook.

The Council also undertakes an annual budget review and rebasing exercise during the first quarter of each financial year to reassess the budget position in light of developments from the point at which the budget is approved by Full Council in February. This allows the budget to be flexed to take account of material changes in circumstances such as significant increases in inflationary pressures or new legislative requirements. This approach will allow the Council to adapt its budget to respond to any future challenges or opportunities that may emerge as a result of the pandemic.

The construction of the Council's budget is centred around its transformation programme. Savings and efficiency proposals are structured around the cross-cutting transformation themes set out in Section 3 which span multiple service blocks. As a consequence the Council no longer utilises the traditional service block cash limit approach but instead balances the budget by considering the requirement for savings or additional income across all areas of service provision. The Council prioritise the resources available to it to meet the changing and growing needs of the communities we serve, only considering savings as a last resort.

However, in order to distinguish the budgets which fall under the remits of each of the Council's Committees, the Council's budget is divided into the following service blocks:

- People and Communities
- Place and Economy
- Public Health
- Corporate and Managed Services
- Commercial and Investment

Detailed spending plans for 2021-22, and outline plans for later years, are set out within Section 3 of the Business Plan.

The Council adopts a set of nine guiding principles for the development of a balanced and sustainable budget across the MTFS period and considers that these remain appropriate given the uncertainty of the pandemic:

1. Utilising sustainable revenue streams to reduce reliance on one-off sources of funding
2. Ensuring that the potential longer term impact of emerging pressures and rising demands are recognised
3. Ensuring that the Council provides efficient and well managed services with benchmarked unit costs
4. Driving effective investment in services to enable long term evidence-led reform
5. Utilising the Council's assets to generate an ongoing return rather than short term capital receipts
6. Ensuring the MTFS includes realistic but prudent assumptions around central government funding
7. Ensuring that the Council is well prepared to manage partnership risks
8. Maintaining a multi-year focus on longer term strategic planning
9. Managing future carbon liabilities and risks from climate change

8) Reserves policy and position

Need for reserves

We need reserves to protect and enhance our financial viability. In particular, they 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
- provide operational contingency at service level
- provide operational contingency at school level

Reserve types

The Council maintains the following types of reserve:

- **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 e.g. insurance claims, or that we set aside for specific and designated purposes.
- **Schools reserves** – we encourage schools to hold general contingency reserves within advisory limits. The Chief Finance Officer and Service Director - 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.
- **Transformation Fund** – an earmarked reserve created as a result of changes to the Minimum Revenue Provision, set aside to support innovative projects across the Council that will deliver savings in future years.
- **Innovate & Cultivate Fund** –£2m has been allocated to community organisations with big ideas for transformative preventative work that will positively impact the Council's expenditure. Projects demonstrably make an impact on County Council priority outcomes – particularly in relation to working with vulnerable people, thereby diverting children and adults from needing high-cost Council services.

Level of reserves

We 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.

The coronavirus pandemic has resulted in the most significant reduction in UK GDP in modern history and the trajectory of the economic recovery remains a key uncertainty which is dependent upon a number of interrelated factors including the impact of any subsequent peaks of the virus, changes in consumer behaviour and Government's economic policy response to the pandemic. The socioeconomic impacts of Covid are expected to exert considerable upward pressure on demand for services whilst reducing the locally generated income available to the Council. The financial impact of service and business risks currently facing the Council has been modelled with a range of £49m, equivalent to 7% of the Council's gross budget. It is therefore expected that reserves will play a significant role in helping the Council to manage the financial impacts of risks that are likely to be realised during the current MTFS period.

Table 8.1: Estimated level of reserves by type 2021-22 to 2025-26

Balance as at:	**31 March 2021 £m**	**31 March 2022 £m**	**31 March 2023 £m**	**31 March 2024 £m**	**31 March 2025 £m**	**31 March 2026 £m**
General reserve	19.2	19.3	19.4	20.0	20.5	21.0
Earmarked reserves	30.8	30.8	30.8	30.8	30.8	30.8
Schools reserves	-15.9	-23.2	-23.2	-23.2	-23.2	-23.2
Transformation & Innovation Funds*	26.8	30.9	34.1	37.1	39.7	41.7
Total	**60.9**	**57.8**	**61.1**	**64.7**	**67.8**	**70.3**
General reserve as % of gross non-school budget	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

*The Transformation and Innovation Funds have been created as a result of a revision to the calculation of the Council's minimum revenue provision (MRP) and only accounts for transformation bids approved by GPC. Whilst the balance appears to increase year on year, it is anticipated that as schemes come forward they are included in the strategy which will draw down funds once identified.

Adequacy of the general reserve

In previous years, the Council has set the general reserve at 3% of gross non-school expenditure in line with the advice of our External Auditor. The general reserve balance takes account of the level of uncertainty in the Local Government funding environment, such as the impact of Council Tax Benefit on the local tax base and grants available from Government, the uncertainties surrounding modelling of service cost pressures and the risk of failure to deliver savings initiatives. The Coronavirus pandemic has significantly increased the financial risk to the Council in each of these areas. However, the Council has opted to manage these risks as far as possible by adopting a scenario planning approach to budgeting which has allowed the Council to incorporate contingency planning into its core budgeting processes with the aim of reducing reliance on reserve funding.

The Council has reviewed the level of its **general reserve** and has set a target for the underlying balance of no less than 3% of gross non-school spending in 2021-22, this level will be maintained for the whole of the MTFS period. The table below sets out some of the known risks presenting themselves to the Council and their expected 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:

- In March 2020 the Government made a commitment to take any necessary measures to support local authorities in their response to Coronavirus. The Council has since been allocated over £34m additional Government funding to help meet 2020-21 financial pressures resulting from Covid-19. The Council is currently progressing discussions with MHCLG around ongoing financial support requirements.

- The Council holds a substantial Transformation Fund which continues to support our ambitious programme of investment in service efficiency. However, this fund also provides the Council with additional contingency should the general reserve be fully utilised.

Table 8.2: Target general reserve balance for 2021-22 to 2025-26

Risk	Source of risk	Value £m
Inflation	0.5% variation on Council inflation forecasts.	0.8
Demand	4% variation on Council demand forecasts.	6.4
Interest rate change	0.5% variation in the Bank of England Base Rate.	0.1
Council Tax	Inaccuracy in District tax base forecasts and collection levels.	1.7
Business Rates	Inaccuracy in District taxbase forecasts of County share of Business Rates to the value which triggers the Safety Net.	0.6
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.	1.4
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	4.0

Non-compliance with regulatory standards	E.g. Information Commissioner fines.	0.5
Major contract risk	E.g., contractor viability, mis-specification, non-delivery.	2.1
Unidentified risks	Unknown	1.0
Balance		**19.1**

10) Risks

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.

Additionally, the Council faces a number of emerging risks arising as a result of the Coronavirus pandemic. Some of the key risks are as follows:

- **Adult Social Care market resilience** - Covid-19 has greatly increased the costs faced by providers of social care. In particular, costs have increased due to greater use of personal protective equipment, as well as infection control processes. The Government is currently providing a substantial level of additional grant funding to support care providers in meeting these challenges but the extent of financial support in future years is currently unclear.
- **Increased safeguarding risks** – socioeconomic pressures such as rising unemployment and ongoing social restrictions are likely to increase the safeguarding risks for children. The recent trend in declining numbers of children subject to Child Protection Plans has halted and the Council is beginning to see increasing costs for Children in Care.
- **Speed of economic recovery** – the pandemic has brought about the largest recession faced by the UK economy in modern times. A deep and prolonged recession will lead to extensive job losses with varying regional impacts which could result in increased inequality in our county. Additionally, the resulting increase in Council Tax Support reliefs will reduce the precept income available to the council.
- **Income from traffic and enforcement services** – these income streams are significantly dependent upon levels of traffic and footfall in economic centres around the county. Traffic in Cambridge City is currently 15% lower than pre-Covid levels and bus passenger numbers are down by around 50%. It is unclear whether traffic and footfall will recover to pre-Covid levels in all areas.

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. Together with a better understanding of risk and the emerging costs of future development proposals, this will help us to meet such pressures.

Agenda Item No: 7

Capital Strategy and Capital Prioritisation Report

To:	General Purposes Committee
Meeting Date:	24 November 2020
From:	Chief Finance Officer
Electoral division(s):	All
Forward Plan ref:	Not applicable
Key decision:	No

Outcome:

The Council's Capital Strategy details all aspects of the Council's capital expenditure programme: planning; prioritisation; management; and funding. However, all capital schemes can potentially also impact on revenue which needs to be considered.

This report also provides the Committee with an overview of the full draft 2021-22 Business Plan Capital Programme and results from the capital prioritisation process.

Recommendation:

General Purposes Committee are asked to review and comment on:

a) The revised Capital Strategy

b) That the advisory limit on the level of debt charges (and therefore prudential borrowing) should be kept at existing levels.

c) That borrowing related to Invest to Save/Earn schemes should continue to be excluded from the advisory debt charges limit.

d) The overview and context provided for the 2020-21 Capital Programme and comment on the results of the capital prioritisation process, taking into consideration the most up to date estimations for financing costs and the overall revenue position.

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1. Background

1.1 The Council strives to achieve its vision through delivery of its Business Plan. To assist in delivering the Plan the Council needs to provide, maintain and update long-term assets (often referred to as 'fixed assets'), which are defined as those that have an economic life of more than one year. Expenditure on these long-term assets is categorised as capital expenditure, and is detailed within the Capital Programme for the Council.

1.2 Each year the Council adopts a ten-year rolling capital programme as part of the Business Plan. 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 revenue streams for the Council.

1.3 The Council's Capital Strategy (see Appendix A) is revised each year to ensure it is up to date and fully comprehensive. As all capital schemes have the potential to impact on the revenue position, in order to ensure that resources are allocated optimally, capital programme planning needs to be determined in parallel with the revenue budget planning process. This report therefore forms part of the process set out in the Capital Strategy whereby the Council updates, alters and refines its capital planning over an extended planning period. New schemes have been developed by Services and all existing schemes have been reviewed and updated as required before being presented to the Capital Programme Board and subsequently Service Committees for further review and development.

1.4 An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) has also been undertaken / revised in order to determine a prioritisation score. This score 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 outcomes.

2. Approach to Capital

2.1 The Council continues to follow the approach utilised in previous years. Any Invest to Save/Earn schemes generated through transformational work in order to deliver revenue savings or ongoing income streams are reviewed and assessed through the existing approach for developing and prioritising capital schemes. The detailed results of this prioritisation process is provided below.

2.2 Service Capital Programmes have been reviewed individually by Service Committees in October, alongside the addition, revision and update of schemes. Once the prioritisation of schemes across the whole programme has been reviewed by GPC as part of this report, firm capital and revenue spending plans will be considered by Service Committees in December. In January, GPC will review the overall levels of borrowing and financing costs as part of the full Business Plan, before recommending the programme as part of the overarching Business Plan for Full Council to consider in February.

2.3 All capital schemes are funded using capital resources or borrowing, as this is the most financially sensible option for the Council due to the ability to borrow money for capital schemes and defray the cost of that expenditure to the Council over the life of the asset. Therefore any Invest to Save or Earn schemes will continue to be funded over time by the revenue payback they produce via savings or increased income; this means the Transformation Fund can be prioritised towards revenue investment.

2.4 Where the Covid-19 pandemic is anticipated to have an impact on the costs of a capital scheme and this has been quantified, this has been worked into revised budgets based on the current situation. However, work is still ongoing in some areas to quantify impact, and as such there is the potential for budgets to continue to be revised over the next few months as the situation unfolds. Any further changes to Government guidelines in response to the pandemic, or local lockdowns, would also require further revision of costs/timescales, and therefore capital budgets.

3. Revenue Impact of Capital Schemes

3.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to the cost of borrowing through interest payments and repayment of principal and the ongoing revenue costs or benefits of the scheme. Conversely, not undertaking schemes can also have an impact via needing to provide alternative solutions, such as Home to School Transport (e.g. transporting children to schools with capacity rather than investing in capacity in oversubscribed areas).

3.2 The Council is required by the Charted Institute of Public Finance and Accountancy's (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, the Capital Strategy states that GPC will review and recommend 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. In order to afford a degree of flexibility from year to year, changes to the phasing of the limit is allowed within any three-year block (the current block starts in 2021-22), so long as the aggregate limit remains unchanged. Ultimately, if GPC does not consider borrowing levels to be affordable and sustainable it has the option not to recommend the Business Plan to Council.

3.3 Acknowledging the Council's strategic role in stimulating economic growth across the County, e.g. through infrastructure investment, it is recommended that any new, or changes to existing, capital proposals that are able to reliably demonstrate revenue income / savings at least equal to the debt charges generated by the scheme's borrowing requirement continue to be excluded from contributing towards the advisory limit. Any capital proposals generated through transformation work will be on an Invest to Save/Earn basis and therefore meet this criterion. In line with the approach set out in the Capital Strategy, GPC will still need to review the timing of the repayment, in conjunction with the overall total level of debt charges when determining affordability.

3.4 The table below sets out the current advisory limit on debt charges (restated for the change in Minimum Revenue Provision (MRP) policy agreed by GPC in January 2016) that GPC is asked to review and confirm whether it is still appropriate. It is also worth noting that whilst the early years provide firm forecasts, later years are indicative and subject to ongoing review and refresh of the Council's Capital Programme.

Financing Costs	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
2021-22 draft BP (net figures excluding Invest to Save / Earn schemes)	32.2	33.2	36.7	40.4	41.8	42.9
Recommend limit	39.7	40.3	40.8	41.4	41.9	42.4
HEADROOM	**-7.5**	**-7.1**	**-4.1**	**-1.0**	**-0.1**	**0.5**
Recommend limit (3 years)	120.8			125.7		
HEADROOM (3 years)	**-18.7**			**-0.6**		

3.5 Commercial & Investment Committee and General Purpose Committee agreed in September 2019 that the revenue cost of financing capital for commercial activity schemes should be recharged from the debt charges budget to individual schemes in order to be able to easily report the net revenue benefit of this activity. As such, the debt charge figures above exclude the impact of the Invest to Save/Earn schemes.

3.6 Whilst noting that the impact of the Invest to Save/Earn schemes is not included above, and the limit hasn't been exceeded, GPC still has an obligation to ensure that the overall total level of debt remains affordable. The following table shows 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 2021-22 plan:

	2021-22	2022-23	2023-24	2024-25	2025-26
Debt charges (including Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	9.7%	9.4%	10.0%	10.5%	10.4%
Debt charges (excluding Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	6.5%	7.1%	7.1%	7.6%	8.1%

4. Summary of the Draft Capital Programme

4.1 Following on from October service committees, the revised draft Capital Programme is as follows (please see Appendix B for the full programme):

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Later Yrs £'000
People and Communities	37,879	127,161	100,580	42,361	17,349	56,445
Place and Economy	40,858	21,666	15,206	15,185	15,185	15,200

Corporate and Managed Services	17,641	946	106	-	-	-
Commercial and Investment	73,915	11,943	2,514	6,095	960	10,783
Total	**170,293**	**161,716**	**118,406**	**63,641**	**33,494**	**82,428**

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

Funding Source	**2021-22 £'000**	**2022-23 £'000**	**2023-24 £'000**	**2024-25 £'000**	**2025-26 £'000**	**Later Yrs £'000**
Grants	28,236	26,925	27,429	29,704	27,238	46,252
Contributions	45,639	56,249	48,726	14,987	1,287	150,285
Capital Receipts	32,433	-	2,000	2,000	2,000	10,000
Borrowing	66,933	74,666	47,590	18,706	2,969	-937
Borrowing (Repayable)*	-2,948	3,876	-7,339	-1,756	-	-123,172
Total	**170,293**	**161,716**	**118,406**	**63,641**	**33,494**	**82,428**

* 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 off-set 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.

4.3 The following table shows how each Service's borrowing position has changed since the 2020-21 Capital Programme was set:

Service Block	**2020-21 £'000**	**2021-22 £'000**	**2022-23 £'000**	**2023-24 £'000**	**2024-25 £'000**	**2025-26 £'000**
People and Communities	-4,872	-18,206	56,942	16,175	1,293	4,222
Place and Economy	-5,363	12,661	1,876	-	-	-
Corporate and Managed Services	1,776	9,641	834	-6	-	-
Commercial and Investment	-16,877	30,543	2,467	13,905	23,295	60
Corporate and Managed Services – relating to general capital receipts	2,004	-	500	-1,500	-1,500	-1,500
Total	**-23,332**	**34,639**	**62,619**	**28,574**	**23,088**	**2,782**

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	**2020-21 £'000**	**2021-22 £'000**	**2022-23 £'000**	**2023-24 £'000**	**2024-25 £'000**	**2025-26 £'000**
New	662	2,216	14,279	3,608	4,571	2,180
Removed/Ended	-3,507	-	-	-	-	-

Minor Changes/Rephasing*	-46,287	5,019	36,030	28,650	25,324	680
Increased Cost (includes rephasing)	-7,189	7,601	10,201	7,849	9,454	2,007
Reduced Cost (includes rephasing)	-1,265	4,760	7,620	-9,142	-14,562	-530
Change to other funding (includes rephasing)	10,028	15,610	-4,056	-2,715	-1,725	-1,670
Variation Budget	26,681	-1,659	-2,084	-743	-286	-195
Capitalisation of Interest	-2,455	1,092	629	1,067	312	310
Total	**-23,332**	**34,639**	**62,619**	**28,574**	**23,088**	**2,782**

**This does not off-set to zero across the years because the rephasing also relates to pre-2020-21 and post-2025-26.*

4.5 In addition to rephasing, the main changes to borrowing relate to (this includes any costs incurred pre-2021-22):

New schemes
- Ten school schemes, at a total borrowing cost of £25.5m, to respond to anticipated demand for new school places and adaptions of existing facilities
- A new Development Funding scheme (split from the existing Housing Scheme), at a total borrowing cost of £1m

Removed schemes
- One school scheme, at a total borrowing cost of £2m, to reflect where need is now required

Increased cost of schemes
- Increased borrowing costs of £15.6m for 10 school schemes
- Increased borrowing costs of £2m for school condition schemes
- Increased borrowing costs of £3.5m for King’s Dyke, in line with the GPC decision taken in Apr 2020
- Increased borrowing costs of £0.8m for Shire Hall Relocation and Cambs 2020

Decreased cost of schemes
- Decreased borrowing costs of £13.1m for 4 school schemes

Change in funding
- Additional S106 contributions for 6 school schemes of £5.7m, which reduces borrowing by the same amount
- A reduction in other contributions for 2 school schemes of £1.6m, which increases borrowing by the same amount
- A reduction in Basic Need funding, estimated at £13.9m, which increases borrowing by the same amount
- A reduction in the amount of top-sliced grant funding used to contribute towards the A14 scheme of £1m, which increases borrowing by the same amount

- An increase in the forecast for capital receipts expected of £11.0m, which reduces borrowing by the same amount

4.6 Since the October committees, there has been some movement regarding the levels of borrowing included within the above figures. The main changes are:
- Waterbeach New Town Primary, £0.9m increase due to scope of phase one increasing to include additional buildings
- Alconbury Secondary, £4.6m increase to meet nearly zero-energy buildings requirements/sustainability costs
- Duxford Primary, £1.5m increase based on discussion with project officers and brief issued to PM consultant
- Capitalisation of redundancies, £0.7m decrease to reflect latest projections
- Housing schemes, £5.8m decrease to reflect the latest forecast schedule of loans for the overall scheme
- Updated variation budgets and capitalisation of interest costs based on the revised programme
- Rephasing of various schemes, plus other minor adjustments

5. Capital Prioritisation

5.1 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 (see Appendix C for criteria). 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.

5.2 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. A summary of results for all scored schemes (excludes committed and fully funded schemes) is included in Appendix C.

5.3 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.

5.4 Appendix D ranks the scored schemes (excludes committed and fully funded schemes) in order of priority, provides detail of cost and borrowing figures and detail on flexibility of timing of spend or alternative methods of delivery (which is particularly helpful with regard to assessing the school schemes).

6. Alignment with corporate priorities

6.1 A good quality of life for everyone
There are no significant implications for this priority.

6.2 Thriving places for people to live
There are no significant implications for this priority.

6.3 The best start for Cambridgeshire's children
There are no significant implications for this priority.

6.4 Net zero carbon emissions for Cambridgeshire by 2050
There are no significant implications for this priority.

7. Significant Implications

7.1 Resource Implications
This report provides details of how amendments made as part of the process of planning for capital schemes has a direct impact on both capital and revenue (through debt charges). Reviewing both the advisory debt charges limit and the detail of schemes already included in the programme will ensure that resources are targeted efficiently, effectively and equitably, and will provide Value for Money.

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications within this category.

7.3 Statutory, Legal and Risk Implications
There are no significant implications within this category.

7.4 Equality and Diversity Implications
There are no significant implications within this category.

7.5 Engagement and Communications Implications
There are no significant implications within this category.

7.6 Localism and Local Member Involvement
There are no significant implications within this category.

7.7 Public Health Implications
There are no significant implications within this category.

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Eleanor Tod

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? N/A

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? N/A

Have the equality and diversity implications been cleared by your Service Contact? N/A

Have any engagement and communication implications been cleared by Communications?N/A

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/A

Have any Public Health implications been cleared by Public Health N/A

8. Source documents

8.1 Source documents

a) Draft Capital Strategy 2021-22

b) Council Business Plan 2020-25

8.2 Location

a) Octagon First Floor, Shire Hall, Cambridge
b) Council's website

Appendix A

Section 6 – Capital Strategy

Contents

1: Introduction

This Capital Strategy describes how the Council's investment of capital resources in the medium-term will optimise the ability of the authority to achieve its overriding vision and priority outcomes. It represents an essential element of the Council's overall Business Plan and is reviewed and updated each year as part of the Business Planning Process.

The Strategy sets out the approach of the Council towards capital investment over the next ten years and provides a structure through which the resources of the Council, and those matched by key partners, are allocated to help meet the priority outcomes outlined within the Council's Corporate Strategy. It is also closely aligned with the remit of the Commercial & Investment (C&I) Committee, and is informed by the Council's Asset Management Strategy and Commercial Strategy. It is concerned with all aspects of the Council's capital expenditure programme: planning; prioritisation; management; and funding.

During 2019, the Council declared a climate and environment emergency and agreed to develop a Climate Change and Environment Strategy for the Council. Identifying the Council's carbon footprint has been a key area of focus alongside research undertaken by Cambridge University Science and policy Exchange (CUSPE) on the carbon footprint for the whole of Cambridgeshire. Both carbon footprints will now inform future capital and investment strategies and decisions.

2: Vision and outcomes

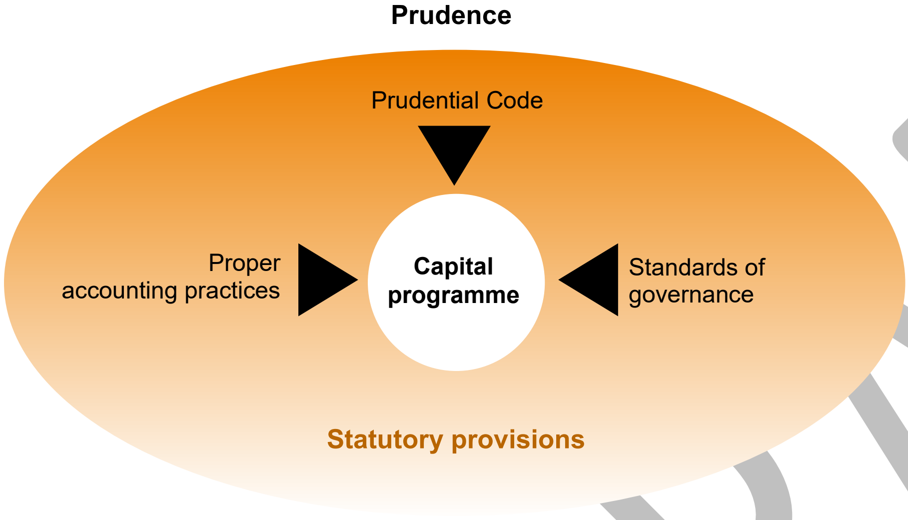
The Council achieves its vision of *"Making Cambridgeshire a great place to call home"* through delivery of its Business Plan which targets key priority outcomes. To assist in delivering the Plan the Council needs to provide, maintain and update long-term assets (often referred to as 'fixed assets'), which are defined as those that have an economic life of more than one year.

Expenditure on these long-term assets is categorised as capital expenditure, and is detailed within the Capital Programme for the Authority. Fixed assets are shaped by the way the Council wants to deliver its services in the long-term and they create future financial revenue commitments, through capital financing and ongoing revenue costs.

3: Operating 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 a number of 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 framework is based on the following foundations:



4: Capital Expenditure

Capital expenditure, in accordance with proper practice (as defined by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020-21) results in the acquisition, creation or enhancement of fixed assets with a long-term value to the Council. If expenditure falls outside of this scope[1], it will instead be charged to revenue during the year that the expenditure is incurred. It is therefore crucial that expenditure is analysed against this definition before being included within the Capital Programme to avoid unexpected revenue charges within the year. A guide to what can and cannot be included within the definition of capital expenditure is provided in Appendix 1.

The Council applies a self-determined de minimis limit of £10,000 for capital expenditure. Expenditure below this limit should be charged to revenue in the year that it is incurred. However, as the de minimis is self-imposed, the Code does allow for it to be overridden if the Authority wishes to do so.

All capital expenditure should be undertaken in accordance with the financial regulations; the Scheme of Financial Management, the Scheme of Delegation included within the Council's Constitution and the Contract Procedure Rules. Further, detailed guidance can also be found in the Council's Capital Guidance Notes (currently in draft format).

[1] In addition, expenditure can be classified as capital in the unlikely scenario that:

- It meets one of the definitions specified in regulations made under the 2003 Local Government Act;
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

5: Capital funding

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

Earmarked Funding	Central Government and external grants
	Section 106 (S106), Community Infrastructure Levy (CIL and external contributions
	Private Finance Initiative (PFI) / Public Private Partnerships (PPP)[2]
Discretionary Funding	Central Government and external grants
	Prudential borrowing
	Capital receipts
	Revenue funding

Explanation of, and further detail on these funding sources is provided in Appendix 2.

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. Therefore in order to facilitate this, 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.

6: External environment

The Council uses a mixture of funding sources to finance its Capital Programme.

Developer Contributions

Whilst the housing and property market across the county had recovered since the economic crisis of 2008, with strong growth particularly in the city of Cambridge where values rose over and above pre-credit crunch levels, the market as a whole was facing a new level of uncertainty with the prospect of the United Kingdom (UK) leaving the European Union on 31st January 2020. Since then, the outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy, with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. Whilst restrictions have now been lifted in some cases, national and local lockdowns are continuing to be deployed as necessary with the emergence of a "second wave" and significant further outbreaks in local areas. The pandemic and the

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

measures taken to tackle Covid-19 continue to affect economies and real estate markets locally and globally.

Generally, activity in the housing market has recovered with the latest HMRC data pointing to up-tick in the number of sales completed in June 2020. Indicators to the latest RICS Residential Market Survey are consistent with a further pick-up in activity in the second half of 2020. Whether this trend will be sustained is, however, open to question. Average twelve-month sales expectations suggest that the recovery may run out of steam with unemployment looking likely to rise towards the end of 2020 and the stamp duty holiday coming to an end. Feedback to the RICS UK Quarter 2 Commercial Property Survey suggests, generally, that rents and capital values are likely to fall sharply across retail and office sectors in the coming year. Furthermore, there may be significant changes for the office sector moving forward, as it is anticipated that businesses will scale back their office footprint to some extent over the next two years.

Locally, the general pattern of growth across the county is still varied and disparate with the higher demand for housing still largely in the south and lower demand in the north. Despite Cambridge usually outperforming the UK in terms of residential property performance, the latest data seems to indicate that the city is lagging behind much of the rest of the UK. Since the residential property market re-opened following lockdown, Cambridge has recorded the lowest number of new sales and 39% fewer houses on the market than at the same time last year; compared to a reduction of only 15% in the UK as a whole. Cambridge is also amongst the least affordable Cities in the UK as the average house price in Cambridge is over £410,000 compared to the UK City average of £254,000. Agents are not currently widely reporting a drop in house prices; more a reluctance to sell, and those properties that are on the market are taking longer to sell. City centre properties remain more attractive as there is such a shortage of stock and no new developments are occurring in that area. On the fringes of Cambridge, the increased supply of housing following the recent developments has resulted in a stabilising impact on price. Recently, it has been reported that due to Covid-19, there is a lot of interest in Cambridge properties from people wanting to move out of London. South Cambridgeshire has seen the largest increase in house prices, but house price rises have been seen across Fenland, East Cambridgeshire and Huntingdonshire as well.

The outbreak of Covid-19 has created an unprecedented level of uncertainty on a macro and micro-economic level, and across differing sectors of the property market, both nationally and locally. It is hard to predict what the impact will be on the ability of the Council to fund capital investment through the sale of surplus land and buildings, or from contributions by developers.

The Government has also declared a climate emergency and set a target of net-zero carbon emissions for the UK by 2050. Delivering the changes required for the net-zero target will require changes to regulatory frameworks, 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.

Community Infrastructure Levy

Developer contributions have also been affected by the introduction of Community Infrastructure Levies (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 also expects that a much lower proportion of the cost of infrastructure requirements will be met by CIL contributions.

Huntingdonshire and East Cambridgeshire District Councils are currently the only districts within Cambridgeshire to have adopted CIL. Both Cambridge City Council and South Cambridgeshire District Council submitted their draft CIL Charging Schedules in 2014 but withdrew them in 2017 due to delays in the examination of their Local Plans; they will therefore consider CIL at a later date. Fenland District Council has no plans to implement CIL at present.

New legislation introduced on the 1st September 2019 has now removed the 'rule of five' pooling restriction, where it was not possible to pool more than five developer contributions together on any one scheme; this therefore will have a positive impact on funding flexibility for the Council.

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.

Government Grants

The Budget and Spending Review 2015 set out plans to increase Central Government capital spending by £12 billion over the following 5 years; how it intended to do this has been set out in the National Infrastructure Delivery Plan 2016-2021. This brought together for the first time the Government's plans for economic infrastructure with those to support delivery of housing and social infrastructure. It included a new Pothole Action Fund, for which the Council was allocated an additional £5.2m over the period 2016-17 to 2019-20, specific large-scale schemes such as up to £1.5bn to upgrade the A14 between Cambridge and Huntingdon, as well as potential development of both the A1 East of England and the Oxford to Cambridge Expressway. It also acknowledged the development of Northstowe as a major housing site.

Government Grants - Highways

As part of the National Infrastructure delivery Plan, a National Productivity Investment Fund (NPIF) was created to provide an additional £1.1 billion 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. 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.

In addition to the Highways Maintenance formula allocation, the Department for Transport (DfT) also created 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; this has now been 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 has to score themselves against 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 2020-21 has secured the maximum funding available of £14.6m.

The Autumn Budget 2018 also announced a further £420m of funding in 2018-19 for local authorities to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe; the Council's share of this funding was £6.7m. The 2019 Conservative Manifesto committed to an additional £2bn of additional funding for pothole repair; £500m per annum from 2020-21. Allocations of this funding have not yet been provided by DfT but are expected in early 2021-22. For 2020-21, the funding provided by DfT has come via the new Pothole Fund, which is an amalgamation of Challenge Fund monies and the old Pothole Action Fund and is the result of industry-wide lobbying of Government for increased funding for highway maintenance. This has resulted in additional funding; the Council expected £6m but was allocated £10.2m. The additional £4.2m is anticipated to be spread across 13 schemes located around the county, allocated according to the Council's infrastructure asset management strategy. The Council is also looking to bid for additional funding for the reconstruction of the carriageway at the B1050 Shelford Road, Willingham.

No further detailed capital plans were announced in the one-year Spending Review 2019, other than a total of £241m for the Towns Fund in 2020-21 and £220m to transform bus services; the county has been allocated £384k for the latter. The Council now awaits the outcome of the 2020 one-year spending review, due in November 20.

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

Government Grants - Education

The Government has previously announced sufficient capital funding would be available to provide for the increasing numbers of school-aged children to enable authorities to make sure that there are enough 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 new methodology used to distribute funding for additional school places does not always reflect this commitment as the initial allocation of £4.4m across the period 2015-16 to 2016-17 was £32m less than the Council had estimated to receive for those years according to our need. Almost all of this loss related to funding for demographic pressures and new communities, i.e., infrastructure that we have a statutory responsibility to provide, and therefore the Council had limited flexibility in reducing costs for these schemes. Given the growth the county is facing, it was difficult to understand these allocations and as such, the Council has continued to lobby the Department for Education (DfE) for a fairer funding settlement that is more closely in line with the DfE's commitment to enable the Council to provide all of the new places required in the county.

In addition to lobbying the DfE, the Council has also sought in the meantime to maximise its Basic Need funding by establishing how the funding allocation model works and providing the School Capacity (SCAP) data to the DfE in such a way as to maximise the Council's allocation. The allocations were £25.0m for 2018-19, £6.9m for 2019-20, and £20.6m for 2020-21. This went some way to reduce the Council's shortfall, but still did not come close to covering the costs of all of the Council's Basic Need schemes.
For 2020-21 the Council has been allocated zero Basic Need funding based on the Council's SCAP return submitted in July 2019. This took into account the following:

- The number of new places and additional capacity created up to 2020-2021.
- After a period of rising birth rates, these have now peaked and are starting to decline slightly. This is beginning to be reflected in future forecasts of demand for places and the future additional capacity required.
- The major driver for additional capacity in the years ahead is housing growth. The assumption in the SCAP return is that the capacity in school places generated by these developments will be fully met through developer contributions; either Section 106 or CIL. These places, therefore, do not attract any Basic Need funding.

It is anticipated that further Basic Need funding will not be announced until 2021; and given the 2020 one-year spending review, it is expected that this announcement will only relate to allocations for 2021-22. In addition, the annual SCAP return was cancelled in 2020 due to Covid-19; however based on the SCAP return principles, the Council is anticipating a significantly reduced level of funding than previously anticipated for 2022-23 and beyond. This obviously adds a level of uncertainty to the Council's longer-term capital planning.

The DfE also revised the methodology used to distribute condition allocations in order to target areas of highest condition need. A floor protection was put in place to ensure no authority received more than a 20% cut in the level of funding until 2018. The £1.2m reduction in allocation for Cambridgeshire for 2015-16 hit this floor; therefore it was anticipated that the Council's funding from this area would be reduced further once the protection was removed in 2019-20. However, the DfE have continued to include the protection worth £451k in 2019-20 and 2020-21, but it is unclear whether this will continue moving forward. In June 2020, the Government announced that an additional £560m of condition funding would be made available in 2020-21 to maintain and improve the school estate; the Council's allocation was £1.6m.

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 8 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. There were a further 12 bids applied for in Cambridgeshire for Wave 13, however there was much stricter criteria in place around this wave and none of the bids were successful. The application process for Wave 14 closed in November 2019; there were 2 bids for Cambridgeshire and the Council is expecting to hear whether these are successful in autumn 2020.

External Pressures

Irrespective of the external funding position, the county's population continues to grow. This places additional strain on our infrastructure through higher levels of road maintenance, increased pressure on the transport network, a rise in the demand for school places, a shortage of homes and additional need for libraries, children's centres and community hubs.

As part of the Greater Cambridge City Deal (now Greater Cambridge Partnership) signed with Government in 2014, it was agreed that Government would allocate £500m to Greater Cambridge infrastructure projects. The first tranche of funding was agreed on the basis of five yearly instalments and the second and third tranche is subject to two (2020 and 2025) Gateway Reviews. The purpose of the Deal is to deliver a step change in investment capability; an additional 44,000 jobs and 33,000 homes with benefits for the whole county as well as the wider area. To date, £300m of the funding has been secured, after passing the first Gateway review and unlocking a further £200m during 2020.

Despite this deal, as with the revenue position, the external operating environment poses a significant challenge to the Council as it determines how to invest in order to meet its priority outcomes, whilst facing increasing demands on its infrastructure that are not necessarily matched by increases in external funding.

The Covid-19 pandemic is also having an impact on capital programmes, albeit less severely than with the revenue position. Where the pandemic is anticipated to have an impact on the costs of a capital scheme and this has been quantified, this has been worked into revised budgets based on the current situation. However, work is ongoing in some areas to quantify impact, and as such there is the potential for budgets to continue to be revised over the following months as the situation continues to unfold. Any further changes to Government guidelines in response to the pandemic, or local lockdowns, would also require further revision of costs/timescales, and therefore capital budgets.

7: Working in partnership

The Council is committed to working with partners in the development of the county and the services within it. There are various mechanisms in place that provide opportunities to enhance the investment potential of the Council with support and contributions from other third parties and local strategic partners. One of the most significant partnerships is between the Council, Cambridgeshire's city and district councils, Peterborough City Council and the Greater Cambridge / Greater Peterborough Local Enterprise Partnership (LEP) – relaunched as the Business Board – to set up a Combined Authority for Cambridgeshire and Peterborough in order to deliver the region's devolution deal; this was agreed by all member authorities in November 2016. The proposal included;

- A new £20m annual fund for the next 30 years to support economic growth, development of local infrastructure and jobs,
- A £100m housing fund, and
- A new £70m fund to be used to build more council-rented homes in Cambridge.

The Mayoral Combined Authority was established following Mayoral elections in May 2017.

The Council has also worked closely with Cambridge City Council, South Cambridgeshire District Council, the University of Cambridge and the LEP (now the Business Board) to negotiate the City Deal with Central Government. The deal has resulted in a changed set of governance arrangements for Greater Cambridge, allowing the County, Cambridge City Council and South Cambridgeshire District Council to pool funding, powers and decision making through a joint Executive Board. This structure is leading the joint delivery of a number of major transport schemes and has achieved a more joined-up and efficient approach to tackling the key economic issues facing this rapidly-growing city region.

The Council continues to work with partners and stakeholders to secure commitment to delivery, as well as funding contributions for infrastructure improvements, in order to support continued economic prosperity. For example, the Council worked with the former Greater Cambridge / Greater Peterborough LEP (now the

Business Board) plus the New Anglia LEP and the South East Midlands LEP, as well as neighbouring local authorities, the city and district councils and the DfT to agree a funding package for improvements to the A14 between Cambridge and Huntingdon, which was secured with work on the main scheme having completed during 2020. The Council will continue with this approach where infrastructure improvements are shown to have widespread benefits to our partners.

The One Public Estate (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 One Public Estate programme has secured up to £0.5m in funding to bring forward major projects for joint asset rationalisation and land release.

The Local Transport Plan is a key document and is produced in partnership with the city and district councils and the CPCA. There has been a strong working relationship for many years in this area, which has succeeded in bringing together the planning and transport responsibilities of these authorities to ensure an integrated approach to the challenges facing the county.

Due to the introduction of the Community Infrastructure Levy (CIL) on all but large scale developments, the Council also works more 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.

The Council is in the fortunate position of continuing to be a major landowner in Cambridgeshire, and as such has established a company, This Land, which enables the Council to develop its own land rather than sell it to third parties. The company has developed an initial 10-year pipeline of sites, with the objective of delivering more than 1,500 homes. The Council is the sole shareholder of This Land Limited (and the ultimate parent of its wholly owned subsidiaries).

Examples of specific capital schemes currently or recently being delivered in partnership include;

- Rolling out and exploiting better broadband infrastructure across the county; with Peterborough City Council, the district councils, the Business Board, local businesses and the universities;
- Housing schemes, being delivered in conjunction with This Land; and
- OPE projects, being delivered in conjunction with OPE partners, including;
  - North Huntingdon Strategic Growth Partnership – Wyton redevelopment of 4,500 homes with Huntingdonshire DC

- East Cambridge City Redevelopment, East Barnwell with Cambridge City
- Think Communities Property workstream (previously the Community Hubs project)
- Oaktree Health Centre Redevelopment, Oxmoor Estate with NHS CCS and Huntingdonshire DC
- Ely Hospital redevelopment with NHS CCS
- Wisbech Hospital redevelopment with NHS CCS
- Joint Highways Depot move
- Land Commission Board Workshops with CPCA

8: Non-financial Investment Strategy

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 drive a more commercial approach within the organisation and to deliver better financial returns from property and asset holdings. In July 2016, the Commercial and Investments (C&I) Committee approved a Commercial Acquisitions Strategy to help develop a strategic approach to commercial acquisitions. This has subsequently been replaced by this Investment Strategy in order to reflect updated statutory guidance.

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. The Council does not intend to invest in commercial activity for the sake of it but to mitigate against the implications of increasing budgetary pressures. The Council will not meet the financial challenges it faces through transforming services alone. The approach will require a mix of transformation, additional revenue sources, and a reduction in service levels. By focussing resources on the first two, the need to utilise the latter option will be minimised.

As with the rest of the Capital Strategy, all commercial activity will be undertaken in line with the Council's vision of 'making Cambridgeshire a great place to call home'. All commercial activity will therefore be undertaken in order to contribute to the following Priority Outcomes:

- 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 will be achieved through contribution to the following Corporate Strategy theme:

- Developing strength and depth in our commercial activity

Appendix 3 sets out the details of the Council's non-financial Investment Strategy.

9: Asset management

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 C&I Committee. The Strategy will continue to 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

This will be developed in line with the Cambs 2020 vision, which will see the Council move out of its current main base in Cambridge and adopt a Hub and Spokes model of office accommodation. There will also be a comprehensive 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.

Specific property initiatives include:

- The establishment of a wholly-owned company which has allowed the Council to become a developer of its own land, principally for housing. This requires significant capital investment through loans to the company for development purposes, but has generated ongoing revenue streams for the Council, as well as significant amounts of capital receipts that have been re-invested;

- Commercial investment, where the Council has devloped a portfolio of strategic investments which provide ongoing revenue streams and carbon reductions. These investments have been completed under the framework of the Council's Investment Strategy which is included as Appendix 3;

- The County Farms Estate Strategy has been reviewed by a Member working group, and will feed into both the Asset

Management Strategy and the Council's Commercial Activity programme;

- A review of the provision of back office accommodation as part of the Cambs 2020 scheme.

The Capital Strategy also has strong links with the Council's Local Transport Plan (LTP). Since the directly-elected Mayor and the Cambridgeshire and Peterborough Combined Authority (CPCA) was formed in 2017, it became the Local Transport Authority for the Cambridgeshire and Peterborough area and has responsibility for the LTP. While a new CPCA LTP is being prepared for the CPCA area, the Interim LTP – an amalgamation of Cambridgeshire County Council and Peterborough City Council's Local Transport Plans – acts as the strategy and plan for the whole area.

The Interim LTP demonstrates how the Council's policies and plans for transport contribute towards the vision of the Council, whilst setting a policy framework to ensure that planned, large-scale development can take place in the county in a sustainable way, as well as enabling the Council to take advantage of opportunities that may occur to bring in additional or alternative funding and resources. When adopted, the new LTP will align with the Combined Authority's vision.

The Interim LTP (Cambridgeshire LTP3 2011-2031) highlights the following eight challenges for transport, as well as the strategy for addressing them:

- Improving the reliability of journey times by managing demand for road space, where appropriate and maximising the capacity and efficiency of the existing network
- Reducing the length of the commute and the need to travel by private car
- Making sustainable modes of transport a viable and attractive alternative to the private car
- Future-proofing the Council's maintenance strategy and new transport infrastructure to cope with the effects of climate change
- Ensuring people – especially those at risk of social exclusion – can access the services they need within reasonable time, cost and effort wherever they live in the county
- Addressing the main causes of road accidents in Cambridgeshire
- Protecting and enhancing the natural environment by minimising the environmental impact of transport
- Influencing national and local decisions on land-use and transport planning that impact on routes through Cambridgeshire

10: Delivering statutory obligations

The majority of the Education Capital Programme, which makes up a significant proportion of the Council's total Capital Programme, is generated in direct response to the statutory requirement to provide sufficient school and early years and childcare places to meet demand. There is, therefore, a limit to the amount of flexibility that can be used to curtail, or reduce the costs for these schemes.

The Education Organisation Plan is refreshed every year and sets out the What, How and Why in relation to planning and delivering the additional school capacity required to meet current and forecast need, including information on how the Education Programme is prioritised.

Although the Programme is largely driven by demographic changes, the Council still has an element of choice or influence over how it develops its Programme to meet those needs as follows:

- General costs of construction

The Council seeks to minimise construction costs on all projects and builds to the latest Government area guidelines that set out accommodation schedules. These detail the specification and size of building required for a given number of pupils. The Council's Design and Build Contractor Framework seeks best value for money and mini competition between framework partners helps to ensure this.

- Quality of build

In general, the Council aims to build at mid-point in terms of quality. This balances the need to ensure that the materials the Council uses are robust and fit for purpose in respect of both an adequate life-cycle for the asset and also maintenance requirements that are not overly burdensome to the end user or operator, whilst at the same time providing Value for Money in terms of initial capital investment. In December 2019, the Council approved Near Zero Energy Standards for new build projects it will own and occupy. One of the Education schemes is being used as a pilot project to identify both higher energy standards for schools and new business models that are needed to deliver these higher standards. Collaboration with government will be important to bring forward these new business models and provide the freedoms for school operators and the Council to enter energy service agreements. These standards set energy performance and renewable energy thresholds for new buildings which over time, will be included in the detailed specification and size of school buildings required for a given number of pupils.

- Future proofing

The Council aims to build in the most efficient manner possible in order to minimise financial risk and also to avoid future disruption to schools. In some cases, building a school or extension in phases may be the best option; in other situations where it is possible that the need for additional places will come forward in the foreseeable future, it can prove more cost effective overall to build in one phase (even if this costs more in the short-term). Early during the review process for each scheme, a recommendation is made as to the most suitable solution; however the Council also tries to be flexible if circumstances change.

- Temporary accommodation

The Council uses temporary classroom accommodation when it is felt that this provides a suitable short-term solution in addressing a need. Such cases include meeting a temporary bulge in population, filling a gap prior to completion of a permanent solution or in an emergency.

- Home to School Transport

If the Council has some places available within the county overall, then it has the option of using Home to School Transport (funded by revenue) to transport children from oversubscribed areas to locations where schools do have capacity. The Council tries to minimise the use of this, as it is often an expensive solution and contributes to our carbon footprint. It is also not ideal to require children to travel longer distances to school, some distance from their local communities, and is not a sustainable option in the longer-term.

- Location (within the geographical area of need)

In many cases there may be a choice available between two or more schools in order to deliver the additional places for a certain geographical area of need. In these circumstances, a full appraisal is carried out, taking into consideration costs, the opinion and endorsement of the schools, pupil forecasts, and the premise and site constraints.

- Type – extension or new build

The type will be dependent on a full appraisal of the situation. New builds are often the solution endorsed by members where a new town or key development location is identified within Cambridgeshire.

- Planning stipulations

National and local planning policies and high aspirations of local members, planners, developers and schools – especially Academy Trusts – to provide a higher specification than is statutorily required can cause costs to increase. Cambridge City Council and South Cambridgeshire District Council also require public art which can add an additional cost of up to 1% of the construction budget. All new schools also have to go through the Design Quality Panel, which adds an additional step into the planning process, extends the design phase and is funded by the project. Some developers require a new school to fulfil its community responsibility and become a landmark building within the development. In this instance, the developer is likely to place an additional premium on the negotiated S106 to afford that vision. Finally, some of the requirements of a S106 can have an impact on the levels of external funding available – for example, an increased requirement for affordable housing will reduce the amount available to fund education schemes for a development.

11: Development of the Capital Programme

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 revenue streams for the Council.

The Council follows a structured framework within which to develop the Capital Programme, which allows for factors such as the external environment and the Council's priority outcomes to be taken into account.

New schemes for inclusion in the Programme are developed by Services (in conjunction with Finance) in line with the Priority Outcomes outlined in the Corporate Strategy. As stated in the financial regulations, 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 (excluding schemes with 100% ring-fenced funding) is undertaken / revised as part of the Business Case, 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. This process will also need to be updated to include carbon emission reductions in future. The criteria 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 Priority Outcomes.

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

- Improved estimates for cost and time of capital projects;
- Improved project and programme management and governance;
- Improved post project evaluation and monitoring of key environmental benefits; and
- Improved prioritisation process across the programme as a whole.

CPB scrutinises the programme before it is sent to Committees, and officers undertake any reworking and/or rephasing of schemes as required to ensure the most efficient and effective use of resources deployed. The Board also ensures that all schemes included within the Business Plan under an initial outline business case are further developed and reviewed before final recommendation is given to start the scheme.

Service Committees review the prioritisation analysis and the Capital Programme is subsequently agreed by General Purposes Committee (GPC), who recommends it to Full Council as part of the overarching Business Plan.

A summary of the Capital Programme can be found in the Medium Term Financial Strategy section of the Business Plan (Section 2), with further detail provided by each Service within their individual finance tables (Section 3).

12: Revenue implications

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 taken into account 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, GPC 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 GPC to ensure that changing factors such as the level of interest rates, or the external funding environment are taken into account when setting both.

Invest to Save / Earn schemes are excluded from the limit – whilst the financing costs for commercial activity 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. In order to afford a degree of flexibility from year-to-year, the limit is reviewed over a three-year period. Following the change in the Minimum Revenue Provision policy, agreed by Full Council in February 2016, the debt charge limits are as follows:

	2021 - 22 (£m)	2022 - 23 (£m)	2023 - 24 (£m)	2024 - 25 (£m)	2025 - 26 (£m)	2026 - 27 (£m)
Restated Debt Charges Limits	39.7	40.3	40.8	41.4	41.9	42.4
2021-22 Business Plan (excluding Invest to Save)	32.2	33.2	36.7	40.4	41.8	42.9
HEADROOM	**-18.7**			**-0.6**		

Once the service programmes have been refined, if the amalgamated level of borrowing and thus debt charges breaches 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.

In more recent years, the Council has undertaken a more focused review of the Capital Programme in order to minimise the cost to the taxpayer of financing debt charges for capital schemes. The review has focused on re-prioritising and re-programming capital schemes according to need to ensure that the Council makes the best use of the capital funding available and minimises the revenue impact of capital projects.

Due to the Council's strategic role in stimulating economic growth across the county through infrastructure investment, any capital proposals that are able to 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.

However, there will still be a short-term revenue cost to these schemes, as with all other schemes funded by borrowing. Therefore, GPC will still need 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.

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.

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. As part of the 2017-18 Business Plan, the Council decided to use this flexibility to fund transformational activity, and as a result, prudential borrowing undertaken by the Council for the years 2017-18 to 2021-22 will be between £2.3m and £3.3m higher in each respective year. This is expected to create additional

Financing costs in the revenue budget of £150k to £200k each year. For further information, please see the Flexible Use of Capital Receipts Strategy contained within section 3 of the MTFS (Section 2).

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.

13: Managing the Capital Programme

The Capital Programme is monitored in year through monthly reporting, incorporated into the Integrated Finance Monitoring Report. Services monitor their programmes using their monthly Finance Monitoring Reports, which are reviewed by the Service Committees. These feed into the Integrated Report which is scrutinised by CPB, submitted to Strategic Management Team, then is subsequently reviewed by GPC. The report identifies changes to the Capital Programme to reflect and seek approval for;

- new / updated resource allocations;
- slippage or brought forward programme delivery;
- increase / reduction in overall scheme costs; and
- 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 is 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 (i.e. because the scheme is required to start within the current financial year, or the following financial year if it is too late to be included within the current Business Plan).

In these situations, any supplementary capital request will be prepared in consultation with, and with the agreement of, the Chief Finance Officer. The report will, where possible, 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 GPC. As part of this report, in line with the Business Planning process, any new schemes costing more than £250,000 will be appraised as to the financial, human resources, property and economic consequences before detailed estimate provision is made.

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 GPC for approval as part of the monthly Integrated Finance Monitoring Report. Any over spends, 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.

14: Summary of the 2021-22 Capital Programme

Total expenditure on major investments underway or planned includes:

- Providing for demographic pressures regarding new and improved schools and Child and Family Centres, as well as adaptions and major repairs (£511m)
- Commercial Investment Portfolio (£192m)
- Housing Provision (£152m)
- Major road maintenance (£79m)
- Investing in Connecting Cambridgeshire (£45m)
- King's Dyke Crossing (£34m)
- North Angle Solar Farm, Soham (£26m)
- A14 Upgrade (£25m)
- Shire Hall Relocation (£19m)
- Decarbonisation Fund (£15m)
- Transformation Activity (£14m)
- Integrated Community Equipment Service (£13m)
- Wisbech Town Centre Access Study (£11m)
- Stanground Closed Landfill Energy Project (£8m)
- Waste – Household Recycling Centre Improvements [redacted]
- Trumpington Smart Energy Grid (£7m)
- Babraham Smart Energy Grid (£6m)
- Cambs 2020 Spokes Asset Review (£6m)
- Community Fund (£5m)
- Data Centre Relocation (£5m)

The 2021-22 ten-year Programme, worth £630.0 million, is budgeted to be funded through £503.0 million of external grants and contributions, £48.4 million of capital receipts and £78.6 million of borrowing. This is in addition to an estimated previous spend of £812.3 million on some of these schemes, creating a total Capital Programme value of £1.4 billion. The related revenue budget to fund capital borrowing is forecast to spend £33.0 million in 2021-22, increasing to £42.7 million by 2025-26.

The Capital Programme includes the following Invest to Save / Invest to Earn schemes:

Scheme	Total Investment (£m)	Total Net Return* (£m)
Commercial Investments	192.4	144.9
Smart Energy Grid Demonstrator scheme at the St Ives Park and Ride	3.6	2.0
Babraham Smart Energy Grid	6.3	10.6
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	26.3	40.1
Housing schemes	152.4	57.8
County Farms investment (Viability)	3.0	7.4
Shire Hall Relocation	18.7	45.2
TOTAL	**420.5**	**332.7**

*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).

Figures within this section may be redacted in relation to schemes that are not yet tendered, due to commercial sensitivity.

Appendix 1: Allowable capital expenditure

Financial regulations proscribe certain costs from being capitalised, in particular administrative and other general overheads, together with employee costs not related to the specific asset (such as configuration and selection activities). Authorities are also required to write off any abnormal costs that arose from inefficiencies (such as design faults, theft of materials etc.).

The following table provides some examples of what can and cannot be capitalised. The examples should be regarded as illustrative rather than definitive – interpretation of accounting rules requires some subjective judgement that will be affected by the specific circumstances of each project.

Item of expenditure	Capital or Revenue?	Detail
Feasibility studies	**Revenue**	Until a specific solution has been decided upon, costs cannot be directly attributable to bringing an asset into working condition. This includes all costs incurred whilst deliberating on any issues, scoping potential solutions, choosing between solutions and assessing whether resources will be available to finance a project. However, feasibility studies can be capitalised if they occur after a decision has been made to go ahead with a particular option i.e. if they are directly attributable in bringing an asset closer to a working (or enhanced) condition.
Demolition of an existing building	**Capital**	Demolition would usually be an act of destruction that would be charged to revenue; however if the costs incurred are necessary in preparing a site for a new scheme, it can be argued that they are an integral part of the new works.
Costs of buying out sitting tenants of existing building	**Capital**	Similar to demolition costs, this would help prepare a site in its existing condition for the new works.
Initial delivery and handling costs	**Capital**	Required to bring the asset closer into working condition.
Costs of renting alternative accommodation for staff during building works	**Revenue**	All costs incurred in carrying out the regular business of the authority whilst construction is underway make no direct contribution to the value of the asset.

Item of expenditure	Capital or Revenue?	Detail
Site security during construction	**Revenue**	Although this activity protects the investment during construction, it does not enhance it.
Installation and assembly costs	**Capital**	Required to bring the asset closer into working condition.
Testing whether the asset is functioning properly	**Capital**	Required to bring the asset closer into working condition.
Rectification of design faults	**Capital**	Required to bring the asset closer into working condition. However, the previous expenditure incurred on the defective work would need to be written off to revenue.
Liquidated Damages	**Revenue**	Paying out damages as compensation for breaching a contract does not enhance the value of the asset.
Furniture and fittings	**Capital – but often revenue for CCC**	Items required to bring an asset into working condition are often capitalised as part of the overall cost of the scheme, even if such items fall below the de minimis limit of the authority. However, the Council's policy is to not capitalise equipment, therefore if the purchase is outside of an overarching property scheme, then the costs will be revenue. The downside of capitalisation is that it will not be possible to justify future replacement of furniture and fittings as being capital.
Training and familiarisation of staff	**Revenue**	The asset will be regarded as being in working condition, irrespective of whether anyone in the authority can use it.
Professional fees	**Capital**	But only to the extent that the service provided makes a contribution to the physical fabric of the new construction (e.g. architecture design) or the work required to bring the property into working condition for its intended use (e.g. legal advice in preparation of building contracts).
Borrowing costs	**Capital**	Any interest payable on expenditure incurred before the asset is in working condition can be added to the cost of the fixed asset. Any financing costs incurred after that date will be a charge to revenue. CCC is looking to amend its accounting policies in 2017-18 in order to be able to apply this.
Finance and Internal Audit staff costs	**Revenue**	These costs are generally incurred for governance reasons, rather than enhancing the value of the asset.

Appendix 2: Sources of capital funding

Central Government and external grants

Grant funding is one of the largest sources of financing for the capital programme. The majority of grants are awarded by Central Government departments including the Department for Education (DfE) and the Department for Transport (DfT). In addition, the Council receives grants from various external bodies, including lottery funded organisations. Grants can be specific to a scheme or have conditions attached, including time and criteria restrictions.

Capital receipts

The sale of surplus or poor quality capital assets as determined by the Asset Management Strategy generates capital receipts, which are reinvested in full in order to assist with financing the capital programme.

Section 106 (S106), Community Infrastructure Levy (CIL) and external contributions

S106 contributions are provided by developers towards the provision of public infrastructure (normally highways and education) required as a result of development. Capital schemes undertaken in new development areas are currently either completely or mostly funded by the S106 agreement negotiated with developers. The Community Infrastructure Levy (CIL) is a new levy that local authorities can choose to charge on new developments in their area that will replace a large proportion of S106 agreements once it comes into force. Other external contributions are made by a variety of organisations such as district councils, often contributing towards jointly funded schemes.

Private Finance Initiative (PFI) / Public Private Partnerships (PPP)

The Council has previously made use of additional government support through PFI and PPP and has dedicated resource to manage schemes that are funded via this source. Previous schemes that have been funded this way include Waste, Street Lighting and Schools. However, due to increasing criticism around some high-profile, large-scale PFI projects failing to deliver Value for Money, the Government announced in October 2018 that this form of capital finance will be abolished. It is believed another model will be created to continue allowing the private sector to fund public infrastructure, but it is not yet clear what from this will take.

Borrowing (known as prudential borrowing)

The Council can determine the level of its borrowing for capital financing purposes, based upon its own views regarding the affordability, prudence and sustainability of that borrowing, in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2017. Borrowing levels for the capital programme are therefore constrained by this assessment and by the availability of the revenue budget to meet the cost of this borrowing, considered in the context of the overall revenue budget deliberations. Further information is contained within the Treasury Management Strategy Statement (Section 7 of the Business Plan).

Revenue Funding

The Council can use revenue resources to fund capital projects on a direct basis. However, given the general pressures on the revenue budget of the Council, it is unlikely that the Council will often choose to undertake this method of funding.

Appendix 3: Investment Strategy for Non-financial Investments

Objectives

- Acquire properties that provide long-term investment to support the delivery of the Council's corporate objectives, including limitation of carbon emission liabilities
- Deliver a portfolio which balances risk and rewards, aligned to the Council's risk appetite
- Prioritise properties that yield optimal rental growth and stable income
- Protect capital invested in acquired properties

Legal Powers

Power to invest

Pursuant to the powers set out in Section 12 of the Local Government Act (LGA) 2003, the Council may invest either for *"any purpose relevant to the Council's functions under any enactment", (s. 12(a))* or *"the purposes of the prudent management of its financial affairs" (s. 12(b))*.

The power to invest given in Section 12 should in principle include the power to invest in commercial property. However, the power to invest in commercial property must be used either for a purpose relevant to a function of the Council, for example the regeneration of an area, for economic development outcomes, or for the prudent management of the authority's financial affairs. Investing purely to create a return is not viewed as a function of an authority. It is therefore important that the primary objective of the strategy is to support the strategic objectives of the Council. It is also important to ensure that public funds are not exposed to unnecessary or unquantified risk.

In exercising the power to invest under Section 12(b) the Council also has regard to the MHCLG Statutory Guidance on Local Government Investments. The Guidance advocates the preparation of an Investment Strategy which the Council will be expected to follow in its decision making process unless a sensible and cogent reason is articulated for departing from it.

Power to borrow

Section 1 of the LGA 2003 gives each local authority a power to borrow money for:
(a) any purpose relevant to its functions under any enactment

(b) the purposes of prudent management of its financial affairs provided it does not exceed its affordable borrowing limit under Section 3 of the LGA 2003 (s.2(1) and 2(4))

These powers mirror those in Section 12 of the LGA 2003 referenced above. The powers within the LGA 2003 are not considered wide enough to permit local authorities to borrow to invest purely in order to benefit from a financial return, particularly in light of the revised guidance on Local Government Investments which clearly states that authorities 'must not borrow more than or in advance their needs purely in order to profit from the investment of the extra sums borrowed'. However, the Localism Act 2011 was drafted to encourage councils to develop new and innovative business models. This legislation gives councils the General Power of Competence, which means a local authority has powers to do anything that is "for the benefit of the authority, its area or persons resident or present in its area". The power does not enable an authority to carry out activities that were not permitted by legislation in force before the Localism Act 2011.

The power to undertake an activity for a commercial purpose

The General Power of Competence may allow the Council to invest in property for a return but this activity is likely to be characterised as an activity for a commercial purpose and cannot therefore be undertaken directly by the authority (Section 4 of the Localism Act 2011). It may be pursued through a company formed for that purpose and being within the meaning of Section 1(1) of the Companies Act 2006. There will be attendant corporation and income tax liabilities which will need to be addressed in a business case. The formation of a company requires the preparation of a thorough and detailed business case and these and other considerations such as the financing of the company and any state aid issues would need to be addressed in that document.

Other Considerations

As well as ensuring the Council has the legal power to invest, the Council also needs to ensure that exercising its powers is carried out in line with relevant statutory guidance and professional codes of practice. CIPFAs Prudential Property Investment Guidance 2019 sets these out as:

- The application of case law principles concerning the reasonableness of decision making
- Statutory guidance issued by the government (MHCLG's Statutory Guidance on Local Government Investments and Statutory Guidance on Minimum Revenue Provision)
- The CIPFA Prudential Code
- Good practice in investment management, which considers the appropriateness of investments to the authority's risk appetite, its financial circumstances and the expected length of the investment need

These are taken into consideration throughout the rest of this strategy.

Governance Processes

The decision to invest public funds in commercial property is one that should not be taken lightly. Any investment carries with it a degree of risk and the level of returns are directly proportionate to the risk of the investment made. Whilst it is important to ensure that due and proportionate governance is followed, the market for commercial acquisitions is such that agile decision making is also important. This is particularly the case where the Council wishes to acquire commercial opportunities before they hit the market and thereby avoid bidder competition which tends to escalate the sales price.

There is a fine balance in ensuring appropriate due process has been undertaken whilst not restricting opportunities through overly burdensome governance requirements. As a consequence it will not always be possible for all acquisition proposals to be considered within the democratic cycle of meetings. C&I Committee has agreed that in order for such proposals to be considered, evaluated and pursued within an agile, yet transparent and accountable, framework, it needs to delegate responsibility via a tiered decision-making process as follows:

- £10m or less - Deputy Chief Executive/Chief Finance Officer (CFO) in consultation with Chairman of C&I Committee
- Greater than £10m but no more than £25m - C&I Committee Investment Group
- Greater than £25m but no more than £50m - C&I Committee
- Greater than £50m - GPC

The C&I Investment Group has been created to reflect the proportional representation of the Committee; there are 3 Conservatives Members, 1 Liberal Democrat Member, and 1 Labour Member. The meetings of this Group can be undertaken virtually if necessary. At times, it may be too difficult to convene this Group even before an initial expression of interest needs to be placed; therefore in this scenario, the Deputy Chief Executive/CFO in consultation with the Chairman and Deputy Chairman of C&I Committee is delegated the responsibility to place an initial bid (with the information also circulated to other members of the Group). Any final bid, however, has to follow the delegation as set out above.

Where appropriate, the Council works with a partner organisation to develop the portfolio in order to ensure the right skills are used and the necessary capacity is generated in order to access market opportunities. The Council has used several professional advisors to date, which has provided access to different opportunities across the market. The Commercial Team have brought together all of the Council’s investment information using input from services and professional experts in order to establish an overall investment approach (covering both financial and non-financial investment). This will ensure that investment decisions are assessed holistically, ensuring they not only operate within certain performance thresholds, but also take into account the full range of commercial opportunities available for investment.

The details of all opportunities are reviewed by the Investment Working Group using a robust appraisal process that assesses potential acquisitions for their location, tenancy strength, tenure, lease length, repairing terms and physical condition. This information is reviewed alongside strategic criteria and key ratios and forms the basis of a scorecard to indicate whether investment is worth pursing further. In addition, the acquisition business case also requires information on risks and exit strategies to be completed. The Council has also contracted investment advisors Redington to provide support and advice to elected members and statutory officers, including delivery of training.

Managing 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 strategy is 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 a number of ways, as follows.

Income Risk

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 Risk

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. It is therefore important that any purchasing decisions also contribute positively to the performance of the portfolio, both financially and but also in minimising the overall risks.

Concentration Risk

Concentration risk can be categorised into a number of constituent risks.

Sector Concentration: The main property sectors are retail, office, industrial and leisure/healthcare. The Council aims to 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. The value of industrial real estate holdings is sometimes adversely affected by changes in environmental legislation, and such holdings will therefore be limited in overall investment portfolios.

Geographical Concentration: The strength of the investment opportunity dictates the wider locations which may be considered outside of Cambridgeshire, as opposed to location being the driving force. 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. Engaging the services of an expert is therefore an essential prerequisite of the strategy.

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 can be compared with regard to their length (including renewal options), which may vary considerably, typically from ten to twenty years.

Due Diligence

The risks associated with a specific investment are mitigated by carrying out robust due diligence of the individual acquisition. This process includes the following activities:

- Valuation
- Market conditions
- Covenant strength
- Terms of leases
- Structural surveys

- Future costs
- Other issues

The Investment Strategy provides continual evaluation of the investment portfolio to meet the Council's priority to ensure that the investment portfolio is fit for purpose. A larger and more balanced portfolio helps to achieve the Council's aim of increasing income to support the delivery of services throughout the county, however a core portfolio of property assets has been sought with a view to diversification on individual assets by sector (industrial, offices and retail), location and risk.

Proportionality

The Council 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.

Dependency on Commercial Income

As noted earlier in the strategy, the Council cannot meet the financial challenges it faces through transformation alone and therefore part of the strategy has to be to generate additional revenue resources. However, there are inherent risks associated with commercial activity and as such the Council will be taking 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:

	2020-21 Estimate %	2021-22 Estimate %	2022-23 Estimate %	2023-24 Estimate %	2024-25 Estimate %	2025-26 Estimate %
Commercial income* to net service expenditure	-2.6%	-3.8%	-3.4%	-3.3%	-3.2%	-3.1%

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

Debt relative to Service Expenditure

As part of the process for agreeing the Capital Strategy, GPC currently agrees 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 (see Section 12). This can also be reviewed in terms of debt as a proportion of net service expenditure, which is forecast as follows:

	2020-21 Estimate %	2021-22 Estimate %	2022-23 Estimate %	2023-24 Estimate %	2024-25 Estimate %	2025-26 Estimate %
Financing costs to net service expenditure	8.4%	9.7%	9.4%	10.0%	10.5%	10.4%

However, it should be noted that the majority of these costs do not relate to borrowing incurred (or anticipated) for commercial investment, but rather to necessary borrowing required to support the Council's service Capital Programme.

Developing the Portfolio

Financial investment options, such as investment in property funds and issuing commercial loans to other organisations are covered by the Treasury Management Strategy. There are two main methods by which the Council can deliver is non-financial investment – through acquisition of property, or through development of its own assets.

Acquisition

The Council acquires both freehold and long-term leasehold properties, engaging the services of commercial property experts in order to identify suitable market opportunities. Where appropriate, the Council uses experienced advisors to undertake robust due diligence and complete sale documentation. Ongoing management arrangements for properties differs depending on the level of specialisation of the asset, as well as the complexity and certainty of tenure. For specialised, complex tenures, the Council outsources the ongoing property management arrangements, including facilities management and marketing arrangements. However, in other cases the management arrangements are undertaken by the internal team of commercial property surveyors.

The benefits of the acquisition approach are:
- revenue is generated from the point of acquisition
- risks are mitigated with proper due diligence
- reasonable levels of liquidity
- management costs are relatively low

There are two types of direct investment opportunities that the Council pursues:

- Best property for the sector in an ideal location, with long-term income from high quality tenants where yields are equal to or slightly above prime for the sector. Rental yield (financial return on the capital investment as a percentage) is lower than the general market, but capital and rental growth is steady and medium/long-term risk of void periods and tenant default is reduced.
- Properties similar to those above, but in slightly less favourable locations, with shorter leases and lesser tenant covenant strength, where returns are appropriate for the sector and risk. Rental yields in this area are slightly higher, reflecting the increase in risk. Given the depreciating specialist infrastructure and changes in trends, such assets may require substantial future capital expenditure in order to maintain the value of the interest; the risk from this should be fully explored and understood before purchase. Residential property provides a good income diversifier given its limited correlation to commercial property and returns have been stable over the long-term, although the level of tenant and property management should be carefully considered and allowed for in all appraisals.

The Council has initially taken a relatively low-risk approach to acquisitions in order to develop a sound real estate investment portfolio, and has therefore focused on the first type of opportunity in its search. This has reduced the level of return generated initially; longer-term it is proposed to target an average portfolio yield of 6% by 2024-25. Where an individual opportunity does not deliver a 6% yield (either initially or longer-term) but it is felt to still have potential, the investment is still reviewed by C&I Committee, taking into account any other supporting factors such as reduction of concentration risk. However, the Cambridgeshire market generates relatively low returns due to competition and security of tenure, therefore moving forward the Council may need to consider opportunities further afield if it wishes to generate higher returns.

As a result, the Council has acquired property in the following sectors: student accommodation, leisure, retail, manufacturing and office/logistics. The Council has continued with the incumbent outsourced operator for one of its acquisitions, who have expertise in student accommodation management. Marketing and property management for three of the Council's other acquisitions have also been outsourced to Carter Jonas; using one managing agent for several properties provides benefits of efficiency and expertise. Four of the five properties the Council has acquired have relatively secure or straightforward tenures mitigating the scale of proactive management required and the outsourced arrangements are overseen by the internal team of commercial property surveyors, acting as the intelligent client.

These acquisitions have created a balanced portfolio of investments across sectors and geographical locations, and have significantly reduced the Council's concentration risk across property type, sector and tenure. However, geographical concentration risk still exists, as all purchase have been made in county, or around the local economy (albeit the locations are spread around the county).

Development

The Council can either carry out development itself, such as with the Council's Commercial Energy Investments, or enter into an agreement with a developer to fund all or part of a development. This can be enacted as a direct commercial arrangement with a developer or can be delivered via a joint venture (JV) arrangement. This would require risk and reward arrangements to be established. In a JV scenario the level of risk mirrors the level of reward that each partner derives; this would normally be 50:50, however other scenarios could also be developed. If the Council develops the investment itself and simply seeks a provider to construct to a defined specification, the provider does not share any of the benefits – but neither does it share any of the risks.

The benefits of this type of commercial arrangement are that the developer can bring skills that the Council does not hold internally. The investment will deliver a premium over and above straight investment, however it therefore carries with it proportionately greater risk. Selecting the right development partner is therefore essential for success.

Self-development brings greater financial rewards and ensures that the Council remains in control of the development. However, the Council may need to invest to ensure that it has the right skills and capacity to manage such an investment programme, if these skills do not exist within the Council. The disadvantages are that revenues are only accrued once the development has been completed; land acquisition and other costs are incurred long before any revenue stream commences. There is also very low liquidity during construction and diversification of the portfolio is low. The self-development route exposes the Council to procurement and construction risks which need to be mitigated by the 'buying in' of the appropriate and necessary skills.

The Council has one completed energy development scheme and has several further energy schemes in progress.

Funding the Portfolio

Section 5 and Appendix 2 of the main Capital Strategy detail how capital expenditure can generally be funded. Not all types of funding, however, can be used to fund non-financial investment; the main sources are revenue/reserves, capital receipts, borrowing, and occasionally, Government grants.

Revenue/Reserves

Given the Council's overall financial position, this requires further savings to be identified within the revenue budget to the same value as the charge; therefore this funding route is not a realistic option for the Council

Capital Receipts

The Council's current surplus asset policy is to repurpose non-operational property to generate a revenue return where possible, rather than dispose of the asset to generate a receipt. However, the Council has also set up its own housing company, This Land, to develop some of the Council's surplus estate, which in turn generates capital receipts for the Council at the point where assets are sold to the company. The Council has therefore decided to use these specific receipts, currently forecast to generate around £113m, to fund the Council's commercial investment programme, as well as the receipt from the disposal of Shire Hall. However, these receipts could have been used to fund the non-commercial investment aspects of the Council's Capital Programme; therefore there is an opportunity cost of using the receipts to fund commercial investment (which is equivalent to the revenue cost that would have been incurred should the commercial investment have been funded by borrowing).

Borrowing

As with borrowing for any capital project, both the interest cost and a Minimum Revenue Provision (repayment of principal) charge would need to be covered by revenue payments (see Section 12). However, there are additional restrictions in place with respect to borrowing to fund both financial and non-financial investment – MHCLGs Statutory Guidance on Local Government Investments states that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums bowed. If an authority exceptionally choose to do so, then it needs to clearly explain why it has disregarded the guidance.

The Council anticipates that the core element of its commercial investment will be funded by capital receipts. However, by itself this is not sufficient to support the Council's plans regarding expectation of the level of commercial income that will be used to support the Council's revenue budget over the medium-term. Therefore, the Council has taken a measured risk towards using borrowing to fund some element of the Council's commercial investment, whilst also ensuring to develop the Council's place-making role at the same time.

When underrating any borrowing, the Council has to have regard to CIPFAs Prudential Code 2017 to ensure borrowing remains within an affordable limit. The Council therefore reviews borrowing in relation to commercial investment as part of the overall capital programme, to ensure it remains affordable, prudent and proportional.

Whilst the cost of PWLB borrowing increased by 100 basis points during October 2019, due to having secured £100m of borrowing prior to rate rises, the Council's track record in securing good value borrowing from other lenders (particularly other local authorities) and also remaining 'internally borrowed' (utilising cash balances to mitigate the level of external borrowing), the Council does not expect this rate rise to impact significantly over the life of the Business Plan.

Managing the Portfolio

Management of Property

Properties with fully repairing and insuring leases and excellent energy performance are sought as a preference for investment, in order to minimise the cost of management and maintenance. Exceptions can be made for properties that are purchased for specific development or planning reasons. In order to minimise management overheads, use of an external property management firm is considered to handle the day to day operational issues with the portfolio, particularly for properties which are outside the county, are specialised in nature or have complex tenures.

Tenure

Assets acquired with tenants in place may be subject to sub-leases granted within the security of tenure provisions of the Landlord and Tenant Act 1954. This is less attractive if assets are purchased for future development possibilities, as ending the tenancies requires the Council to satisfy one of the grounds under the Act to take back possession. Conditions of tenure is therefore a further important consideration in any investment decision and is reviewed as part of the acquisition business case.

Realising the Investment

There may be a need in the future to dispose of property investments. This could happen 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 at the outset. Therefore, as part of the investment decision, consideration will be given to the potential ways in which the Council could "exit" from the investment, such as sale to another investor, sale for redevelopment, etc. An investment will only proceed where a clear exit strategy has been identified in the acquisition business case.

Monitoring the Portfolio

The Council's Commercial Team is responsible for undertaking ongoing performance and risk management of the Council's investment portfolio in order to ensure that it is continuing to deliver against target. The Council does this through both the monthly C&I Finance Monitoring Report, and the quarterly C&I Key Performance Indicators Report, both reported to C&I Committee. Active monitoring of the performance of individual properties within the portfolio is undertaken jointly across services – property, finance and commercial – and is reported to both the C&I Investment Group and Commercial Board. 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 or yield.

Current Portfolio

Acquisition:	Brunswick House	**Date of Acquisition:**	26/07/18
Service Objectives	Diversify and increase income streams to the Council, protecting frontline services notwithstanding reducing government grant and rising demand. Supporting sustainable and well managed student accommodation, held in local ownership in Cambridge, one of the world's leading student cities. There is significant undersupply of purpose built student accommodation in the city with 44% of students unable to access purpose built accommodation. Inward economic investment: directly and indirectly supportive to jobs in the education sector, a key industry in the county's economy.	**Assessment of Risks**	Constructed in 2012, the property was acquired in good condition, marketed to students at the higher/premium end of the market. The principal financial risk relates to occupancy levels (demand for student housing). Demand for student accommodation in Cambridge is expected to remain strong, despite the impact of Covid-19. The nature of the student property market in Cambridge is that quality of student experience is a key aspect of the offer alongside, and indeed in many cases ahead of, pricing. At the point of acquisition there were additional risks arising from tenancy terms and correction of a construction deficiency at the property under warranty; these were outlined in Committee reports and have subsequently been mitigated or resolved through remedial works and novation arrangements.

Acquisition:	Brunswick House	**Date of Acquisition:**	26/07/18
			A successful planning application has been made since purchase to relax planning conditions to allow more flexible use of the building outside of university term time, for example for conference use.
Advisors / Market Research	Property Consultants, Carter Jonas, were engaged to appraise the investment opportunity – conducting market research and valuing the property in view of demand, planning conditions, future prospects and condition. Legal advisors, Birketts LLP, dealt with the conveyancing and transaction, providing advice on legal issues arising from Property, Construction, Tax, Commercial, Planning and Employment. Brunswick House is staffed on a day-to-day basis and marketed by HomesforStudents, who operate 15,000 student rooms across the country with a strong reputation for student experience, welfare and security. The property is managed for the Council by Homes for Students who handle all day to day management on a contract running to	**Liquidity / Exit Strategy**	There are no plans to sell currently. The acquisition was not funded by borrowing; however, if required, the property could be sold. There was an active market for the property when it was acquired, and the property market in Cambridgeshire has strong foundations and resilience. Should student accommodation become less viable the Council would investigate alternatives such as residential apartments or accommodation for elderly people.

Acquisition:	Brunswick House		**Date of Acquisition:**	26/07/18	
	2021. Should this contract not be renewed an alternative manager would be procured to continue running Brunswick House as student accommodation.				
If funded by borrowing, why was this required?	N/A		**Explanation of why the Statutory Guidance on local Authority Investments and the Prudential Code have not been adhered to**	N/A	
Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
39.5	-	-	2.4 initially	0.5 initially	1.9 initially
Payback Period (Yrs)	**Net Income Yield (%)**	**Return on Investment (%)**	**Total Return over 25 Years (£m)**	**Internal Rate of Return (%)**	**Net Present Value (£m)**
16.4	4.8 increasing to 6.1	69.6	66.9	4.4	8.3
Additional Investment (£m)	**Current Value (£m)**	**Gain (+) / Loss (-) (£m)**	**Revenue implications of reported loss / Mitigating action**		
The Council is looking to establish a sinking	30.2	-9.3	The reported loss arises partly from the temporary impact of new competition opening in the immediate area, plus the impact of Covid-		

Acquisition:	Brunswick House		**Date of Acquisition:**	26/07/18
fund with at least 1% of net income in order to maintain and improve the property and compete with new entrants to the student accommodation market in Cambridge.			19 (albeit this is also expected to be relatively short-term). As such, occupancy was slightly below 100% for the 2019-20 academic year and fell further in the latter part of 2019-20 as students returned home, reducing the Council's return. However, occupancy for the new academic year currently stands at over 70% and is expected to continue to rise.	

Acquisition:	Cromwell Leisure Park	**Date of Acquisition:**	24/05/2019
Service Objectives	Diversify and increase income streams to the Council, protecting frontline services notwithstanding reducing government grant and rising demand. Inward economic investment: directly supportive to jobs in the leisure sector, supporting the local economy. This is the only large cinema in Wisbech, creating both a significant draw into the town and leisure provision opportunity across the Fenland/west Norfolk/south Lincolnshire sub region. Provides geographic diversity to the portfolio by investment into the most deprived district in the county.	**Assessment of Risks**	Risks include the reliance on rent from the leisure market which has experienced a recent downturn and has been put under further pressure during the pandemic. The investment market for leisure is also quiet at present so there may be a liquidity risk if the Council needed to sell the property. The cinema anchors the Leisure Park investment as a whole, but the cinema industry has been hit very hard due to social distancing issues with Covid-19. However, cinemas had been trading well prior to the pandemic and there is backlog of major film releases that would help restore the sector if social distancing issues can be overcome.
Advisors / Market Research	The Council commissioned Carter Jonas to produce a purchase report which examined the local area, cinema brands, food and beverage markets, the property itself and the relevant surveys and the current leases and service charges. Legal advice on the lease was also obtained from Mills and Reeve LLP.	**Liquidity / Exit Strategy**	There are no plans to sell currently. There are 4 units, with two of the smaller units now vacant. The existing tenants are the Light Cinema, who have a tenancy running to 2039 with a break at 2029; Prezzo Plc with a lease running to 2039 with a break at 2029 and the Restaurant Group (UK) Ltd with a lease running to 2039 and a break

Acquisition:	Cromwell Leisure Park	**Date of Acquisition:**	24/05/2019
			option at 2029. However, the Restaurant Group (UK) Ltd are now under a CVA and will be released and discharged from all remaining covenants at 31 March 2021. In the event of any of the tenants vacating new tenants are sought. It is most likely that the cinema would remain a cinema given that it's fitted out for this purpose and given the lack of local competition. Other leisure uses would be the most likely alternatives to a cinema but would require fitting out. Similarly, the restaurants are likely to remain as restaurants given the lack of local competition, the proximity of a cinema attraction and also the Tesco supermarket nearby. However, the Council has been approached regarding potential other uses; consideration of the mix of use will need to be carefully balanced with any new lettings. The Council also has the option to sell the property though this may be difficult in the current climate for the leisure sector.
If funded by borrowing, why was this required?	The Investment Strategy is clear that the level of income generation being targeted by the Council is unlikely to be supported by capital receipt funded investment alone. The	**Explanation of why the Statutory Guidance on local Authority**	N/A This is an in-county acquisition, supporting the leisure sector in Fenland.

Acquisition:	Cromwell Leisure Park		**Date of Acquisition:**	24/05/2019	
	strong yield of this asset is likely to underpin a funding approach which relies on borrowing.		**Investments and the Prudential Code have not been adhered to**		
Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
7.0	-	-	0.7 initially	0.0 initially	0.7 initially
Payback Period (Yrs)	**Net Income Yield (%)**	**Return on Investment (%)**	**Total Return over asset life (50 Years) (£m)**	**Internal Rate of Return (%)**	**Net Present Value (£m)**
17	10.1 falling to 7.8	206.0	29.1	6.0	5.3
Additional Investment (£m)	**Current Value (£m)**	**Gain (+) / Loss (-) (£m)**	**Revenue implications of reported loss / Mitigating action**		
0.4	7.0	N/A	Asset has not yet been valued at market value as this will be done during the 2020/21 accounts process. Council policy means assets are not revalued until the year after acquisition.		

Acquisition:	Superstore Site, Newmarket Road	**Date of Acquisition:**	15/08/2019
Service Objectives	Diversify and increase income streams to the Council, protecting frontline services notwithstanding reducing government grant and rising demand. Inward economic investment: directly supportive to jobs in the retail sector, supporting the local economy. Site provides the largest supermarket within 2 miles of the city centre and benefits from both considerable scale (e.g. extensive car parking) and diversification opportunities. It is a key selling point for both local residents and also college and university inhabitants and the prospering tourist market. Site is let on a number of continuous leases; the Council believes there is strong residual value in the event the tenant leaves and a replacement is needed, or there is opportunity to completely redevelop the site for housing.	**Assessment of Risks**	Risks are reduced by having a single tenant who is financially sound and trading in a prime area of Cambridge. The BNP Paribas Acquisition Report identifies a potential risk in the lease where Tesco have a "Substitution Clause". Tesco could serve notice to replace the Newmarket Road property with another subject to the replacement complying with terms outlined in the BNP Paribas report (i.e. an investment of equivalent standing). BNP Paribas are of the view that due to the strong levels of trade enjoyed by Tesco at the property, the chances of a trigger event occurring are very low and accordingly don't feel the clause presents a risk to the long leasehold owner.
Advisors / Market Research	BNP Paribas Real Estate provided an acquisition report which included information about the location and accommodation, a lease and income	**Liquidity / Exit Strategy**	There are no plans to sell currently. Tesco's current lease is due to expire in December 2029, however they do have the

Acquisition:	Superstore Site, Newmarket Road	Date of Acquisition:	15/08/2019
	overview and a market commentary and value assessment. The Council also commissioned Birketts LLP as legal advisors for this transaction and to consider in detail the terms of the leases.		option to renew for further periods. There is a risk that Tesco may decide to not renew their lease in the future and stop trading from the Newmarket Road site. Whilst it is perceived unlikely in the short to medium-term, if this decision was taken by Tesco in 2029, we would explore re-letting the property to another retailer who would be interested in leasing the whole site. Alternatively, we could explore reconfiguring the existing unit and site to create smaller individual units which could be rented out on a long-term basis. A third option would be to consider a residential led re-development of the site, given the option to purchase the freehold interest for a nominal amount. The Council also has the option to sell its interest in the property, particularly given the location and tenure on this site.
If funded by borrowing, why was this required?	The Investment Strategy is clear that the level of income generation being targeted by the Council is unlikely to be supported by capital receipt funded investment alone. The strong yield of this asset is likely to underpin a funding approach which relies on borrowing.	**Explanation of why the Statutory Guidance on local Authority Investments and the Prudential Code have not been adhered to**	N/A

Acquisition:	Superstore Site, Newmarket Road		**Date of Acquisition:**	15/08/2019	
Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
54.5	54.5	26.0	2.5 initially	0.1 initially	2.4 initially
Payback Period (Yrs)	**Net Income Yield (%)**	**Return on Investment (%)**	**Total Return over asset life (50 Years) (£m)**	**Internal Rate of Return (%)**	**Net Present Value (£m)**
20	4.6 rising to 5.6	167.9	150.8	4.8	35.4
Additional Investment (£m)	**Current Value (£m)**	**Gain (+) / Loss (-) (£m)**	**Revenue implications of reported loss / Mitigating action**		
0	54.5	N/A	Asset has not yet been valued at market value as this will be done during the 2020/21 accounts process. Council policy means assets are not revalued until the year after acquisition.		

Acquisition:	Kingsbridge Centre, Peterborough	**Date of Acquisition:**	21/08/2019
Service Objectives	Diversify and increase income streams to the Council, protecting frontline services notwithstanding reducing government grant and rising demand. Inward economic investment: directly supportive to jobs in the industrial sector, supporting the local economy. Whilst this investment is out of county, it is very much located in an area that is intrinsically linked to the Cambridgeshire local economy. Investment also provides opportunity to diversify the portfolio into the industrial/manufacturing sector.	**Assessment of Risks**	Well specified, freehold, self-contained distribution warehouse; originally designed as 5 industrial units, enabling split up and flexibility upon re-letting. The building is extensively fitted out by both occupiers to suit operational needs. One of the tenants is wedded to the building, with significant sunken costs and upgraded power supply, making it difficult for the business to relocate operation. Both tenants have long income to strong covenant ratings with guaranteed rental performance to Oct 2025 and no arrears. There is an acute shortage of available 'oven ready' supply, with the All Industrial void rate the lowest it's been in over a decade and no new speculative development of large warehouses on the horizon. Watts Environmental Phase 1 report concludes a low to medium environmental risk. This is satisfactory for a building in its current industrial use.

Acquisition:	Kingsbridge Centre, Peterborough		**Date of Acquisition:**	21/08/2019	
Advisors / Market Research	DTRE provided an acquisition report which included information about the location and accommodation, a lease and income overview and a market commentary and value assessment. Legal advice was obtained from Birketts LLP.		**Liquidity / Exit Strategy**	There are no plans to sell currently, however if required, the property could be sold. There was an active market for the property when it was acquired, and the industrial sector is currently very tight due to lack of supply, particularly in Peterborough which benefits from good road links.	
If funded by borrowing, why was this required?	The Investment Strategy is clear that the level of income generation being targeted by the Council is unlikely to be supported by capital receipt funded investment alone. The strong yield of this asset is likely to underpin a funding approach which relies on borrowing.		**Explanation of why the Statutory Guidance on local Authority Investments and the Prudential Code have not been adhered to**	This is an out of county acquisition, supporting the industrial sector in Peterborough. Whilst it is out of county, it is very close geographically to the county border and is therefore inextricably linked with the local Cambridgeshire economy.	
Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
12.3	1.6	0.8	0.7 initially	0.0 initially	0.7 initially
Payback Period (Yrs)	**Net Income Yield (%)**	**Return on Investment (%)**	**Total Return over asset life (50 Years) (£m)**	**Internal Rate of Return (%)**	**Net Present Value (£m)**
20	5.9 rising to 7.5	213.5	45.5	5.4	10.8
Additional Investment (£m)	**Current Value (£m)**	**Gain (+) / Loss (-) (£m)**	**Revenue implications of reported loss / Mitigating action**		

Acquisition:	Kingsbridge Centre, Peterborough		**Date of Acquisition:**	21/08/2019
0	12.3	N/A	Asset has not yet been valued at market value as this will be done during the 2020/21 accounts process. Council policy means assets are not revalued until the year after acquisition.	

Acquisition:	Evolution Business Park, Impington	**Date of Acquisition:**	31/01/2020
Service Objectives	Diversify and increase income streams to the Council, protecting frontline services notwithstanding reducing government grant and rising demand. Investing in a site that provide jobs in Cambridgeshire and promotes a thriving local economy.	**Assessment of Risks**	A key risk is the funding arrangements for one tenant, a young but successful company, which currently underpins 45% of the income from the site. The Council does have the option to pursue a further unit (currently being explored), which would help to mitigate some of the tenant risk.
Advisors / Market Research	The Council commissioned a pre-purchase report by Carter Jonas which included review of the locations and site accommodation, lease and tenant reviews and market commentary. Legal advice was obtained from Birketts LLP.	**Liquidity**	There are no plans to sell currently. Investor appetite has been very strong in the area which suggests the site could be sold if required.
If funded by borrowing, why was this required?	The Investment Strategy is clear that the level of income generation being targeted by the Council is unlikely to be supported by capital receipt funded investment alone. The strong yield of this asset is likely to underpin a funding approach which relies on borrowing.	**Explanation of why the Statutory Guidance on local Authority Investments and the Prudential Code have not been adhered to**	N/A

Acquisition:	Evolution Business Park, Impington		**Date of Acquisition:**	31/01/2020	
Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
29.7	29.7	18.2	1.7 initially	0.0	1.7
Payback Period (Yrs)	**Net Income Yield (%)**	**Return on Investment (%)**	**Total Return over 25 Years (£m)**	**Internal Rate of Return (%)**	**Net Present Value (£m)**
16	5.7 rising to 6.6	230.5	45.6	6.6	34.8
Additional Investment (£m)	**Current Value (£m)**	**Gain (+) / Loss (-) (£m)**	**Revenue implications of reported loss / Mitigating action**		
0	29.7	N/A	Asset has not yet been valued at market value as this will be done in during the 2020/21 accounts process. Council policy means assets are not revalued until the year after acquisition.		

Appendix C

Capital Investment Appraisals
Summary of Scores

Ref	Title	Captial Scheme Category	(1) Meets Outcomes & Enablers 12/100	(2) Bold Economic Investment 15/100	(3) Asset Managemet Strategy 5/100	(4) Statutory Obligation 15/100	(5) Business Interuption / Risk 10/100	(6) Partnership Benefits 5/100	(7) Business Case 4/100	(8) Asset Life 7/100	(9) Value for Money 15/100	(10) Non-borrowing Funding 12/100	Total Score 100/100
A/C.01.040	Ermine Street Primary, Alconbury, Phas	P&C - Basic Need - Primary	12	0	5	10	5	0	2	7	0	12	**53**
A/C.01.043	Littleport 3rd primary	P&C - Basic Need - Primary	8	0	5	10	10	0	2	7	0	1	**43**
A/C.01.044	Loves Farm primary, St Neots	P&C - Basic Need - Primary	8	0	5	10	10	0	2	7	0	12	**54**
A/C.01.049	Northstowe 2nd primary	P&C - Basic Need - Primary	8	0	5	5	5	0	2	7	0	12	**44**
A/C.01.052	NIAB 2nd primary	P&C - Basic Need - Primary	8	0	5	10	10	0	2	7	0	12	**54**
A/C.01.056	Alconbury Weald 2nd primary	P&C - Basic Need - Primary	8	0	5	5	5	0	2	7	0	12	**44**
A/C.01.066	Bassingbourn Primary School	P&C - Basic Need - Primary	8	0	5	15	5	0	4	7	0	5	**49**
A/C.01.067	WING Development - Cambridge (new	P&C - Basic Need - Primary	8	0	5	15	10	0	4	7	0	11	**60**
A/C.01.068	St Philips Primary School	P&C - Basic Need - Primary	8	0	5	10	5	0	4	7	0	12	**51**
A/C.01.069	Caldecote Primary	P&C - Basic Need - Primary	8	0	5	10	5	0	4	7	0	9	**48**
A/C.01.071	Kennett Primary School	P&C - Basic Need - Primary	8	0	5	10	0	0	4	7	0	10	**44**
A/C.01.073	Manea Primary Expansion	P&C - Basic Need - Primary	10	0	5	10	5	0	4	7	0	3	**44**
A/C.01.074	Soham Primary Expansion	P&C - Basic Need - Primary	10	0	5	10	5	0	4	7	0	0	**41**
A/C.01.075	Sawston Primary Expansion	P&C - Basic Need - Primary	10	0	5	10	5	0	4	7	0	4	**45**
A/C.01.076	Sutton Primary Expansion	P&C - Basic Need - Primary	10	0	5	10	5	0	4	7	0	5	**46**
A/C.01.078	Friday Bridge Expansion	P&C - Basic Need - Primary	10	0	5	10	5	0	4	7	0	0	**41**
A/C.02.011	New secondary capacity to serve Wisb	P&C - Basic Need - Secondary	8	0	5	10	10	0	4	7	0	0	**44**
A/C.02.012	Cromwell Community College	P&C - Basic Need - Secondary	8	0	5	10	5	0	2	7	0	11	**48**
A/C.02.013	St. Neots secondary	P&C - Basic Need - Secondary	8	0	5	10	5	0	2	7	0	12	**49**
A/C.02.014	Northstowe secondary, phase 2	P&C - Basic Need - Secondary	8	0	5	5	5	0	2	7	0	9	**41**
A/C.02.015	Sir Harry Smith Community College	P&C - Basic Need - Secondary	8	0	5	10	10	0	4	7	0	11	**55**
A/C.02.016	Cambourne West secondary	P&C - Basic Need - Secondary	8	0	5	10	5	0	4	7	0	8	**47**
A/C.02.017	Soham Secondary Expansion	P&C - Basic Need - Secondary	10	0	5	5	5	0	4	7	0	0	**36**
A/C.03.004	Cottenham Early Years	P&C - Basic Need - Early Years	12	0	0	15	5	5	4	0	0	12	**53**
A/C.04.007	William Westley Primary	P&C - Adaptations	8	0	5	5	0	0	0	7	0	0	**25**
A/C.04.008	Duxford Community C of E Primary Sch	P&C - Adaptations	10	0	5	15	5	0	4	7	0	4	**50**
A/C.04.009	Sawtry Infants Adaptations	P&C - Adaptations	10	0	5	15	5	0	4	7	0	0	**46**
A/C.05.001	School Condition, Maintenance & Suita	P&C - Condition & Maintenance	8	0	5	15	5	0	2	7	0	12	**54**
A/C.08.003	SEN Pupil Adaptations	P&C - Specialist Provision	12	0	5	15	10	0	0	3	0	0	**45**
A/C.08.004	Replacement Pilgrim Pupil Referral Uni	P&C - Specialist Provision	8	0	5	5	5	0	2	7	0	0	**32**
A/C.08.005	Spring Common Special School	P&C - Specialist Provision	8	0	5	10	5	0	2	7	0	0	**37**
A/C.08.006	Highfields Special School Phase 2	P&C - Specialist Provision	8	0	5	15	10	0	2	7	0	3	**50**
A/C.08.007	Samuel Pepys Special School	P&C - Specialist Provision	8	0	5	15	10	0	2	7	0	0	**47**
A/C.09.001	Site Acquisition, Development, Analysis	P&C - Site Acquisition & Developn	8	0	5	0	0	0	2	7	0	0	**22**
A/C.09.003	Acquisition of playing field land	P&C - Site Acquisition & Developn	4	0	0	5	0	5	0	7	0	0	**21**
A/C.09.004	Acquisition of LNCH	P&C - Site Acquisition & Developn	6	0	5	5	5	0	4	7	0	0	**32**
A/C.10.001	Temporary Accommodation	P&C - Temporary Accommodation	8	0	5	15	5	0	2	5	0	3	**43**
A/C.11.001	Children's Minor Works and Adaptions	P&C - Children Support Services	0	0	5	0	0	0	0	5	0	0	**10**
A/C.12.005	Integrated Community Equipment Servi	P&C - Adult Social Care	12	0	5	15	10	5	2	0	0	0	**49**
A/C.12.006	East Cambridgeshire Adult Service Dev	P&C - Adult Social Care	12	0	0	0	0	5	2	7	0	10	**36**
A/C.13.005	Histon Library Rebuild	P&C - Cultural & Community Servi	6	0	5	0	0	5	0	3	0	0	**19**
A/C.13.006	Libraries - Open access & touchdown f	P&C - Cultural & Community Servi	10	0	5	0	0	5	2	3	0	0	**25**

Appendix C

Ref	Title	Captial Scheme Category	(1) Meets Outcomes & Enablers 12/100	(2) Bold Economic Investment 15/100	(3) Asset Managemet Strategy 5/100	(4) Statutory Obligation 15/100	(5) Business Interuption / Risk 10/100	(6) Partnership Benefits 5/100	(7) Business Case 4/100	(8) Asset Life 7/100	(9) Value for Money 15/100	(10) Non-borrowing Funding 12/100	Total Score 100/100
B/C.3.001	Highways Maintenance (carriageways (	P&E - Highways	12	15	5	0	10	0	2	7	0	1	**52**
C/C.3.001	Capitalisation of Transformation Team	CS - Transformation	8	0	0	0	0	0	0	0	0	12	**20**
C/C.3.002	Capitalisation of Redundancies	CS - Transformation	0	0	0	0	0	0	0	0	0	12	**12**
F/C.1.117	Commercial Investments	C&I - Commercialisation & Investn	4	15	5	0	0	0	4	7	10	7	**52**
F/C.1.119	Babraham Smart Energy Grid	C&I - Commercialisation & Investn	12	15	5	0	0	5	4	5	10	0	**56**
F/C.1.120	Trumpington Smart Energy Grid	C&I - Commercialisation & Investn	12	15	5	0	0	5	4	5	10	0	**56**
F/C.1.121	Stanground Closed Landfill Energy Pro	C&I - Commercialisation & Investn	4	15	5	0	0	5	4	5	10	0	**48**
F/C.1.122	Woodston Closed Landfill Energy Proje	C&I - Commercialisation & Investn	4	15	5	0	0	5	4	5	15	0	**53**
F/C.1.123	North Angle Solar Farm, Soham	C&I - Commercialisation & Investn	12	15	5	0	0	5	4	5	10	0	**56**
F/C.1.240	Housing Schemes	C&I - Commercialisation & Investn	12	15	5	0	5	5	4	7	5	12	**70**
F/C.1.243	Development Fund	C&I - Commercialisation & Investn	0	0	0	0	0	0	4	7	0	0	**11**
F/C.2.112	Building Maintenance	C&I - Property Services	8	0	5	0	10	0	0	5	0	0	**28**
F/C.2.113	Decarbonisation Fund	C&I - Property Services	4	15	5	0	0	0	0	5	0	12	**41**
F/C.2.114	Electric Vehicle chargers	C&I - Property Services	2	0	5	0	0	0	0	5	0	0	**12**
F/C.2.115	Oil Dependency Fund	C&I - Property Services	4	0	5	0	0	5	0	5	0	0	**19**
F/C.2.116	Climate Action Fund	C&I - Property Services	4	0	5	0	0	0	0	5	0	0	**14**
F/C.3.101	County Farms investment (Viability)	C&I - Strategic Assets	4	0	0	0	0	5	0	7	15	0	**31**
F/C.3.103	Local Plans - representations	C&I - Strategic Assets	8	0	5	0	0	5	0	7	0	0	**25**

Agenda Item No: 8

Treasury Management Report – Quarter Two Update 2020-21

To:	General Purposes Committee
Meeting Date:	24 November 2020
From:	Chief Finance Officer
Electoral division(s):	All
Forward Plan ref:	Not applicable
Key decision:	No
Outcome:	To provide the quarterly update on the Treasury Management Strategy 2020/21, approved by Council in February 2020.
Recommendation:	The General Purposes Committee is recommended to note the Treasury Management Quarter Two Report for 2020/21 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 Climate Summary

2.1 A current economic commentary is located in Appendix 1, which has been provided by Link Asset Services, the Council's treasury management advisers.

2.2 The Bank of England's Monetary Policy Committee kept the Bank Rate unchanged on 6th August (and subsequently 16th September).

2.3 The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). The peak in the unemployment rate was revised down from 9% in Q2 to 7½% by Q4 2020.

2.4 Cuts in interest rate by the Bank of England earlier in the year were accompanied by an increase in quantitative easing (QE): the purchasing of gilts (mainly) by the Bank of England of £200bn.

2.5 The annual inflation rate in the UK jumped to 1% in July 2020 from 0.6% in June. It is the highest reading since March, as the restrictions caused by the coronavirus pandemic were eased. However, in August's Monetary Policy Report, the Bank of England forecast that inflation is expected to fall further below the 2% target over the rest of 2020, as the cuts in VAT, reductions in headline wages, increases in unemployment weigh on costs.

2.6 It is forecast that the last three months of 2020 are now likely to show no growth as consumers will likely remain cautious on spending and the uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind.

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 overleaf.

3.2 Table 1 shows there is likely to be little upward movement in PWLB rates over the next two years as it will take economies a prolonged period to recover all the momentum they will lose in the sharp recession seen this year. Inflation is also likely to be low, at least initially, during this period.

Table 1 Interest Rate Forecast (%) Aug 11, 2020

Link Asset Services Interest Rate View	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

The above table is based on PWLB certainty rates – gilt yields plus 180bps.

Gilt Yields / PWLB Rates

3.3 Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields initially spiked upwards in March, we have seen yields fall sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds.

3.4 At the close of business on 30th September, all gilt yields from 1 to 6 years were in negative territory, 25-year yields were only at 0.76% and the 50 years at 0.60%.

3.5 There was a consultation with local authorities on possibly further amending PWLB margins running to 31st July. To date, the outcomes of the consultation have yet to be announced but it is clear that HM Treasury are intending to use policy levers through PWLB lending to (at least) dissuade local authorities from investment in commercial property and other assets with the sole focus of generating a yield.

3.6 Following the changes on 11 March 2020 in margins over gilt yields, the current situation for Cambridgeshire County Council is as follows: -

- PWLB Certainty Rate is gilt plus 180 basis points (G+180bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

Whilst the 180bps margin remains in place, the PWLB is an expensive source of borrowing. The County Council has made representations that the outcome of the HM Treasury consultation should be announced as soon as possible.

3.7 As the interest forecast table for PWLB certainty rates (gilts plus 180bps) above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period.

4. Summary Net Borrowing Position

4.1. At the end of September 2020, investments held totalled £95.3m (excluding 3rd party loans) and gross borrowing totalled £772.6m, equating to a net borrowing position of £676.9m. The actual net borrowing excluding 3rd party loans is included in the table below.

4.2 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 the table below.

Table 2 Net Borrowing Q2

	Actual as at 31 Jul 2020	Actual as at 31 Aug 2020	Actual as at 30 Sept 2020
	£m	£m	£m
Long term Borrowing (>12mth)	621.8	621.8	630.6
Short term Borrowing (<12mth)	162.0	132.0	142.0
Total Borrowings	783.8	753.8	772.6
Treasury Investment	143.9	80.0	95.3
TOTAL Net Debt/Borrowings	639.9	673.8	677.3

5. Investments

5.1 The Treasury Management Strategy Statement (TMSS) for 2020/21, includes the Annual Investment Strategy for financial assets, was approved by Council in February 2020. 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.

5.3 At 30th September 2020 the Council's investment balances totalled £95.3m; the balance is split between Money Market Funds, Call/Notice accounts and CCLA and Allianz collective investment funds (see below). The balance excludes Third Party Loans and Share Capital.

5.4 Property Fund Update:
The County Council invests in the Local Authorities Property Fund, managed by CCLA. The trustee is the Local Authority Mutual Investment Trust. Improved pricing stability and a modest increase in transactions volumes allowed the moratorium in dealing in the Fund's units to be lifted and dealings resumed from the September.

Capital values remained flat overall, but the position was not uniform across the sector. Once more retail asset values fell but there was improvement in parts of the office sector and retail assets continued to enjoy broad support. There were no acquisitions or disposals in the quarter, but it was a busy time for lease management activity. There were four substantial renewals completed, the success of which reflected the demand for the Fund's high quality assets in the industrials sector. Overall, the new agreements added £1m to overall income and also reduced the void rate, down to 8.5% including development voids of 2.9%. This compares to an industry average closer to 15%.

Conditions in the sector remain challenging. Recent signs of improved stability have been encouraging and whilst it is important to avoid premature optimism, there are grounds for expecting a more positive environment in the coming year.

5.5 Multi-Class Credit Fund:
During the quarter the Council invested £14.5m in Allianz multi-asset credit fund, following recommendation by our investment advisor and the Commercial & Investment Committee. During the first month invested, Allianz deployed funds from cash towards asset-backed, banking, telecoms, energy, and utilities.

- September was a negative month for credit.
  - The portfolio was down slightly.
  - Allianz deployed capital out of treasuries into a number of new names across corporates.
  - Credit looks reasonably priced with emerging markets looking attractive

Figure 3: CCC Investments allocation by Counterparty

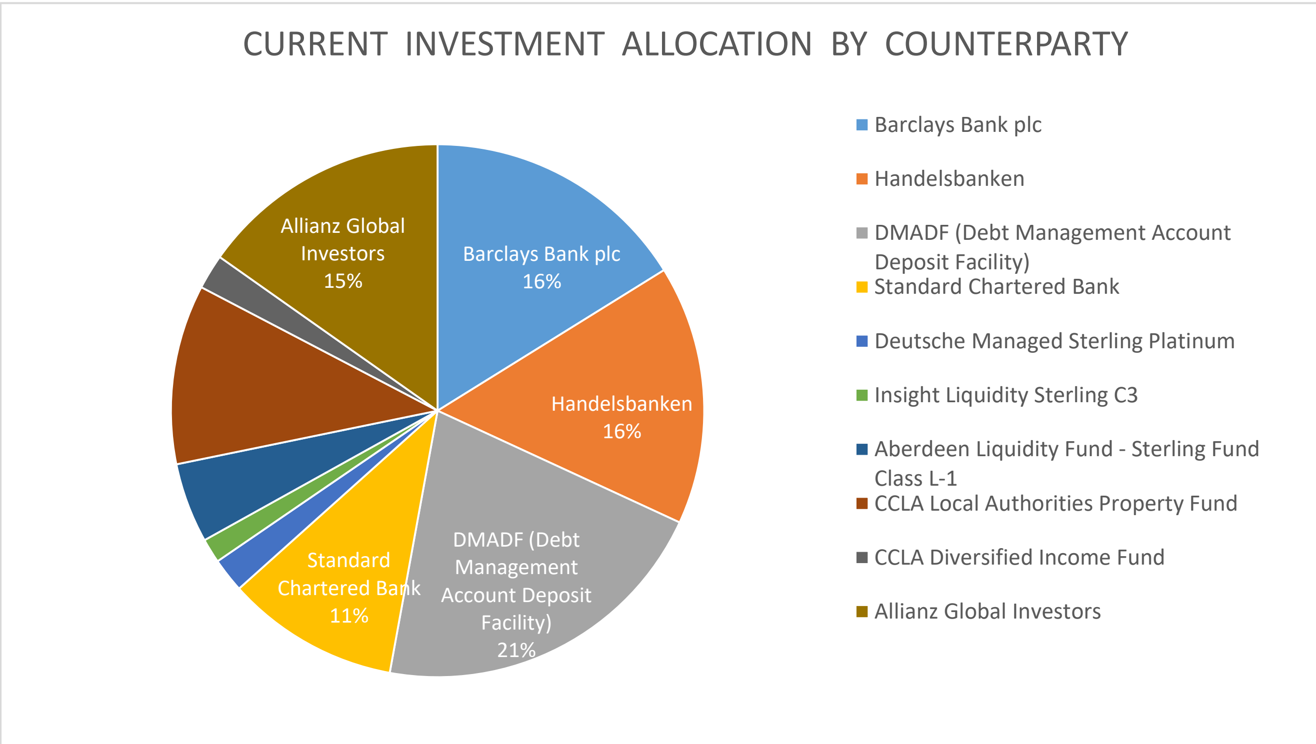


Table 3 below summarises the maturity profile of the Council's investment portfolio at the end of Q2 2019/20 (excluding Third Party Loans):

Table 3 - Investment maturity profile at end of Q2 2020/21

Product	Access Type	Maturity Period 0d £m	0-3m £m	3-6m £m	~5yrs £m	Total £m	%
Money Market Funds	Same-Day	8.0				**8.0**	***8.4***
Bank Call Account	Instant Access	40.4				**40.4**	***42.4***
Certificate of Deposits	Fixed Term / Tradeable		0.00	20.0		**20.0**	***21.0***
Pooled Property Fund	Redemption Period Applies				10.4	**10.4**	***10.9***
Pooled Diversified Income Fund	Redemption – two days				2.0	**2.0**	***2.1***
Pooled Multi-class credit Fund	Redemption Period Applies				14.5	**14.5**	***15.2***
	Total	**48.4**	**0.00**	**20.0**	**26.9**	**95.3**	***100.0***
	%	***51.0***	***0.00***	***21.0***	***28.0***	***100.0***	

5.6 Set out below are details of the amounts outstanding on loans and share capital investments classed as capital expenditure advanced to third party (non-subsidiary) organisations at the end of Q2:

Table 4 Third Party Loans

Loan Counterparty	Original Amount (£m)	Amount Outstanding (£m)	Repayment Year
Arthur Rank Hospice Charity	4.000	3.520	2042/43
Estover Playing Field 2015 CIC (Guaranteed by March Town Council)	0.350	0.249	2024/25
Wisbech Town Council	0.150	0.150	2043/44
VIVA Arts & Community Group	0.300	0.296	2043/44
Total Third Party Loans	**4.800**	**4.215**	

5.7 Investment balances are forecast to reduce by the financial year end as internal resources from temporary positive cashflow surpluses are applied to fund expenditure demands in lieu of fully funding the borrowing requirement (internal borrowing) on a net basis. This process effectively reduces the cost of carrying additional borrowing at a higher cost than the income that could be generated through short term investment of those balances, as well as reducing investment counterparty credit risk.

Table 6: Average Benchmark Performance - Q2 2020/21

	Benchmark	Benchmark Return	Council Performance
Q1	**3m LIBID**	0.61%	0.60%
Q2	**3m LIBID**	0.60%	0.63%
Q2(YTD)	**3m LIBID**	0.61%	0.62%

5.8 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 can't be accessed when required.
- Interest rate risk; the risk that arises 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 the PWLB rate is not favourable at present. The Council intends to keep a proportion of the borrowing portfolio short-dated; in doing so, the Council will also be in the position to take up any funding opportunities that could arise in the near term.

6.3 In Q2, the Council repaid on maturity a total of £56.1m, of which £55.0m was short-term loans from other local authorities and £1.16m was longer-term loans from other authorities and PWLB. Loans raised during Q2 amounted was £45m. Of which short-term borrowing maturing within 1 year was £35m, and £10m of fixed-term loans maturing within 2-3 years.

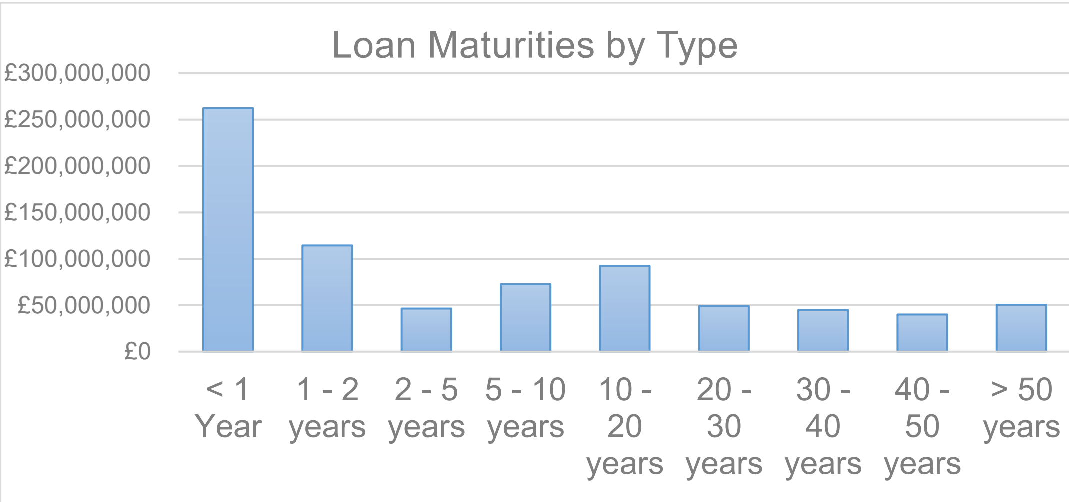
6.4 At the end of Q2, the Council held £772.6m of borrowing of which £262m matures in less than 1 year. The Council continues to be able to re-finance loans as required, generally this year at a lower interest rate than the maturity loan. As opportunities arise we are seeking longer loan terms, typically 2-3 years rather than less than 1 year, in view of the current conditions, and as we await the outcome of the PWLB consultation.

6.5 Table 7 overleaf sets out the maturity profile of the Council's borrowing portfolio at the end of Q2. £372.1m is held with the PWLB, £340.0m from other local authorities, £45m in market loans and £15.5m in a single market Lender Option Borrower Option (LOBO) loan.

Table 7: Loan Maturity Profile - Q2 2020/21

Term remaining	Borrowing	
	£m	%
< 1 Year	£262,232,333	33.94%
1 - 2 years	£114,365,333	14.80%
2 - 5 years	£46,419,000	6.00%
5 - 10 years	£72,683,667	9.41%
10 - 20 years	£92,323,333	11.95%
20 - 30 years	£49,160,000	6.36%
30 - 40 years	£45,000,000	5.82%
40 - 50 years	£40,000,000	5.18%
> 50 years	£50,500,000	6.54%
Total	**£772,683,667**	**100.0**

Figure 4 Loan Maturities by Type -Q2 2020/21



6.6 Market LOBO loans are included in Table 7 at their final maturity rather than their next potential call date. In the current low interest rate environment the likelihood of lenders exercising their option to increase the interest rates on these loans - 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 Q2. 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. Change of Banking Provider

7.1 As previously reported to GPC, NatWest bank were successful in a procurement process to become the Council's bankers. During the quarter preparations advanced substantially for NatWest to take over the Council's main accounts and those for the Pension Fund as well as for individual teams with specific business needs for an imprest account. The project has entailed detailed system configuration between the bank and the Council and the industry wide protocols for either automatically switching or notifying customers and stakeholders of the change have been instigated.

7.2 Accounts were switched at the beginning of quarter 3, and the early indications are that this has been a relatively smooth process. The project to move maintained school bank accounts is underway and continuing.

8. Alignment with corporate priorities

8.1 A good quality of life for everyone
There are no significant implications for this priority.

8.2 Thriving places for people to live
There are no significant implications for this priority.

8.3 The best start for Cambridgeshire's children
There are no significant implications for this priority.

8.4 Net zero carbon emissions for Cambridgeshire by 2050
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 the Prudential Indicators in 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.

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 LGSS Head of Procurement? Not applicable

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Not applicable

Have the equality and diversity implications been cleared by your Service Contact? Not applicable

Have any engagement and communication implications been cleared by Communications? Not applicable

Have any localism and Local Member involvement issues been cleared by your Service Contact? Not applicable

Have any Public Health implications been cleared by Public Health Not applicable

10. Source documents

10.1 Source documents

None

Appendix 1: Detailed economic commentary from the Council's external Treasury Management Advisor (prepared in early October)

During the quarter ended 30th September 2020*:*

- There was a quicker-than-expected recovery in GDP in June and July.
- Retail spending rose 4.0% above its pre-virus level, but the recovery in investment lagged behind.
- There was a second wave of the virus and a tightening in COVID-19 restrictions in September.
- In September, the Chancellor announced a new fiscal package worth £5bn (0.2% of GDP) to support the economy.
- Concerns about a second wave and a no deal Brexit weighed on the FTSE 100 and the pound.
- There were divisions on the Monetary Policy Committee over the possible use of negative interest rates.

The initial economic recovery appears to have been quicker than anticipated. GDP rose by 2.4% m/m in May as manufacturing and construction work resumed, by 8.6% m/m in June as non-essential retail stores reopened, and by 6.6% m/m in July as pubs and restaurants reopened. The rise in the all sector PMI from 57.1 in July to 58.7 in August suggests that recovery continued at a strong pace in August. Indeed our 'CE BICS Indicator' suggests that the economy grew by 5.0% m/m in August.

Consumer spending appears to have recovered strongly. Retail sales rose by 0.8% m/m in August, pushing sales 4.0% above their pre-pandemic level. The mini-boom in the housing market meant transactions rose by 28.9% y/y in August. Nationwide house prices rose by 0.9% m/m in September, which pushed up the annual rate to 5% – a four-year high. The Eat Out to Help Out, (EOHO), restaurant discount scheme and pent-up demand, also suggest that non-retail spending did well in August.

But this strength largely reflects the government's fiscal support since March. Indeed, it is encouraging that the bulk of the 4 million workers that have come off the furlough scheme between May and the end of July have gone back to their jobs rather than into unemployment or inactivity.

Even so, there have been signs that households' appetite for credit is waning. Consumer credit rose by only £0.3bn in August compared to July's £1.1bn rise. Admittedly, it could be that consumers are just using cash saved during lockdown to finance big ticket purchases. Indeed, the household saving rate surged from 9.6% in Q1 to a record-high of 29.1% in Q2. But consumer confidence has also weakened, slipping from -16.6 in August to -17.9 in September according to the EC.

What's more, having fallen by 26.5% q/q in Q2, business investment still seems to be well below pre-pandemic levels. According to the latest ONS Business Impact of the COVID-19 Survey (BICS), 38% of businesses said their plans to expand had been scaled back or cancelled since the pandemic. And the Bank of England's Agents survey suggested that investment intentions remain close to their record lows.

Meanwhile, there have been worrying signs that activity started to drop in September. Footfall on UK high streets had fallen to -45% y/y by mid-September. And despite not even having returned to its pre-crisis level, seasonally adjusted car production dropped by 24% m/m in August.

The mounting fiscal cost of the crisis is being reflected in public finance figures. Indeed, the government borrowed another £35.9bn in August, leaving borrowing in the year to date at £173.5bn. That's already the highest cash figure on record, with seven months of the financial year still to go (the previous record was £158.3bn in 2009/10). Add in the effects of the weak economy and we think that the Chancellor could end up borrowing £370bn (18.4% of GDP) in 2020/21 as a whole.

But the new package is unlikely to fully offset the hit to GDP and employment from the government's COVID-19 restrictions announced on 22 September. Indeed, the UK has begun to grapple with a second wave of coronavirus infections. This won't prevent some sectors from continuing to recover but will cause others to go backwards.

That is why we think that an impressive rebound in GDP of about +18% q/q will give way to no rise at all in October. Meanwhile, we still expect the unemployment rate to rise further, from 4.1% in July to 7% in Q4 2021.

This supports our existing view that the Bank of England will ease monetary policy further. Admittedly, the sharp drop in CPI inflation from +1.0% in July to +0.2% in August, due to the effects of the cut in VAT for hospitality/tourism and August's EOHO restaurant discount scheme, probably represents the low point for inflation. We expect CPI inflation to have risen to +0.6% in September and it could temporarily rise to 2.0% at the end of 2021. But the big picture is that it will be a few years before the economy is strong enough to sustain CPI inflation at the Bank of England's 2% target.

For the next 6-12 months, we think that QE will remain the tool of choice and that another £250bn of QE will be used over the next year, significantly more than the consensus forecast.

There are two key downside risks to the outlook. The first of these is the possibility that restrictions are tightened much further to contain the spread of coronavirus.
A no deal on 31 December is unlikely to spell disaster for the economy. But it could lead to a hit to GDP of 1-3% depending on the type of no deal, setting back the UK's recovery from the recession.

The concerns about the consequences for the economy from a second wave of COVID-19 and a no deal Brexit have reduced the FTSE 100 almost back to May's level and weakened the pound from $1.35 to $1.28. Some spreads of corporate bonds over gilt yields such as BBB ones, have started to tick up. With COVID-19 and a no deal Brexit risks rising, the risks to our forecast that the FTSE 100 will rebound to its pre-crisis level by the end of 2022 and that the pound will climb back to $1.35 if there is a Brexit deal are firmly on the downside.

In the euro-zone, there is further evidence that the economic recovery is grinding to a halt. This has resulted in short-time working policies being extended in Europe's Big Four until the end of the year at a minimum. And there is a good chance that the ECB will provide additional stimulus soon, perhaps making the TLTROs more generous.

The continued economic recovery in the US in the face of its second wave in June and July has been impressive, but GDP remains below pre-virus levels. And while the Fed adopted “a flexible form of average inflation targeting” in August, it has offered no hints it is contemplating adding more stimulus soon. But the calls for more stimulus may grow louder if the recovery slows, particularly if Congress can’t agree on more fiscal support.

Appendix 2: Treasury and Prudential Indicators

Prudential Indicator	2020/21 Indicator	2020/21 Q2
Authorised limit for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	-----£1,093.0m-----	
Operational boundary for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	----- £1,063.0m-----	
Capital Financing Requirement (CFR) *[Including PFI and Finance Lease Liabilities]*	£992.8m	£945.0m
Ratio of financing costs to net revenue streams	8.8%	7.94%
Upper limit of fixed interest rates based on net debt	150%	106%
Upper limit of variable interest rates based on net debt	65%	-6%
Principal sums invested over 365 days (exc' third party loans)	£50.0m	£26.9m
Maturity structure of borrowing limits:-		
Under 12 months	Max. 80% Min. 0%	33.9%
12 months to 2 years	Max. 50% Min. 0%	14.8%
2 years to 5 years	Max. 50% Min. 0%	6.0%
5 years to 10 years	Max. 50% Min. 0%	9.4%
10 years and above	Max. 100% Min. 0%	35.9%

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 7 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.

General Purposes Committee Agenda Plan

Agenda Item No.9

Published on 2nd November 2020

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
- Finance Report – The Council's Virtual Meeting Protocol states that no monitoring or information reports (includes the Finance report) will be included on committee agendas, they will instead be circulated to Members separately
- 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
24/11/20	1. Minutes – 20/10/20	M Rowe		11/11/20	16/11/20
	2. Finance Report (September) [circulated electronically]	T Kelly	Not applicable		
	3. Integrated Finance Monitoring Report for the Period Ending 30th September 2020	R Barnes	2020/019		
	4. Treasury Management Report – Quarter 2* [recommended for determination by Council]	Kim Kent-Augustin	Not applicable		
	5. Medium Term Financial Strategy	C Malyon	Not applicable		

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	6. Capital Strategy and Draft 2020/21 Capital Programme and Capital Prioritisation	E Tod	Not applicable		
	7. Transformation Fund Monitoring Report Quarter 2 2020-21 [circulated electronically]	K Allen	Not applicable		
	8. Performance Report – Quarter 1 [circulated electronically]	A Mailer	Not applicable		
22/12/20	1. Minutes – 24/11/20	M Rowe		09/12/20	14/12/20
	2. Finance Report (October)	T Kelly	Not applicable		
	3. Integrated Finance Monitoring Report for the Period Ending 31st October 2020	R Barnes	2020/020		
	4. Amendments to Business Plan Tables (if required)	C Malyon	Not applicable		
	5. Draft Revenue and Capital Business Planning Proposals for 2021-22 to 2025-2026 (whole Council)	C Malyon	Not applicable		
	6. Treasury Management Strategy	Kim Kent-Augustin	Not applicable		
	7. Strategic Framework	A Askham	Not applicable		
	8. Transformation Fund Bid - Cambridgeshire and Peterborough Region of Learning	A Askham P Carrington M Lord	Not applicable		
26/01/21	1. Minutes – 22/12/20	M Rowe		13/01/21	18/01/21
	2. Finance Report (November)	T Kelly	Not applicable		
	3. Integrated Finance Monitoring Report for the Period Ending 31st November 2021	R Barnes	2021/001		
	4. Local Government Finance Settlement	C Malyon	Not applicable		

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	5. Business Plan* [recommended for determination by Council]	C Malyon	Not applicable		
	6. Consultation Report	S Grace	Not applicable		
	7. Transformation Fund Investments for Business Planning 2020-21 to 2024-25	A Askham	Not applicable		
	8. Performance Report – Quarter 2	A Mailer	Not applicable		
	9. Corporate Risk Register	A Askham	Not applicable		
	10. Asset Based Area Proposal for Cambridgeshire and Peterborough	J Melvin	2020/035		
[23/02/21] Provisional Meeting					
23/03/21	1. Minutes – 26/01/21	M Rowe		10/03/20	15/03/20
	2. Finance Report (January)	T Kelly	Not applicable		
	3. Integrated Finance Monitoring Report for the Period Ending 31st January 2021	R Barnes	2021/002		
	4. Transformation Fund Monitoring Report Quarter 3 2019/20	K Allen	Not applicable		
	5. Treasury Management Report – Quarter 3	Kim Kent-Augustin	Not applicable		
[20/04/21] Provisional Meeting					
15/06/21	1. Minutes – 23/03/21	M Rowe		02/06/21	07/06/21
	2. Finance Report – Outturn 2020-21	T Kelly	Not applicable		
	3. Integrated Finance Monitoring Report for the Period Ending 31st March 2021	R Barnes	2021/003		
	4. Treasury Management Report – Quarter 4 and Outturn Report*	Kim Kent-Augustin	Not applicable		

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	[recommended for determination by Council]				
	5. Performance Report – Quarter 3	A Mailer	Not applicable		

Please contact Democratic Services democraticservices@cambridgeshire.gov.uk if you require this information in a more accessible format

GENERAL PURPOSES COMMITTEE TRAINING PLAN			The Training Plan below includes topic areas for GPC approval. Following sign-off by GPC the details for training and development sessions will be worked up.						
Ref	**Subject**	**Desired Learning Outcome/Success Measures**	**Priority**	**Date**	**Responsibility**	**Nature of training**	**Attendance by:**	**Cllrs Attending**	**Percentage of total**
1.	Emergency planning	The Council's roles and responsibilities, how do we respond in an emergency		25th July 2017	Stuart Thomas / Sue Grace		GPC	Bailey Bates Bywater Count Criswell Dupre Hickford Hudson Jenkins Nethsingha Schumann Shuter	80%
2.	Business Intelligence	Data / system integration Date sharing with other authorities. The importance of good governance and information management. *(pre reading material required)*		28th November 2017	Tom Barden/ Sue Grace		GPC	Bailey Bywater Criswell Dupre Hickford Hudson Jenkins Kavanagh McGuire Nethsingha Shuter Wotherspoon	80%