

AGENDA

CABINET

WEDNESDAY, 8 DECEMBER 2021

2.00 PM

**COUNCIL CHAMBER, FENLAND HALL,
COUNTY ROAD, MARCH**

Committee Officer: Linda Albon
Tel: 01354 622229
e-mail: memberservices@fenland.gov.uk

Whilst this meeting will be held in public, we encourage members of the public to view the meeting via our YouTube channel, due to the Council still observing Covid-19 restrictions.

This meeting of Cabinet can be viewed via You Tube link: <https://youtu.be/zBEOkwTqPho>

- 1 To receive apologies for absence
- 2 Previous Minutes (Pages 3 - 4)

To confirm and sign the minutes of the meeting held 21 October 2021.
- 3 To report additional items for consideration which the Chairman deems urgent by virtue of the special circumstances to be now specified
- 4 To receive members' declaration of any interests under the Local Code of Conduct or any interest under the Code of Conduct on Planning Matters in respect of any item to be discussed at the meeting
- 5 Draft Business Plan 2022/23 (Pages 5 - 20)

For Cabinet to approve the Draft Business Plan 2022-23 for public consultation.

6 Draft Budget 2022/23 and Medium-Term Financial Strategy (Pages 21 - 46)

To consider and approve: the revised General Fund Budget and Capital Programme for 2021/22; the Draft General Fund Budget Estimates 2022/23 and the Draft Medium-Term Financial Strategy 2022/23 to 2026/27 for consultation; and the Capital Programme 2022-2025.

7 Treasury Management Strategy Statement & Annual Investment Strategy Mid-Year Review 2021/22 (Pages 47 - 58)

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2021/22.

8 March Area Transport Study (Outline Business Case and Next Steps) (Pages 59 - 76)

To report the outcome of the March Area Transport Study Outline Business Case and note the approval to proceed to Full Business Case stage.

9 Draft 6 Month Cabinet Forward Plan (Pages 77 - 78)

For information purposes.

10 Items which the Chairman has under item 3 deemed urgent

Tuesday, 30 November 2021

Members: Councillor C Boden (Chairman), Councillor Mrs J French (Vice-Chairman), Councillor I Benney, Councillor S Clark, Councillor Miss S Hoy, Councillor Mrs D Laws, Councillor A Lynn, Councillor P Murphy, Councillor C Seaton and Councillor S Tierney

CABINET



THURSDAY, 21 OCTOBER 2021 - 4.00 PM

PRESENT: Councillor C Boden (Chairman), Councillor Mrs J French (Vice-Chairman), Councillor I Benney, Councillor S Clark, Councillor Miss S Hoy, Councillor Mrs D Laws, Councillor P Murphy, Councillor C Seaton and Councillor S Tierney

CAB25/21 PREVIOUS MINUTES

The minutes of the meeting held 30 September 2021 were agreed and signed.

CAB26/21 CIVIL PARKING ENFORCEMENT UPDATE

Members considered the Civil Parking Enforcement Update report presented by Councillor Mrs French.

Councillor Mrs French had attended a meeting on 7 September where County Highways and Transport Committee approval was given to progress civil parking enforcement plans. She stressed that we are not bringing in car parking charges unless Government forces us to do so. Councillor Mrs French shared details of the project delivery timeline, which will include a period of statutory consultation, leading up to the planned implementation of civil parking enforcement in October 2023.

Councillor Mrs Laws said she welcomed this news; civil parking enforcement cannot come to Whittlesey quickly enough because of parking abuse. It is disappointing it will take so long but she understands that there is a procedure to follow.

Councillor Murphy also welcomed the news, but he is disappointed it will not be implemented earlier. Parking in Chatteris gets worse by the day with people parking on double yellow lines, bends and at road junctions etc.

Councillor Seaton said he fully supports the proposal. However, it is his understanding that initially only the four market towns will benefit from civil parking enforcement and he asked how long it will be before it is enforced in the rural areas. Councillor Boden responded that it would come into force across all of Fenland at the same time. There will have to be mechanisms in place as to how it will work but there will be discussions with the town and parish councils. Councillor Seaton welcomed the news that it will be incorporated across the whole district as we are all aware of rural parking problems.

Councillor Mrs French advised that she had this morning attended a meeting of the Community Safety Partnership and spoke to Inspector Ian Lombardo as to whether he would arrange some parking enforcement, particularly around schools, over the next few months.

Councillor Tierney said residents have been asking for years why we cannot have traffic wardens. This is a good policy and he also supports it as it has been demanded for some time. However, it is a shame we cannot dig into the bureaucracy; it should not be this difficult. We should not have to jump so many hurdles to do something that people clearly support. He asked if there is any way to speed up the process and make it simpler with checks and balances in place. One observation he would make for the record is that most of the public are very supportive of this, but he predicts that

a few years down the line there will be complaints about the system and the new rules brought into place; unfortunately, that is the nature of public service. Nevertheless, it is a good policy, well done to Councillor Mrs French and he hopes it crosses the line.

Councillor Boden said that he would like to make one correction to Councillor Tierney's comment and stressed that apart from any changes taking place in the ordinary course of business, we will not be creating any new rules; it will just be a matter of enforcing the current rules.

Councillor Mrs French said at the Community Safety Partnership meeting this morning she did ask Inspector Lombardo if the plan had the support of the police. He advised he is in full support and has already responded.

Councillor Benney said that he too fully supports this and agreed with Councillor Murphy's comments regarding parking in Chatteris. The proposal will also bring economic benefits to Chatteris if we can get the environment right for businesses to thrive. Currently people drive to March as they cannot park within the town centre, but civil parking enforcement will make traffic more fluid, and businesses will surely welcome this. There have also been problems in the car park so potentially it could also alleviate anti-social behaviour in the town. It is a good thing for the towns and villages.

Councillor Mrs Laws said she hoped the promise made by Inspector Lombardo to Councillor Mrs French would be fulfilled and it was not lip service. Councillor Mrs French said that she has been discussing parking issues with Inspector Lombardo for some years; he always responds to her and they get on well.

Councillor Boden said he would like officers particularly to note that we all know we are not doing this as a money-making exercise, but nor can the County Council expect that we will generate money for them out of this. We are trying to introduce a system of enforcement which will mean that our on-street parking arrangements become more effective. His concern is the draft agency agreement, and it is essential that there is no misunderstanding on the part of the County Council about what that should or should not contain. There should be nothing about parking fees, neither should there be onerous terms placed upon FDC. We must recognise that we will be operating this on behalf of CCC but not if over bureaucratic or more onerous than necessary. FDC will accept in principle responsibility for the initial deficit but he would not want to waste time arguing where surplus may go. There should not be any surplus as there will be no parking fees. He is also concerned that any SRA created is not overly restrictive or prescriptive as we need as much flexibility as possible to operate this scheme in the light of what we see the initial and longer-term requirements to be once people are used to enforcement taking place.


Councillor Mrs French said this is the purpose of the additional CCC Highways and Transport meeting on 4 November. We have stressed that there will be no parking charges and we will be keeping funding, it will not be going to Peterborough.

Cabinet AGREED to:

- a) **Note the decisions agreed in respect of Civil Parking Enforcement at Cambridgeshire County Council Highway and Transport Committee on 7th September 2021**
- b) **Note the progress being made by FDC and CCC in respect of moving the introduction of CPE forward.**

CAB27/21 DRAFT 6 MONTH CABINET FORWARD PLAN

Councillor Boden presented the draft Cabinet Forward Plan for information and announced that the reserve Cabinet meeting planned for 17 November is cancelled.

Agenda Item No:	5	
Committee:	CABINET	
Date:	December 8 2021	
Report Title:	DRAFT BUSINESS PLAN 2022-23	

1 Purpose / Summary

- For Cabinet to approve the Draft Business Plan 2022-23 for public consultation.

2 Key issues

- Our Draft Business Plan 2022-23 identifies the key challenges and opportunities for Fenland. Its structure outlines our key Corporate Priorities (Communities, Environment, Economy and Quality Organisation), and an additional cross cutting 'Council for the Future' section. This section outlines transformative projects which aim to tackle areas of need within the district, or to transform services or the wider organisation to be fit for the future. These transformation projects are chosen by our Cabinet members.
- The impact of Coronavirus has and continues to affect our residents, partners, local businesses and our workforce. Recovering from the impact of Covid-19 and the 'Council for the Future' projects will be crucial in supporting the organisation to adapt and reshape to be able to effectively respond to future needs, aims and challenges.
- Despite the challenges posed by Coronavirus and over a decade of continued public sector austerity, the Council remains committed to delivering high-quality services. We are working hard to attract crucial external funding needed to unlock Fenland's potential and bolster its prosperity and resilience in the coming years. Millions of pounds worth of investment is already secured, and projects are underway as part of 'Partnership Investment in Fenland'.
- The Draft Business Plan 2022-23 will be presented to the Overview and Scrutiny Panel on 17 January 2022.
- The public will be invited to comment on the Draft Business Plan between 4 January and 31 January 2022 through an online survey. Feedback will be incorporated into the final version of the Business Plan that will be considered by Cabinet and Council on 24 February 2022.

3 Recommendations

- For Cabinet to approve the Draft Business Plan 2022-23 for public consultation.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor Chris Boden, Leader of the Council Councillor Steve Tierney, Portfolio Holder for Transformation and Communication

Report Originators & Contact Officers	Paul Medd, Chief Executive Peter Catchpole, Corporate Director Carol Pilson, Corporate Director David Wright, Head of Policy & Communications
Background Paper(s)	Budget and Medium Term Financial Strategy

Fenland District Council

Business Plan 2022/23

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Welcome to Fenland District Council's Business Plan for 2022/23.

Every year we set out our ambitions and priorities for the coming year. We outline what we want to achieve and how we intend to do it – with one thing at the forefront of our minds. People. Residents, visitors, employees, employers, our workforce – people are at the heart of everything we do, no matter how we plan for the years ahead.

The outcomes we focus on, the actions we'll deliver through working collaboratively with our partners and communities are what change people's lives for the better and for the long-term. They help to improve opportunities for everyone and make Fenland an even better place to live, work and raise a family.

During the past few years, we have made significant progress towards unlocking Fenland's potential, raising aspirations, improving public services, and securing inward investment to help our communities grow and strengthen.

Looking ahead, we know that the human cost of the Covid-19 pandemic will be felt keenly across the district, both in terms of loss and in the inequalities it has further exposed. Its financial cost is likely to lead to a long and protracted restructuring of the UK economy, the impact of which will be felt for many years to come.

Against this backdrop, Fenland continues to experience deprivation that affects people's quality of life, their health and even their life expectancy.

But if the past 18 months – two years has taught us anything, it's that we work better when we're standing together. The pandemic has shown us what's possible when public bodies, businesses

and communities work together with a common aim. That's the spirit we're taking forward with our Business Plan. Through continued collaboration to deliver our ambitions, the greater the likelihood that we can recover, renew, and create firm foundations for a healthier, stronger, and more resilient future.

In this plan you'll see a series of actions that will support this recovery, including progressing key town centre regeneration projects, delivering major transport and connectivity schemes, transforming our council services, protecting our environment, and identifying further investment opportunities.

Alongside the ambitions and priorities which will underpin all the work of our members and senior leadership team, there's lots of opportunities to look forward to. Challenges lie ahead, no doubt about it, but there is much locally to be proud of and we're confident we can deliver for the people of Fenland.



Paul Medd
Chief Executive



Chris Boden
Leader of the Council

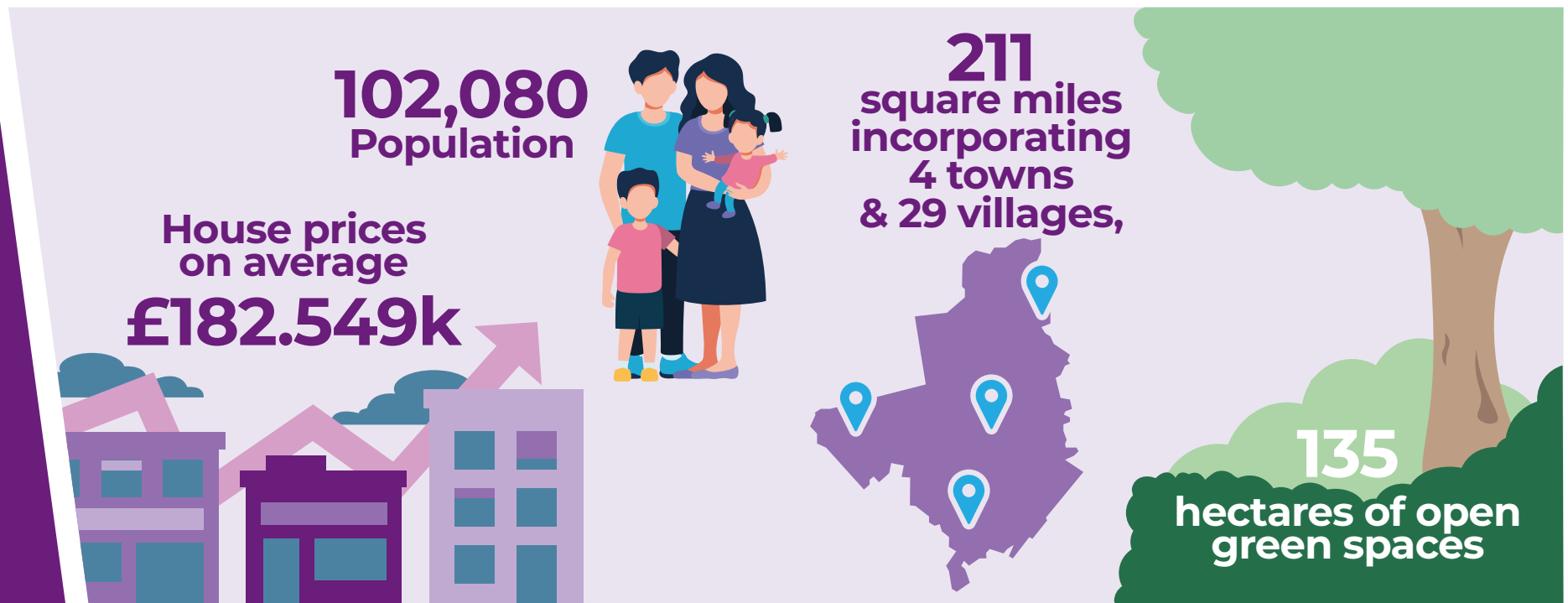
Fenland has strong community spirit and pride in its heritage. It is estimated that 102,080 people (ONS:2020) currently live in the Fenland District, which covers 211 square miles within North Cambridgeshire. More than 70% of residents live within our four market towns of Chatteris, March, Whittlesey and Wisbech. Our beautiful rural landscape is home to 29 villages and attracts visitors from nationwide.

Fenland has the lowest house prices in Cambridgeshire, with the average house priced at £182,549 (UK HPI: 2020), along with plentiful availability of commercial land. As a result, our population is growing quickly. By 2036, it is predicted that the population will have increased by 13% to 115,140 (ONS: 2020). As outlined within

this plan, we have plans in place to maximise the positive opportunities that growth could bring.

Our population is also getting older. 29% of our population are aged 60 or over; above average compared to Cambridgeshire and the UK (ONS: 2020). Alongside partners, we are working to enable residents to access the support they need to live happily, healthily and independently.

We also face some challenges around deprivation, particularly around education and health. We are the 80th (out of 326) most deprived area in the country, with some wards within the top 10% most deprived (IMD: 2019). Nevertheless, we continue to work closely with other organisations to positively overcome these challenges.



We've come a long way in our battle with coronavirus. At the start of 2021 we were in our second period of national lockdown, with fears about the impact it would have on jobs, businesses, and the economy, as well as people's mental health and wellbeing, at the forefront of our minds.

As a Council, meeting the demands of the Covid-19 pandemic have been vast. Whilst delivering business as usual, we have responded to, and delivered, changes in legislation within days, created new services to respond to residents' needs and communicated the latest guidance effectively with communities, businesses, and our workforce.

At the same time, we've accelerated the pace of our customer services transformation. Work to provide more modern, efficient, and flexible ways to access our services has been a Council priority for some time, but the rapid

uptake of digital technologies during the pandemic meant we had to fast-track years of progress in a matter of months.

Not only have we significantly improved our online access, but we have increased the automation of our digital services and developed faster and more streamlined processes to make it even easier for people to interact with us, whilst ensuring that face-to-face services remain available for those that need them.

Meeting the challenges of Covid has also enabled even closer working with our partners, stakeholders and communities, and a greater pooling of our combined resources.

Now, as we continue to recover from the crisis, there is a great deal we can learn from our pandemic response. We have an opportunity to harness the innovation, collaboration and creativity which has flourished so much during the past almost two years and use it to evolve even further.

Over 2,350 requests for support to the Council's Covid-19 Community Hub

Distributed over £30 million in business grants to local businesses

Support for regulatory compliance made to more than 100 local businesses

Provided emergency accommodation for 57 rough sleepers

Over 620 self-isolation payments made to local residents

*figures up to October 2021

Our Business Plan sets out the priorities we aim to deliver over the next 12 months. These priorities have been developed to address the most important needs of our communities.

Our priorities are split into three headings: Communities, Environment and Economy. These priorities primarily focus on the statutory and wide variety of core services that we provide day-to-day. In a typical year we empty 3 million bins, clean 210 square miles of town centres and open spaces, answer 78,000 telephone enquiries and determine 1,300 planning applications – and more!

The fourth priority, Quality Organisation, sits alongside everything we do. It aims to ensure that the Council runs effectively, transparently and sustainably. We invest in and support our workforce to ensure they have the skills and resources they need to work to the best of their ability.

Our unique ‘one- team’ culture enables officers, elected members and partners to work effectively together without the constraints of traditional department silos. This approach results in excellent staff satisfaction, with a record 95% of staff saying they were proud to work for us in our latest Staff Survey (2020).

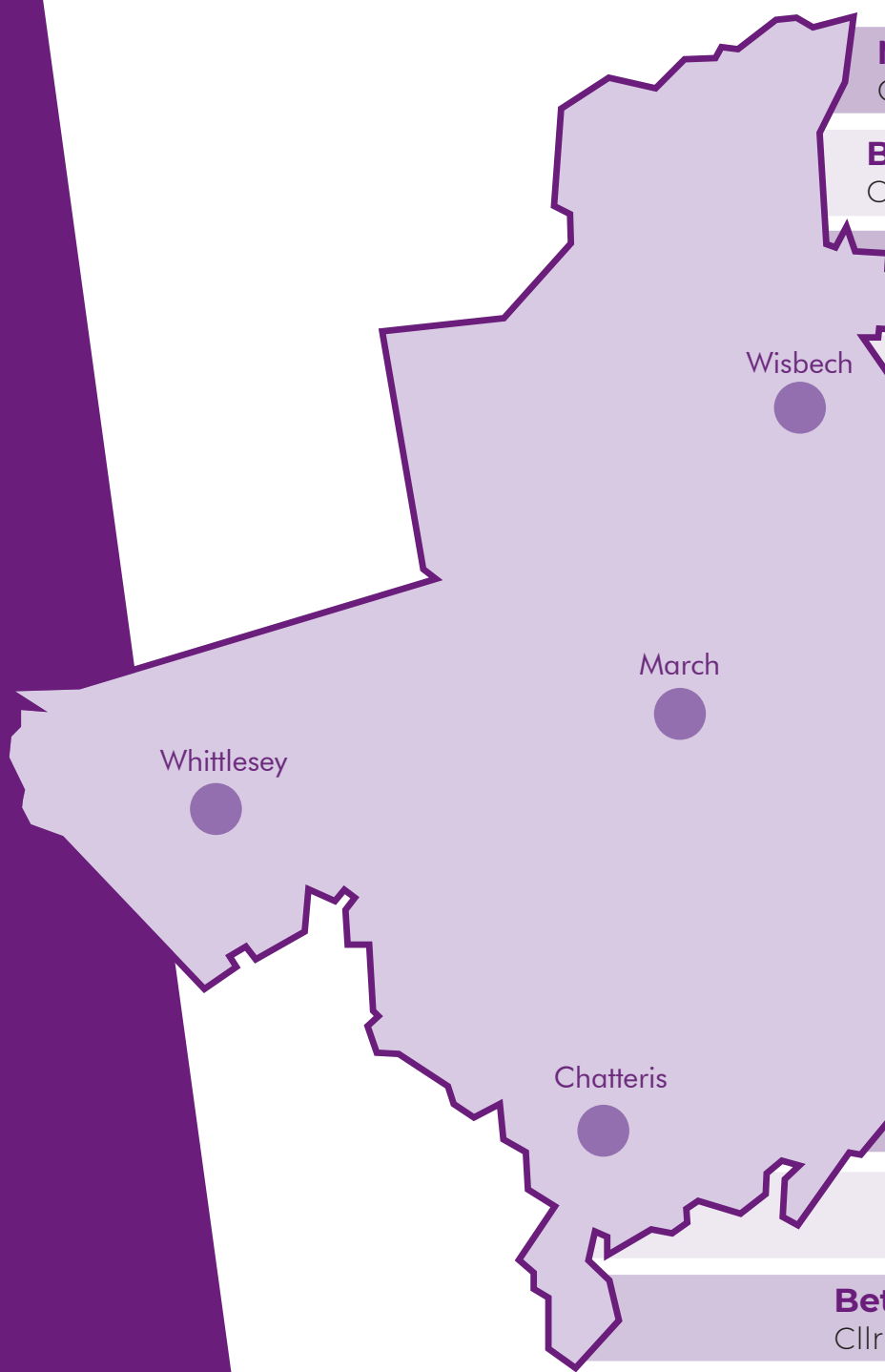
Each priority is underpinned by a series of performance indicators, which is reported to all Members at our Council meetings. These public reports are summarised to provide end of year performance updates in our Annual Report, which is available to download on our website. This explains what the Council has been doing over the previous financial year to achieve its objectives.

We also have a fifth cross cutting priority: Council for the Future. This priority is formed from a selection of transformative projects which aim to address the future needs of residents and our organisation as a whole.

Summary of our Corporate Priorities structure

Council for the Future	Quality Organisation	Communities	<ul style="list-style-type: none"> ● Support vulnerable members of our community ● Promote health and wellbeing for all ● Work with partners to promote Fenland through Culture and Heritage
		Environment	<ul style="list-style-type: none"> ● Deliver a high performing refuse, recycling and street cleansing service ● Work with partners and the community on projects that improve the environment and our street scene ● Work with partners to keep people safe in their neighbourhoods by reducing crime and anti-social behaviour and promoting social cohesion
		Economy	<ul style="list-style-type: none"> ● Attract new businesses, jobs and opportunities whilst supporting our existing businesses in Fenland ● Promote and enable housing growth, economic growth and regeneration across Fenland ● Promote and lobby for infrastructure improvements across the district

Our Cabinet members have selected a number of projects to contribute towards our 'Council for the Future' agenda. These projects have a variety of aims; from tackling areas of particular need within the district, to transforming services and the wider organisation sustainably to be fit for the future. Although these projects are influenced by external factors, the aim is to have a programme of projects completed by the end of the current Council leadership term.



Modernising Council Services Cllr Steve Tierney	Transforming council services to improve customer experience and make it even easier for people to interact with the Council.
Bringing Empty homes back into use Cllr Samantha Hoy	Working with property owners to bring empty properties back into use as much-needed new homes for the district.
Better online access Cllr Steve Tierney	Developing the Council's website to provide residents and businesses with even better online access.
A more commercial outlook Cllr Chris Boden & Cllr Ian Benney	Identifying external investment opportunities and developing our own sites and assets in order to generate additional income for our services and help deliver our growth and regeneration aspirations.
Healthy You Cllr Sam Clark	Working with partners to provide sports and physical activity sessions in community settings across Fenland and supporting residents to lead more physically active and healthier lifestyles.
CCTV service Cllr Andrew Lynn	Operating a shared CCTV service with Peterborough City Council to help reduce crime and disorder, increase community safety and public reassurance, and assist the police in investigating crime.
Safer homes for tenants Cllr Samantha Hoy	Working with property owners, landlords and letting agents to raise standards within the private rented sector, ensuring that tenants are provided with safe, warm, and healthy homes.
Clamping down on poor parking Cllr Jan French	Developing plans for Civil Parking Enforcement (CPE) in order to assume responsibility from the police and enforce against poor and dangerous parking across the district.
Protecting our environment Cllr Peter Murphy & Cllr Samantha Hoy	Delivering and developing a wide range of environmental services to help protect our open green spaces, tackle environmental nuisances and issues, and improve air quality – ensuring a clean, safe, and healthy environment for all.
Competitive trade waste service Cllr Peter Murphy	Developing services to better support our commercial waste customers.
Planning for the Future Cllr Dee Laws	Developing a new Local Plan for Fenland, which will set out the strategic priorities for development in the future, covering housing, commercial, public and private development, including transport infrastructure, and protection for the local environment.
Corporate Building Review Cllr Chris Boden & Cllr Ian Benney	Undertake a strategic review of the Council's property portfolio to ensure most effective use; adapting, investing in, and reducing the existing estate where a strong and clear business case exists.
Better railways for Fenland Cllr Chris Seaton	Delivering on our Fenland Railway Station Masterplans to upgrade and improve facilities at March, Manea and Whittlesea railway stations, on behalf of the Hereward Community Rail Partnership, and pushing forward ambitions for the March to Wisbech railway line.

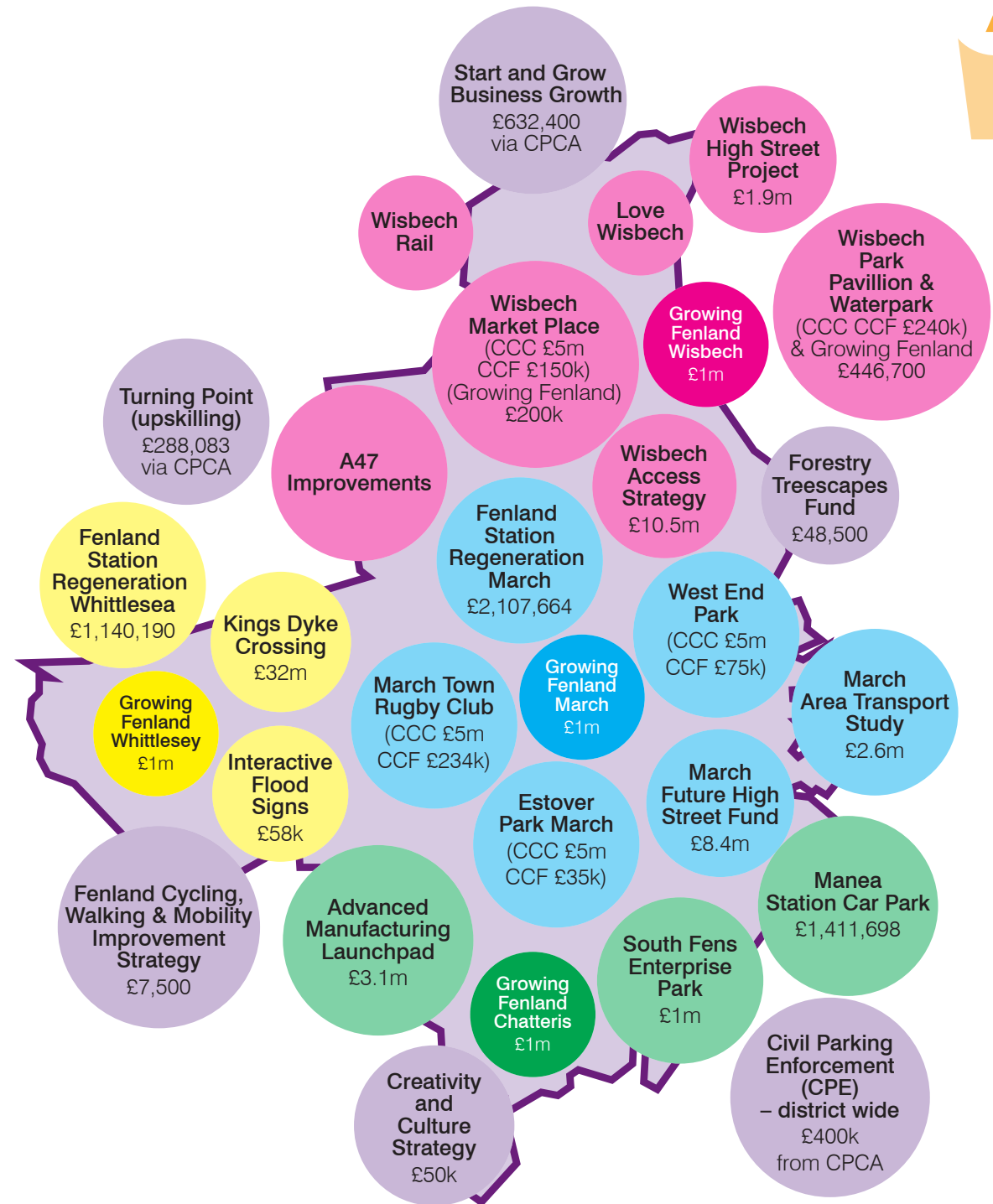
We're working hard to attract the crucial external funding needed to unlock Fenland's potential and bolster its prosperity and resilience in the coming years.

The diagram shows some of the projects currently in progress across the district thanks to millions of pounds worth of inward investment already secured.

The projects include development and regeneration of key sites, investment to improve transport and digital connectivity, and innovation and technology centres.

The opportunities will help to accelerate Fenland's Covid-19 recovery, boost our economy, support new skills opportunities, and create much-needed new jobs.

Although many of these funding schemes are focused on our four market towns, our local villages will also benefit, as will neighbouring communities across Cambridgeshire, Norfolk, and Lincolnshire. Improvements to our rural communities are equally as important and are included in our investment work.



Support vulnerable members of our community

- Enable residents to claim the Housing Benefit and Council Tax Support they are entitled to through our shared service (Anglia Revenues Partnership; ARP)
- Support residents to manage the effects of welfare reform changes and Universal Credit
- Use our housing powers to prevent homelessness, reduce rough sleeping, meet housing needs, improve housing conditions and keep homes safe and accessible
- Help residents to build capacity and resilience so that they can support themselves and their community
- Encourage a range of partners to support the delivery of the Golden Age programme to support older people

Promote health and wellbeing for all

- Support our local community by delivering our Leisure Strategy in partnership with Freedom Leisure
- Work collaboratively with partners to deliver our Health and Wellbeing Strategy in order to tackle local health priorities and help people to be healthier
- Create healthier communities through activities developed by Active Fenland and community partners

Work with partners to promote Fenland through Culture and Heritage

- Work with local stakeholders to develop a Creativity and Culture Statement for Fenland
- Support community groups to hold safe and successful public events

Performance Indicators

- Days taken to process new claims to changes for Council Tax Support
- Days taken to process new claims and changes for Housing Benefit
- Total number of private rented homes where positive action has been taken to address safety issues
- The proportion of households presenting to the Council as homeless whose housing circumstances were resolved through housing options work
- Number of empty properties brought back into use
- Number of Active Fenland sessions delivered per year
- Customer satisfaction: Net promoter score for Freedom Leisure Centres

Deliver a high performing refuse, recycling and street cleansing service

- Work with partners, the community and volunteers to divert at least 50% of Cambridgeshire's household waste from landfill
- Maximise the value of materials collected for recycling, including through Getting It Sorted Recycling Champions
- Deliver our effective, self-funding Garden Waste collection service
- Deliver clean streets and public spaces as set out in the national code of practice
- Work with key stakeholders to deliver an effective waste partnership and update the Cambridgeshire and Peterborough Waste Strategy

Work with partners and the community on projects to improve the environment and streetscene

- Use education, guidance and Council powers to fairly enforce environmental standards and tackle issues such as fly tipping, illegal parking, dog fouling, littering and antisocial behaviour
- Ensure well maintained open spaces by working with our grounds maintenance contractor and through supporting community groups such as Street Pride, In Bloom, Green Dog Walkers and Friends of Groups
- Work with Town Councils and the community to provide local markets, market town events and Four Seasons events
- Support the Combined Authority in developing and delivering a people focussed Climate Action Plan

Work with partners to keep people safe in their neighbourhoods by reducing crime & antisocial behaviour and promoting social cohesion

- Deliver projects through the Community Safety Partnership to reduce crime, hate crime and anti-social behaviour
- Support the Fenland Diverse Communities Forum to deliver the Fenland-wide Community Cohesion Action Plan

Performance Indicators

- Rapid or Village response requests actioned the same or next day
- % of inspected streets meeting our cleansing standards
- % of household waste recycled through the blue bin service
- Customer satisfaction with our Refuse and Recycling services
- Customer satisfaction with our Garden Waste service
- Number of Street Pride, Green Dog Walkers and Friends of Community Environmental Events supported
- % of those asked satisfied with events

Attract new businesses, jobs and opportunities whilst supporting our existing businesses

- Work with external stakeholders , local businesses and the Combined Authority to attract inward investment and establish new business opportunities
- Provide responsive business support to encourage business growth, job diversity, skills development and increased grant applications
- Promote and develop our Business Premises at South Fens, The Boathouse and Light Industrial Estates to encourage investment, business development, job creation and skills diversification

Promote and enable housing growth, economic growth and regeneration

- Enable appropriate growth, development and infrastructure through delivering a proactive and effective Planning service
- Drive forward the development and delivery of new homes and commercial space by using our surplus property and land assets to deliver sustainable economic and residential growth
- Identify and bid for external funding that aligns with and supports our housing, economic and growth objectives

Promote and lobby for infrastructure improvements

- Promote sustainable road, rail and concessionary transport initiatives to improve access to employment and local services
- Engage with the Combined Authority and Cambridgeshire County Council on the feasibility and delivery of major road and rail infrastructure projects
- Work with the Combined Authority to influence how housing and infrastructure funding is used to stimulate housing development and economic growth in the district

Performance Indicators

- % of major planning applications determined in 13 weeks
- % of minor applications determined in 8 weeks
- % of other applications determined in 8 weeks
- % occupancy of Business Premises estates
- % occupancy of our Wisbech Yacht Harbour
- Local businesses supported and treated fairly

Governance, Financial Control and Risk Management

- Maintain robust and effective financial standards, internal controls and organisational management
- Comply with data protection and General Data Protection Regulation requirements

Transformation and Efficiency

- Sustainably deliver required savings whilst pursuing transformation and commercialisation opportunities to ensure the organisation is fit for the future
- Engage with the Combined Authority's Public Service Reform agenda

Performance Management

- Set relevant and robust performance targets to ensure the effective delivery of Business Plan priorities
- Report regularly on service performance to the Corporate Management Team, Councillors and the public

Consultation and Engagement

- Appropriately consult with residents about our service and proposals as outlined in our Consultation Strategy

Excellent Customer Service

- Maintain our Customer Service Excellence accreditation to ensure we continue to deliver the most effective service to our communities
- Help residents to self-serve and access our services digitally to allow us to provide greater support for vulnerable customers and complex queries

Equalities

- Meet our Public Sector Equality duty by delivering the requirements of the 2010 Equality Act and 1998 Human Rights Act through our core service delivery and publication of a statutory Annual Equality Report

Asset Management and Commercialisation

- Ensure our asset base is sustainable, suitable and fully utilised to maximise income opportunities and financial efficiencies
- Deliver our adopted Capital Programme in line with our Corporate Asset Management Plan to maintain the integrity and safety of our assets
- Work jointly with public, private and third sector partners to improve access to our services, including from co-located facilities
- Continue with our Commercial Investment Strategy to make informed decisions about the purchase and management of property assets through Fenland Futures Limited

Workforce Development

- Equip our workforce with the right skills to effectively deliver our priorities
- Support and empower our staff to make effective decisions

Enforcement


- Use a fair and proportionate approach to improve living, working and environmental standards as set out in our Enforcement Policies

Health and Safety

- Maintain effective Health and Safety systems to comply with relevant legislation and local requirements
- Deliver all aspects of the Council's Health and Safety action plan to ensure the safety and wellbeing of our workforce, partners and wider community

Performance indicators

- % of customer queries resolved at first point of contact
- Contact Centre calls answered within 20 seconds
- Contact Centre calls handled
- Council Tax collected
- Council Tax net collection fund receipts
- NNDR collected
- NNDR net collection fund receipts
- Number of visits to our website




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Agenda Item 6

Agenda Item No:	6	
Committee:	Cabinet	
Date:	8 December 2021	
Report Title:	Revised General Fund Budget and Capital Programme 2021/22; Draft General Fund Budget Estimates 2022/23 and Draft Medium Term Financial Strategy (MTFS) 2022/23 to 2026/27; Capital Programme 2022 - 2025	

1 Purpose / Summary

To consider and approve:

- the revised General Fund Budget and Capital Programme for 2021/22;
- the Draft General Fund Budget Estimates 2022/23 and the Draft Medium Term Financial Strategy 2022/23 to 2026/27 for consultation;
- Capital Programme 2022-2025.

2 Key issues

- Business Rates Baseline Funding (Settlement Funding Assessment) in 2022/23 will be the same as 2021/22 due to the government freezing the NNDR multiplier for 2022/23. However, the Provisional Local Government Finance Settlement announcement is not expected until around mid-December 2021. **Consequently, until the details of the Finance Settlement have been received, the figures detailed in this report should be treated as being provisional.**
- In accordance with the motion adopted by Council in July 2019, a 0% Council Tax increase has been included in the MTFS for 2022/23 and over the medium term.
- Council Tax Referendum limits for 2021/22 have yet to be formally announced. It is expected that they will be set at an increase of 2% or £5 whichever is the higher.
- Projections for 2021/22, including the Cambridgeshire Horizons money, are showing a surplus of £1.775m. However, assuming the current balance of the Cambridgeshire Horizons money is set aside for future use, the projections would show a shortfall of £987k at the end of the financial year. This does not include for the possibility of further expenditure being identified as being appropriate to be funded from the Cambridgeshire Horizons money.
- Current forecasts for 2022/23 show a shortfall of £1.278m based on the assumptions detailed in Appendix C. This shortfall increases year on year, reaching £1.561m in 2026/27.
- At this time, more detailed work is required on a number of issues which could potentially both increase funding and increase costs (as detailed in paragraph 8.9 of the report). Further information is expected over the next few weeks and this will be incorporated where possible, into the final budget report in February 2022.
- Although there are currently many uncertainties regarding the budget for 2022/23 and the MTFS, there remains a significant structural deficit which the Council will need to address.

- The final deficits for 2021/22 and 2022/23 will have to be funded from Council reserves (current balances shown in Appendix E). At this stage, due to the many uncertainties around the potential deficits, there is no requirement to formally approve any amounts to be funded from reserves.
- An updated Capital Programme for 2021/22 and for the medium term 2022-25 is proposed.

3 Recommendations

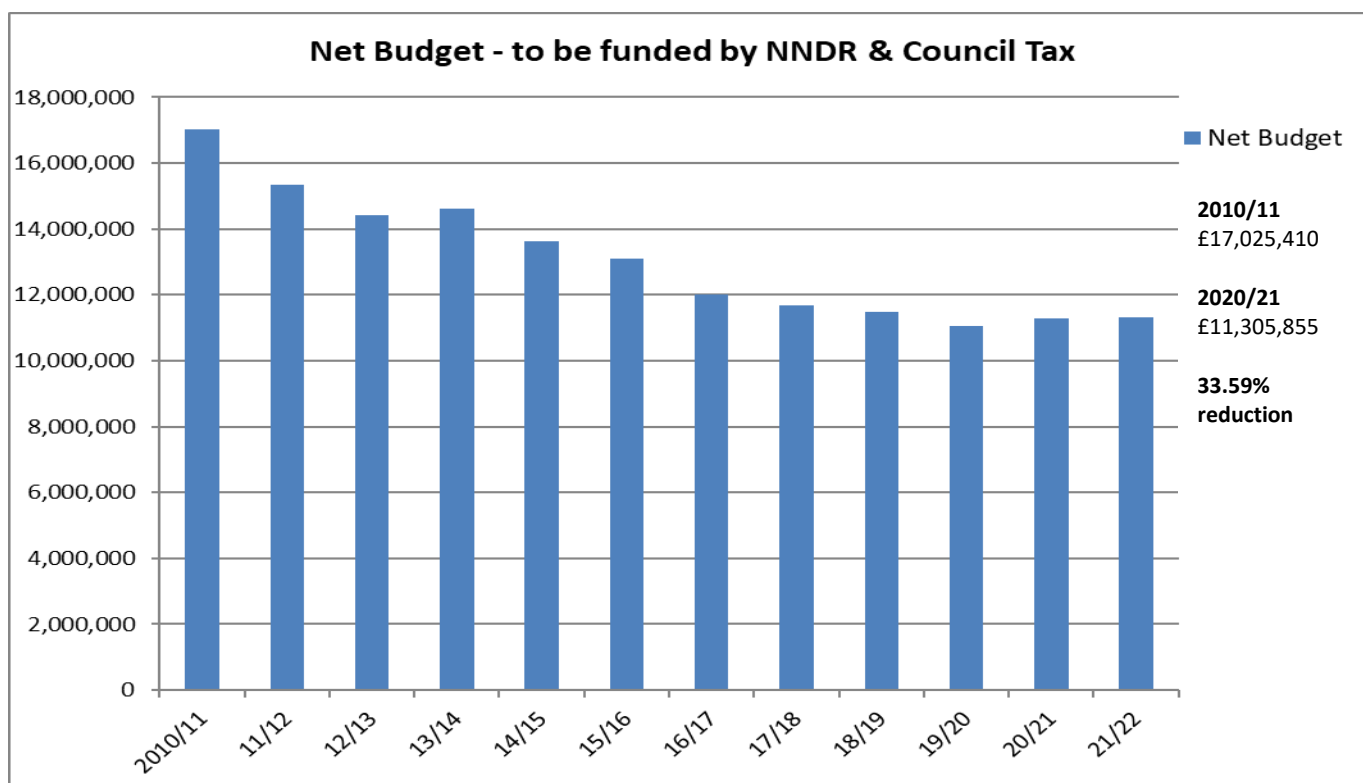
- It is recommended that:-
 - (i) the draft budget proposals for 2022/23 outlined in this report be approved for consultation;
 - (ii) the revised General Fund Budget and revised Capital Programme for 2021/22 be approved;
 - (iii) the proposed Capital Programme for 2022-2025 be approved.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Background Paper(s)	Provisional Finance settlement – Department for Levelling Up, Housing & Communities (DLUHC). Spending Round 2021 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2021.

Report:

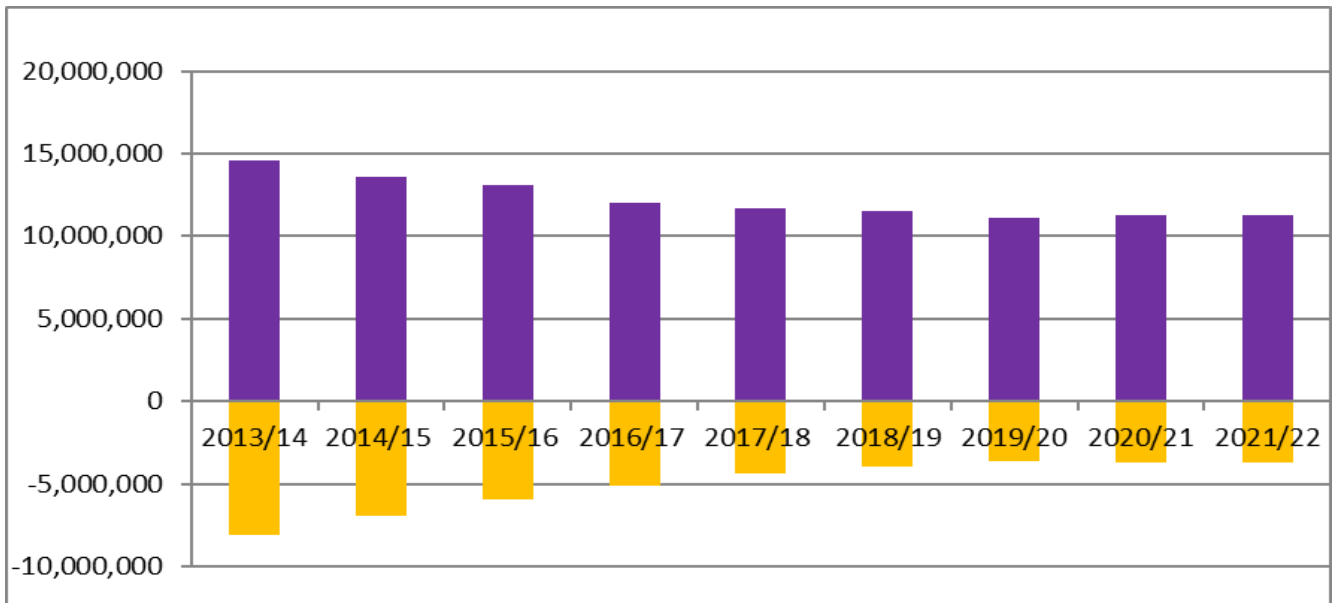
1 INTRODUCTION

- 1.1 This report sets out the financial implications of the council's priorities described in the draft Business Plan 2022/23. Revenue budget estimates are draft at this stage and along with the draft Business Plan will be subject to public and stakeholder consultation prior to final budget and council tax setting for 2022/23 in February 2022.
- 1.2 Much of the financial information provided is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. Some of these factors, such as the outcome of the Local Government Finance Settlement, the impact of Business Rates Retention arrangements and the level of Government set fees, will not be known until later in the process and any amendments will be reported to Cabinet and Council at the February 2022 budget setting meeting.
- 1.3 Local Government has been at the forefront of the austerity measures introduced by the government to reduce the national deficit following the General Election in 2010. This Council has had to reduce its Net Budget significantly since 2010 and by the end of 2021/22 it will have reduced by 33.59%. This is exemplified in the graph below:

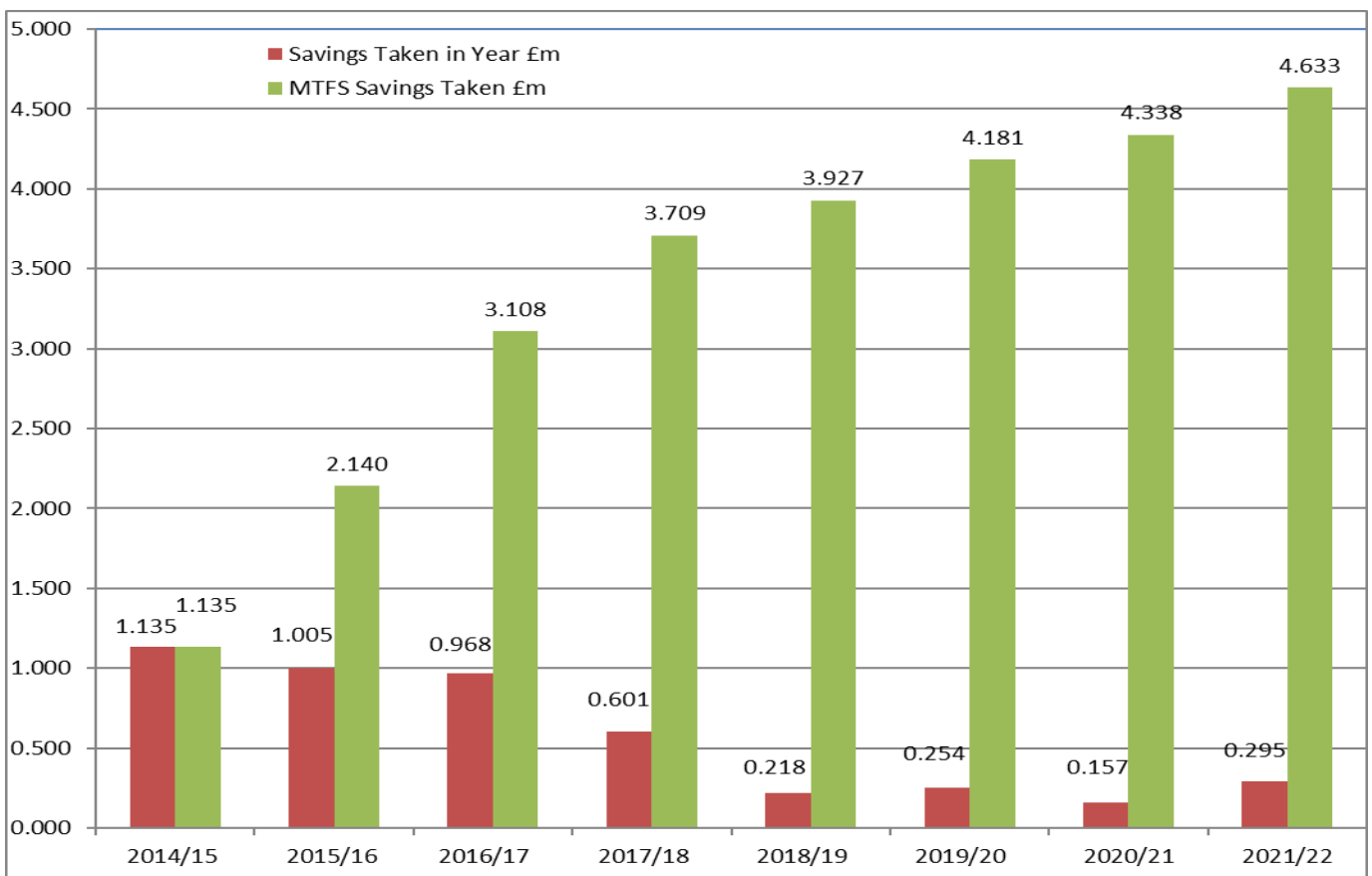


- 1.4 Since 2013/14 government support has reduced by around 54% and the Council's net budget by around 23% as illustrated in the following tables. In addition, Council Tax referendum principles have restricted increases in Council Tax.

	2013/14	2021/22	Reduction	%
Government Grant	£8,094,919	£3,701,878	£4,393,041	54.27
Net Budget	£14,604,750	£11,305,855	£3,298,895	22.59



1.5 The following graph illustrates how successful the Council has been in delivering savings over the last 8 years, enabling it to achieve balanced budgets each year.



During these years, Members have been very clear, that where possible, front line services should be protected. The Council's strategy of identifying savings at least 12 months in advance of the financial year has led to the successful delivery of the required savings targets and means the Council are in a good position to meet the challenges of 2022/23 and beyond. These savings have been achieved through a number of ways, such as Management and Service reviews, shared services, procurement and income generation.

2 2021 SPENDING ROUND AND LOCAL GOVERNMENT FINANCE SETTLEMENT

- 2.1 On 27 October 2021, the Government announced the outcome of the 2021 Spending Review which outlined its' spending plans for the next three years, 2022/23 – 2024/25 by setting budgets for each central government department.
- 2.2 The relevant points for this Council from these announcements are as follows:
- Local Government will receive an additional £4.8bn in grant funding over the next three years (£1.6bn in each year);
 - A proposed Council Tax referendum limit of 2% or £5 (together with an additional 1% increase for Adult Social Care). Police and Crime Commissioners can increase their precept by £15;
 - Local Government's business rate baseline funding levels will remain the same as 2021/22 as a result of freezing the business rates multiplier in 2022/23 (normally this would increase in line with inflation as determined by the CPI rate as of September 2021, i.e.. 3.1%). Local authorities will be fully compensated for this decision;
 - For 2022/23, a new business rates relief for eligible retail, hospitality and leisure properties with 50% relief on rates bills up to £110,000 per business. The scope of the discount for 2022/23 will return to pre-Covid-19 eligibility for retail properties. Hospitality and leisure properties will continue to remain in scope. Again, local authorities will be fully funded for the additional costs of the relief;
 - Additional funding to reduce rough sleeping and homelessness;
 - There was no announcement about local government funding reforms (Fair Funding Review or business rates changes) and it is assumed that they have been pushed back to at least 2023/24 if not later;
 - Following a consultation exercise which finished in April 2021, there has been no further announcement on the future of the New Homes Bonus (NHB). It is expected that the amount of NHB will reduce although there is likely to be some form of housing growth incentive;
- 2.3 Details of how this will be converted into specific funding allocations for individual local authorities will be announced as part of the provisional local government finance settlement which is expected week commencing 13 December 2021.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Provisional Finance Settlement for 2022/23 is expected in 'early December 2021' but is likely to be announced during the week commencing 13 December 2021. Consequently, the figures included in this report are estimates based on the funding announcements detailed in section 2 above. It is, therefore, almost certain that the figures announced in the Provisional Settlement are different from those detailed in this report. An update on any changes will be given to members at the meeting if available.
- 3.2 The Council's Settlement Funding Assessment for 2022/23 is currently made up entirely of its Business Rates Baseline Funding (Revenue Support Grant was phased out in 2019/20). As a result of the freezing of the multiplier in 2022/23, this figure is the same as 2021/22. The figure included in the draft budget is detailed below.

Table 1 – Settlement Funding Assessment (Core Funding) – Estimate prior to provisional settlement

	Actual 2021/22 £000	Estimate 2022/23 £000	2022/23 % Increase
Settlement Funding Assessment (Business Rates Baseline Funding only)	3,702	3,702	0.0%

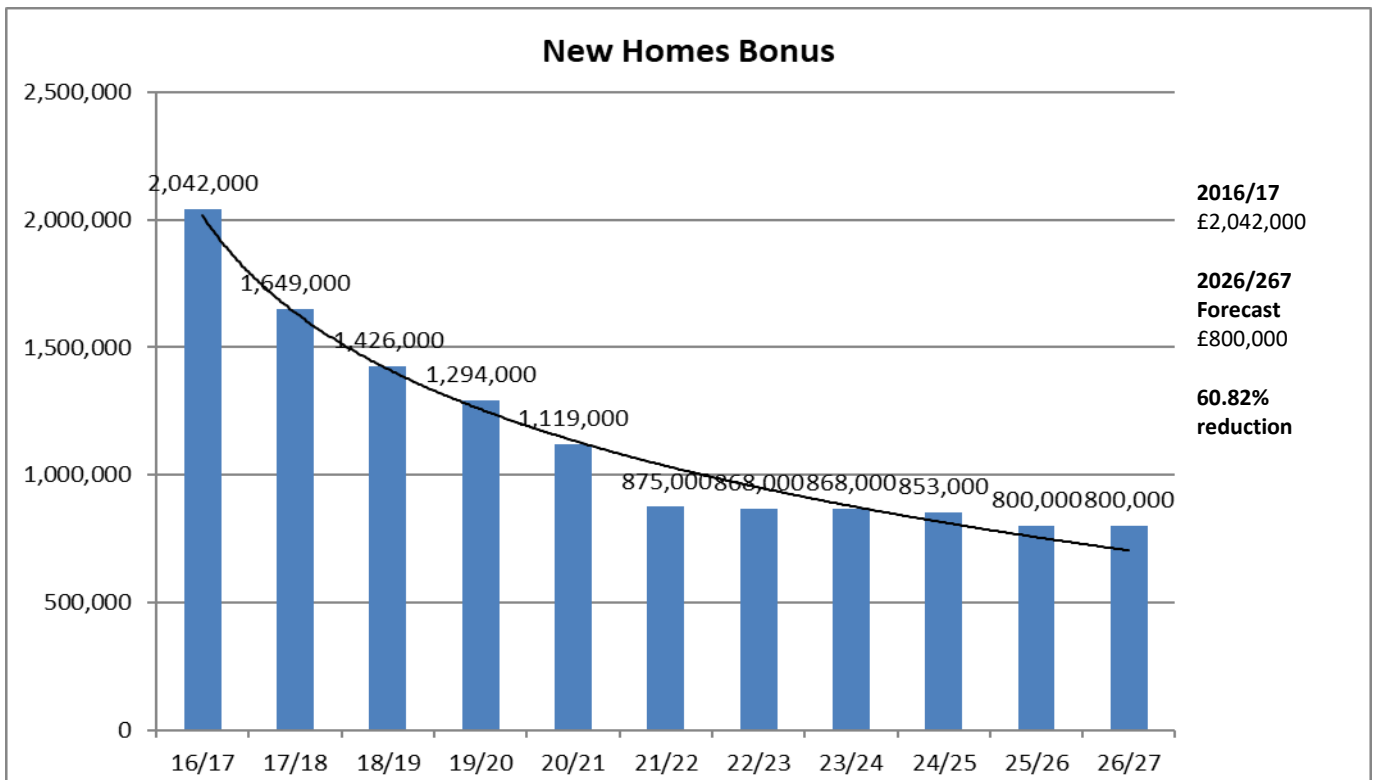
- 3.3 As a result of the Spending Review allocating an additional £1.6bn to local government in 2022/23, the Settlement Funding Assessment figure detailed above could change following the provisional settlement. There is currently no indication how much of this £1.6bn will be allocated to District Councils and in turn, to individual councils. It is also not clear whether the settlement will be for the next three years or just a one-year announcement. The Medium-Term forecasts detailed in Appendix B have assumed a continuation of the current policy of increasing business rates baselines by CPI inflation based on current Treasury forecasts over the medium term.

Fair Funding Review

- 3.4 There was no announcement about local government funding reforms (Fair Funding Review or business rates changes) and it is assumed that they have been pushed back to at least 2023/24 if not later.

4 NEW HOMES BONUS

- 4.1 In 2017/18, reforms to the allocation methodology of the New Homes Bonus (NHB) were made which significantly reduced the total amount available for distribution which consequently reduced this Council's allocation.
- 4.2 The key focus of the reforms was to reduce the payments from 6 years to 5 years in 2017/18 and to 4 years from 2018/19. In addition, from 2017/18, a national baseline for housing growth of 0.4% was introduced, below which New Homes Bonus is not paid, reflecting a percentage of housing that would have been built anyway.
- 4.3 Actual NHB received in 2020/21 is £1.119m. Following the announcement in the 2020 spending review, a further payment based on the current methodology (based on additional homes delivered from October 2019 – October 2020) was made in 2021/22 although no new legacy payment will be made. The New Homes Bonus payment in 2021/22 is £875k with the forecast NHB reducing to £800k by 2025/26.
- 4.4 The graph below shows how the amount received from NHB has significantly changed over the past five years together with forecasts over the medium term.



- 4.5 Provisional New Homes Bonus allocations for 2022/23 will be announced as part of the forthcoming Finance Settlement. The allocations may change if any further reforms are implemented.
- 4.6 A consultation document on The Future of the New Homes Bonus was published on 10 February 2021 with a deadline for responses by 7 April 2021. Since then, there have been no further announcements on the future of the NHB and nothing was detailed in the Spending Review 2021 documents. The current national total of £622m allocated by way of NHB may also change when the finance settlement is announced. There is however expected to be some form of housing growth incentive scheme. The impact on this Council's funding could be significant. We have included £868k of NHB funding in the MTFS for 2022/23 reducing year on year to £800k in 2025/26 and 2026/27. These could be replaced by allocations we receive from whatever the new Housing Incentive system will look like. For example, under the current system, a 0.1% increase in the growth threshold would result in the loss of around £50,000 per annum in NHB, leading to a reduction in NHB of around £200,000 compared to the current MTFS forecasts.
- 4.7 The lack of clarity around the future of the NHB within the forthcoming finance settlement **is a significant risk to the MTFS.**

5 BUSINESS RATES

- 5.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.
- 5.2 There has been real business rates growth in Fenland over the last six years, however how this impacts on the resources available to this Council is complex, due to the rules and the operation of the current 50% Business Rates Retention system. The complexity of the system has been exacerbated by the business rates reliefs support given by the government as a result of Covid-19.

Business Rates Pooling Arrangement – 2022/23 - 2024/25

- 5.3 The Council has joined with the County Council, Peterborough City Council, Fire Authority, East Cambridgeshire and South Cambridgeshire to become part of a pooling arrangement for business rates for 2020/21 and 2021/22. Unlike the Business Rates Pilot schemes, this is not a bidding process against other pools but is part of the existing system whereby authorities can choose to apply to become a pool with the agreement of the constituent authorities.
- 5.4 The benefit of being in a pool is that authorities will not be liable to levy payments on their business rates growth, which is then shared amongst the pooled authorities by a mutually agreed method. This will be based on where the growth has originated from with an appropriate share allocated to the County Council and Fire Authority.
- 5.5 Depending on actual business rates received in 2021/22, the net effect of the pooling arrangement could be considerable for the authorities in the pool. Current forecasts indicate that this Council could receive up to £300k additional income according to the sharing methodology agreed between the pooled authorities.
- 5.6 The members of the current pooling arrangement have notified MHCLG of their intention to remain as a pool for 2022/23 as there is still expected to be a net benefit to each authority. For the purposes of the 2022/23 estimates, an amount of £300k has been included as this Council's share of the potential benefit. These figures will be firmed up over the coming weeks as all authorities in the pool complete the annual statutory business rates estimate, the NNDR1 form, due to be returned to MHCLG by the end of January 2022. This Council's estimated share of any additional resources will then be calculated and included in the final budget report in February 2022.
- 5.7 Following announcements in the SR2021 on future business rates reforms, it is now unlikely that there will be any major changes to the rates retention system over the three-year period of the spending review (2022/23 – 2024/25). Consequently, assuming the current pooling arrangements continue, an amount of £300k per annum has been included in the MTFS as a pooling benefit to this Council for the period up to and including 2024/25.

Business Rates Reform – 2022/23 onwards

- 5.8 Although, as stated earlier, it appears unlikely that any major changes will take place over the SR21 period, the risk remains that some interim reforms may happen. The most likely is the Baseline Funding Level of all Councils will be reset in 2023/24 with all 'growth' income being taken into account nationally and redistributed in the new system. In the estimate for 2022/23 and the medium-term forecasts, around £1.2m of business rates above the Council's Baseline Funding Level is being retained. Under a baseline reset, this would mean that initially the additional £1.2m business rates income would be removed and redistributed. What remains unclear, is how much of this £1.2m will be returned to the Council as part of its recalculated Baseline Funding Level.
- 5.9 In theory therefore, the Council could lose all of this additional £1.2m in the absolute worst-case scenario. However, this is unlikely and would create significant volatility within future funding allocations nationally, which the government does not wish to see. There will also undoubtedly be some kind of transitional arrangements which would also limit the extent of any gains and losses in funding arising from the new system.
- 5.10 Although it is extremely difficult to exemplify the impact of this redistribution, in broad terms, if the Council were to lose 50% of its growth income then this would add a further £500k per annum from 2023/24 to the current forecast MTFS shortfalls. A 20% loss of growth income would add a further £200k per annum to the current shortfalls.
- 5.11 **At the time of writing, the Fair Funding Review, the implementation of Business Rates Reform and the changes to the New Homes Bonus are all major risk areas for this Council over the medium term.**

6 FENLAND COMPREHENSIVE SPENDING REVIEW

6.1 The estimated total net savings generated from the FDC-CSR proposals agreed previously at £1.667m will now amount to £1.8m by the end of 2020/21. During this year several proposals have been implemented together with the full-year benefit of proposals implemented in 2018/19 and 2019/20. These include the following:

- Relocation of March and Wisbech Shops
- CCTV – alternative service delivery with Peterborough City Council

together with the full-year benefit in 2019/20 and 2020/21 of the following:

- Staffing Review of Customer Services, Human Resources, Accountancy and Vehicle Workshop
- Leisure Centre management options (contract commenced 4 December 2018)
- Leisure and Open Spaces Management Review
- Community House closure

6.2 The savings generated from these and other CSR proposals are included within the Medium-Term Financial Strategy detailed at Appendix B and have significantly contributed to the required savings target over the medium term.

7 FORECAST OUTFURN 2021/22

7.1 The impact of COVID-19 on the Council's delivery of services and finances have been and continue to be, significant and challenging. Members will be aware of the Council's response to COVID-19 and on the actions taken by the council to date and also on the future implications and opportunities of the COVID-19 pandemic in relation to service delivery by Fenland District Council.

7.2 The continuing impact of COVID-19 had a significant effect on the Council's budget for 2021/22 set by Council in February 2021. The approved budget showed a shortfall of £842k which was to be funded from balances and reserves to the extent that it was needed at the end of 2021/22.

7.3 There have been numerous significant variations during this year to date which have contributed to this increase in the projected shortfall. The main additional cost variations include for a pay award for 2021/22 (1.75% currently offered) which would increase our salary costs by £209k. At the time of setting the budget, it was expected that there would be a 0% pay rise following announcements in SR2020. In addition, the budgeted vacancy factor of £170k has not materialised and across the Council, staffing costs have increased by a further £86k.

7.4 Other cost pressures include an additional net cost of £163k from the significant increase in homelessness cases resulting in higher bed and breakfast costs (net of housing benefit subsidy implications). This is in addition to the £350k included in the original budget. Officers are progressing a number of initiatives to minimise this additional cost in future years. There have also been higher costs relating to Repairs and Maintenance (£120k), Drainage Board levies (£54k), Cleaning costs associated with Covid-19 (£30k) and Marine Services (£136k).

7.5 In addition, there have been a number of income pressures mainly in relation to Wisbech Port where the continuing reducing number of ships at Port Sutton Bridge has reduced income by around £66k. There has also been lower than expected Estates income from rents and conference fees of around £155k. Investments in Property Funds have yet to take place due to a number of limiting factors associated with Covid-19 and the funds market and although officers continue to pursue this with the aim of setting up these investments before the financial year-end, the original budget of investment interest of £150k will not be achieved.

- 7.6 To off-set these additional cost increases, there has been a number of higher income variances including Planning Fees (£158k), Garden Waste and Refuse Collection (£137k), Rental income from the commercial investment in Wisbech (£230k) and the RTB/VAT sharing arrangement with Clarion (£106k). In addition, additional government grants for the Local Council Tax Support (£194k) and the administration of the business grants and Test and Trace isolation payments (£117k) have been received. Further savings of £89k in financing costs and Minimum Revenue Provision have been achieved as a result of reprofiling of the capital programme.

Cambridgeshire Horizons – Share of Surplus

- 7.7 In May 2021, the Council received £3,891,500 as its share of the surplus generated by Cambridgeshire Horizons Ltd. Of this, £1,050,000 was an agreed contribution to the A14 improvements, repayable to the Department of Transport at £42,000 per annum over the next 25 years. This left £2,841,500 available for this Council's future use. There are numerous conditions attached to the use of this money which restricts its future use.
- 7.8 Of the £2,841,500 available, £80,000 has been allocated for various consultants and studies to be carried out in advance of future Levelling Up Fund (LUF) bids for the Wisbech area. Consequently, there is currently £2,761,500 available for future use. No allowance has been made for the possibility that other expenditure in 2021/22 may yet be identified as being appropriate to be funded from the Cambridgeshire Horizons money.
- 7.9 The latest projections for 2021/22 are set out at Appendix A and with the Cambridgeshire Horizons money included, show a **surplus of -£1.775m**. However, assuming that the balance of the Cambridgeshire Horizons money (£2.762m) is set aside for future use, the net position shows the likelihood of a **shortfall in the region of £987k** by the end of this financial year, £145k higher than the £842k previously approved. As detailed in 7.3 above, the pay award for 2021/22 is a significant contributor to this higher projected shortfall. Should any other expenditure be identified to be funded from the Cambridgeshire Horizons money, then the projected shortfall at the year end will be reduced accordingly.
- 7.10 There are still many uncertainties around the potential shortfall for 2021/22 and there is no requirement at this time, to formally approve an amount to be funded from reserves. At the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, the amount to be funded from reserves at the year-end is minimised.
- 7.11 Use of reserves to fund any potential shortfall in 2021/22 will have a consequential impact on the Council's ability to fund the shortfall in 2022/23 from reserves. Details of the Council's reserves are at Section 11 and Appendix E.

8 DRAFT BUDGET ESTIMATES 2022/23 AND MTFS

- 8.1 The Council's MTFS has to ensure that the commitments made in the Business Plan are funded not only in the year for which formal approval of the budget is required (2022/23) but for forecast years as well, within a reasonable level of tolerance.
- 8.2 The impact of the issues identified in Section 7 above on the Council finances in 2021/22 will largely continue into 2022/23 and the medium term. The impact of the Provisional Local Government Finance Settlement (expected to be announced during week commencing 13 December 2021) will also need to be clarified and the figures in this report make no assumptions about any potential additional government funding.

- 8.3 The Council's medium-term forecasts are shown at Appendix B and summarised in Table 2 below. The table includes a 0% Council Tax increase in 2022/23 and the medium term.

Table 2 - MTFS - 0% increase in 2021/22 onwards

	Estimate	Forecast	Forecast	Forecast	Forecast
	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
Expenditure					
Net Service Expenditure	13,427	13,637	13,812	14,485	14,518
Corporate Items	900	1,023	1,046	1,018	1,047
Renewable Energy Rates Retained	-328	-335	-342	-348	-354
Retained Business Rates (Growth)	-1,164	-1,154	-1,182	-1,206	-1,232
Business Rates Pool - share of benefit	-300	-300	-300	0	0
Contribution from Business Rates Reserve	-1,430				
Net Expenditure (before use of balances)	11,105	12,871	13,034	13,949	13,979
Funding					
Business Rates Baseline	-3,702	-3,787	-3,859	-3,925	-3,991
Business Rates Collection Fund Deficit	1,899	184	0	0	0
Council Tax Collection Fund Surplus(-)/Deficit	-37	0	-50	-50	-50
Council Tax <i>(increases of 0% in 21/22 onwards)</i>	-7,987	-8,084	-8,182	-8,280	-8,377
Total Funding	-9,827	-11,687	-12,091	-12,255	-12,418
Shortfall(+) before use of balances	+1,278	+1,184	+943	+1,694	+1,561
Contribution from General Fund Balance	0	0	0	0	0
Shortfall(+) after use of balances	+1,278	+1,184	+943	+1,694	+1,561

- 8.4 Government support for 2022/23 will be announced as part of the provisional finance settlement. This Council currently only receives retained business rates from the finance settlement. The projections for 2022/23 onwards are based on the best estimates and information available and are consistent with the announcements on business rates in the Spending Round 2021. However, subject to further clarity on the detailed implementation of the announcements, there remains significant uncertainty in these projections.
- 8.5 The net budget requirement for 2022/23 is currently estimated at **£11.105m** after all identified savings, contingencies and reserve transfers are included. This includes the assumptions detailed at Appendix C. With the provisional funding assumptions and a 0% increase in Council Tax a shortfall of £1.278m is currently forecast for 2022/23. However, this shortfall does not, as yet include a number of additional government support initiatives, announced as part of SR2021, as detailed in Section 2 above or other potential risks as detailed in 8.9 below.
- 8.6 The forecasts include further proposed savings from the Phase 3 of the My Fenland transformation initiative over the next two years and the medium-term, together with assumptions regarding receipts from Council Tax and Business Rates.
- 8.7 The development of the Commercial and Investment Strategy has the potential to generate additional significant returns over the MTFS. It is difficult to forecast the extent of such returns as much will depend on the type and timing of investment opportunities. Consequently, no allowance for these further potential returns have been included in the MTFS at the current time.

8.8 Taking into account the proposals in the Table 2 above, the estimated net budget requirement in 2022/23 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B. These show a funding gap of £1.561m by the end of 2026/27.

8.9 There is still considerable uncertainty around the estimates for 2022/23 and the forecasts for the medium term. Currently there are a number of 'unknowns' which could both positively and negatively impact on the forecasts including:

Risks associated with the MTFFS forecasts:

- Potential impact of the Provisional Finance Settlement (announcement in mid-December 2021) on 2022/23 and the medium term;
- Impact of potential changes to the New Home Bonus methodology and allocations from April 2022;
- Impact of the potential business rates baseline reset from April 2024 and longer-term changes to the Business Rates Retention system from April 2025;
- Impact of potential additional income in 2024/25 from the Extended Producer Responsibility scheme for managing packaging waste;
- Impact on income streams being greater than anticipated due to external factors such as Search Fees (transfer to Land Registry) and Port Income (sale of Port Sutton Bridge);
- Continuing impact of homelessness temporary accommodation costs in 2022/23 and the medium term and the impact on recovery of housing benefit subsidy;
- Potential for additional support for the Leisure Management contractor in 2022/23. A full year's Management Fee income from the Leisure Contractor has currently been included in the 2022/23 estimates and each subsequent year of the MTFFS;
- Impact of service developments e.g. Marine Services future structure and Car Parking Enforcement (CPE);
- Revenue impact of funding new capital schemes not currently included in the capital programme;
- Potential impact of the My Fenland transformation programme Phases 3 and 4 with associated savings. Further detailed work is required to quantify the scope of these phases and associated savings;
- Review of the recharge of staff time to the LATCO (Fenland Future Ltd) to quantify potential revenue savings. Currently recharges of £50k in 2021/22, £75k in 2022/23 and £100k in 2023/24 onwards have been assumed in the MTFFS;
- Potential net benefits from FFL of loan interest and dividends from future developments over and above already included in the MTFFS generating revenue income;
- Commercial and Investment Strategy and future potential positive returns to the Council;

8.10 Further details relating to several of the above issues should become clearer with the publication of the Provisional Finance Settlement expected to be announced in mid-December 2021.

- 8.11 Between now and the final budget report in February 2022 further analysis will be carried out on the impact of the issues detailed above, as and when further information becomes available. Consequently, the estimate for 2022/23 could change significantly from that detailed at Appendix A. **Whatever impact the above issues may have however, there will remain a significant structural deficit for the Council to address.**
- 8.12 The forecasts for the years 2023/24 – 2026/27 are provisional at this stage and should be considered with extreme caution. The Provisional Finance Settlement announcements regarding local government funding are imminent and therefore, the figures could be different to those included in the forecast. Future announcements and consultation outcomes will also determine government policy and therefore the funding in the future years. In addition, the forecasts are dependent on permanently maintaining the savings identified through the My Fenland transformation initiative.
- 8.13 As detailed earlier in this report, Business Rates Retention Reform, Fair Funding Review and changes to the New Homes Bonus could have a significant impact on the Council's forecast resources over term of the MTFs. Further to the risks associated with these externally determined funding streams the Council should also ensure that income budgets are achieved, and new income streams considered and implemented for medium to long term sustainability in combination with any operational and transformational benefits that the Council realises. The use of general reserves to support revenue expenditure adds to the overall risks to the Council as such reserves can only be used once but the cumulative impact of such use will continue to be felt into the future.

Other Risks

Capital Programme – Future Funding

- 8.14 The Council is increasingly relying on borrowing (Internal and Prudential) to fund its future programme as the amount of capital receipts and the level of reserves available to fund the capital programme are reducing considerably over the next two years. Consequently, any new capital schemes (which do not generate a return to repay borrowing costs) will have to be funded through borrowing which will result in revenue costs and therefore will impact on the MTFs and future shortfalls.
- 8.15 For example, a £1m scheme with a 20-year life, funded by prudential borrowing, would result in around an additional £70,000 per annum in interest (2%) and repayment costs.
- 8.16 To exemplify the effect on the MTFs of potential additional costs arising from the above risks, Table 3 below details a scenario whereby the Council loses 50% of its business rates growth income following the reforms in 2021/22.

Table 3: MTFs Potential Impact of Major Risks – for illustrative purposes only

	Estimate	Forecast	Forecast	Forecast	Forecast
	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
MTFS Shortfall - Appendix B	1,278	1,184	943	1,694	1,561
<i>(0% CT increase in 2022/23 onwards)</i>					
50% loss of NNDR growth income		600	600	600	600
Increasing NHB threshold by 0.1%		50	100	150	200
Revised Shortfall	1,278	1,834	1,643	2,444	2,361

- 8.17 As stated earlier, it is important to note that the figures detailed in the above table are purely illustrative as no decisions have yet been made regarding changes to these funding streams and the potential impact on this Council.

9 FEES AND CHARGES

- 9.1 The Overview and Scrutiny Panel will consider all fees and charges for 2022/23 at its meeting on 17 January 2022 and recommend the Schedule of Fees and Charges to Cabinet at its meeting on 20 January 2022.

10 COUNCIL TAX – 2022/23

- 10.1 As part of the 2022/23 Provisional Local Government Finance Settlement announcement due shortly, the government is expected to set the referendum limit at 2% or £5, whichever is higher for 2022/23 for District Councils. A 2% increase on the Band D Council Tax equates to £5.13 per annum (a 1.97% increase due to roundings).
- 10.2 Social care authorities, such as Cambridgeshire County Council can also increase their element of council tax by a further 1% (3% in total which would equate to £41.99 on the County Council's Band D Council Tax if increase taken in full).
- 10.3 Council at its meeting on 18 July 2019, agreed to re-position the MTFs to show 0% Council Tax increases through to 2023/24. This report extends the MTFs period and 0% increases to 2026/27. The motion agreed by Council emphasised that 0% increases in Council Tax throughout the MTFs period is an ambition and it was recognised that the Council continues to face significant financial challenges and uncertainties that may not allow this ambition to be met. These challenges and uncertainties have been exacerbated by Covid-19.
- 10.4 The motion also stated that Members of the Council need to act responsibly each year when setting the precept to balance the ambition of achieving a 0% Council Tax rise with the legal need to balance the budget. It was agreed that raising Council Tax in any of the next four years will be a last resort in order to minimise the financial effects of Council Tax on all of Fenland's households.
- 10.5 For information, an additional 1% increase in Council Tax in 2022/23 would generate in the region of £80,000 of revenue per annum to the Council. Even with this additional revenue included, the estimates for future years show a significant and increasing shortfall (see Table 4 below).
- 10.6 After the estimates of expenditure and income have been prepared, and the Final Settlement has been received, the next step is to set the council tax for 2022/23 for Fenland District Council. This is the final piece of the "jigsaw" that identifies the balance of the total resources required to fund the Council's services.
- 10.7 In line with the motion agreed by Council on 19 July 2019, assumed Council Tax increases of 0% have been included for 2022/23 and over the period of the MTFs.
- 10.8 At this level of Council Tax, there will be a significant deficit to fund in 2022/23 and over the period of the MTFs. Consequently, the Council will need to continually consider its strategy to meet the estimated shortfalls shown at Table 2 and in Appendix B.
- 10.9 The implications of not increasing Council Tax over the MTFs is that the Council would be reducing its financial base permanently as it would not be able to recover potential revenue foregone due to the cumulative year on year impact. The consequences of continually setting zero Council Tax levels and not achieving the necessary savings/additional income have been clearly demonstrated by the events at other Councils. The ability to achieve significant year on year savings (without increasing existing and/or introducing new revenue streams together with transformational change) to balance the budget becomes progressively difficult without eventually impacting on front-line services and delivery.

- 10.10 Council can of course agree to a higher increase (up to the referendum limit of 2%) and a 1% increase in Council Tax raises around £80,000 revenue per annum. Table 4 shows the implications of increasing the Council Tax in 2022/23 by 1.97% per annum and thereafter compared to freezing the Council Tax in 2022/23 and throughout the MTFS period.

Table 4: MTFS Deficits at Differing Council Tax increases in 2022/23 onwards

Deficits based on different % increases	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Deficits at 0% increase (as shown in Table 2/Appendix B)	+1,278	+1,184	+943	+1,694	+1,561
Additional CT with 1.97% increase p.a. from 2022/23	-157	-322	-492	-672	-859
Deficits at 1.97% increase	+1,121	+862	+451	+1,022	+702

11 REVIEW OF GENERAL FUND BALANCE AND EARMARKED RESERVES

- 11.1 An important part of any budget strategy is the review and consideration of reserves. Earmarked Reserves are typically held and used in a planned way to deal with issues where it is foreseen that resources need to be set aside to meet a specific need but the exact amount and timing is not known. General Reserves are held to cushion the impact of an event or events that cannot be foreseen whilst maintaining these resources at a consistent and reasonable level over the medium term.
- 11.2 Sufficient levels of reserves are necessary to provide for various contingent and unplanned items that could include:-
- significant increased costs of providing statutory services
 - significant increased contractual costs
 - an unexpected and/or significant event or disaster, e.g., civil emergency
 - an unexpected major liability in law
 - the need to make significant payments in relation to prior year adjustments under the direction of the external auditor
- 11.3 The Council's current uncommitted General Fund Balance is £2m. As detailed in Sections 7 and 8, the forecast outturn for 2021/22 and the budget for 2022/23 are both currently showing significant deficits and therefore may require funding from this balance. Final determination of any use of this balance will be considered as part of the budget report in February 2022.
- 11.4 It is good practice to keep the balance on this reserve under review alongside ensuring that the purposes for which other earmarked reserves were allocated remain consistent with and relevant to the Council's Medium Term Financial Strategy.
- 11.5 The Budget Equalisation Reserve was established in 2019/20 to provide a smoothing mechanism between financial years which could provide resources to help achieve balanced budgets in future years. The current balance on this reserve is £483k and is available to meet potential budget shortfalls.
- 11.6 The analysis of reserves at Appendix E details the projected General Fund and earmarked reserves position as of 31 March 2022 and 31 March 2023 before any use of these reserves to fund the potential shortfalls detailed at Appendix A. The final budget report to be considered by Cabinet and Council on 24 February 2022 will consider the use of these reserves.

12 CAPITAL PROGRAMME

- 12.1 Capital Expenditure and Income plans have been prepared through the Council's service and financial planning cycle. The Council's capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.
- 12.2 A fully updated Capital Programme for 2021-25 is presented at Appendix D for approval. The programme has been updated to ensure it adequately reflects the cost and anticipated timing of schemes previously approved.
- 12.3 In June 2019 Members approved a series of recommendations relating to the disposal of surplus assets. These recommendations have been taken forward by officers and the summary of resources available to finance the current capital programme takes account of disposal proceeds the Council expects to generate over the life of the current programme. It is difficult to determine with certainty the returns the Council might be able to generate. Such returns, however, are important in the context of the Council's Medium Term Financial Strategy as where capital expenditure can be financed through the application of capital receipts it does not need to be financed from borrowing. It is also relevant to note that the Council's wholly owned trading company, Fenland Future is developing business plans linked to several areas of land owned by the Council. Should the Investment Board approve the business plans to develop these sites the proceeds arising from any transfer of land that arises would be available to fund the Council's capital programme and/or reduce the Council's Capital Financing Requirement.
- 12.4 At its meeting on 15 July 2021 Cabinet was updated on works required at the Council's leisure centres. A tender exercise has subsequently been completed for roofing works required at the Hudson Leisure Centre and these works are due to be completed in this financial year. The value of the contract awarded is reflected in the capital programme. The capital programme also reflects the outcome of condition surveys undertaken at the leisure centres. High and medium-priority works identified where the Council is contractually responsible as part of its agreement with Freedom Leisure will be undertaken on a phased basis in the three financial years to 31 March 2025. Officers will discuss and agree a schedule of works in the coming months for those works where Freedom is contractually responsible.
- 12.5 The Council also commissioned surveys of its chapels and those closed cemeteries where it has legal responsibilities. The cost of the associated works is reflected in the updated capital programme.
- 12.6 When the capital programme was updated in July 2021, Cabinet was advised that provision had been made to undertake essential works required at Fenland Hall where there were potential health and safety implications. Work continues to determine the most efficient and practicable way of completing these works. Condition surveys relating to other buildings owned by the Council are also currently being reviewed by officers. Where it is determined that these give rise to the need to undertake capital works this will be reflected in future updates to the capital programme.
- 12.7 Some re-profiling of the capital programme has been necessary due to restrictions linked to the pandemic, together with continuing pressure on the supply chain. Most notably, the Department for Levelling Up, Housing and Communities has approved a re-profiling of works to be completed as part of the Future High Street fund programme in March. The Council has either bid for, or is awaiting the opportunity to bid for, capital resources in connection with several other high-profile government and CPCA-led initiatives. Should these bids be successful they will be incorporated into future updates to the capital programme and the impact of providing any match-funding required will be reflected in the revenue budget and the Medium-Term Financial Strategy.

- 12.8 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure including through borrowing. Reviews of the programme and resources available are carried out regularly during the year.
- 12.9 The Council's Borrowing Strategy which is incorporated into the Council's Treasury Management Strategy Statement, recognises that some prudential borrowing will be required over the life of the capital programme. The projected additional annual revenue costs for the Council are reflected in the MTFFS.

13 RISK ASSESSMENT

- 13.1 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate and other national and international events now or in the future that may impact on the Council either directly or indirectly. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the estimates:-
- Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans;
 - Maintaining "earmarked" reserves for expenditure that it is known will occur, but the exact amount and timing of the expenditure is not known;
 - Maintaining an adequate level of general reserves to meet sudden and or unforeseen expenditure;
 - Adopting clear guidelines and control systems (robust revenue and capital budget management and monitoring procedures, Financial Regulations and Contract Procedure Rules etc.) to alert service managers, and members before variances reach tolerance levels;
 - Using professional and expert advice and economic forecasts where these are available, e.g., treasury management, interest rates;
 - Maintaining a rolling review of forecast estimates beyond the current year.
- 13.2 These assumptions are made with all available information but are necessarily calculated based on broad assumptions. In the current economic climate, some of these assumptions are particularly volatile. The MTFFS will be prepared annually on a rolling basis so that as information becomes more certain the figures will be updated and early consideration can be given to any action or changes in direction that may be required.

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

	Current Approved Estimate 2021/22 £	Projected Outturn 2021/22 £	Estimate 2022/23 £
Service Summary			
Growth & Infrastructure	1,001,380	1,387,770	951,820
Communities, Environment, Leisure & Planning	4,892,890	5,324,906	4,170,150
Resources & Customer Services	7,315,110	7,656,630	8,306,730
NET COST OF GENERAL FUND SERVICES	13,209,380	14,369,306	13,428,700
Corporate Items			
Contributions to/ (from) Earmarked Reserves	16,472	-131,743	-46,390
Contributions to/(from) Business Rates Reserve	-3,417,430	-1,987,155	-1,430,275
Cambridgeshire Horizons - Share of Surplus	0	-3,891,500	0
RTB/VAT Sharing Income	-20,000	-126,317	-70,000
Drainage Board Levies	1,539,950	1,594,010	1,625,900
Financing Charges - <i>Interest/Minimum Revenue Provision</i>	936,065	847,065	1,027,314
Investment Income and Property Funds Income	-190,000	-40,000	-215,000
New Homes Bonus	-874,916	-874,916	-868,000
A14 Contribution	32,000	74,000	74,000
Pay Award 2021/22 : 1.75%	0	209,000	0
Vacancy Factor (1.5%)	0	0	-180,000
Business Rates - net additional income above baseline <i>(government grants for reimbursement of reliefs, growth less levy payment)</i>	-1,309,135	-1,544,224	-1,492,155
Business Rates - reimbursement of additional Covid-19 reliefs	0	-1,204,300	0
Business Rates Pool - FDC Share of Benefit	-300,000	-300,000	-300,000
Government Grant - Covid-19 General Grants for spending pressures	-634,010	-634,010	0
Government Income Compensation Scheme Grant	-100,000	-88,000	0
Lower Tier Services Grant	-157,697	-157,697	-157,697
Leisure Contract Support - Contingency	0	0	0
FFL - Net Loan Interest	0	0	-100,000
Corporate Adjustments	-4,478,701	-8,255,787	-2,132,303
Net Expenditure before CFF savings	8,730,679	6,113,519	11,296,397
<i>CFF Transformation Savings identified not yet implemented</i>	<i>0</i>	<i>0</i>	<i>-192,000</i>
Net Expenditure after CFF savings	8,730,679	6,113,519	11,104,397
Contribution from General Fund Balance	0	0	0
NET EXPENDITURE after use of balances	8,730,679	6,113,519	11,104,397
Core Funding			
Business Rates Baseline Funding	-3,701,878	-3,701,878	-3,701,878
Business Rates Collection Fund Deficit(+)	3,620,772	3,620,772	1,899,115
Council Tax Collection Fund Deficit(+)/Surplus(-)	43,723	43,723	-36,539
Council Tax	-7,851,042	-7,851,042	-7,986,741
Surplus(-)/Shortfall(+)	842,254	-1,774,906	1,278,354
Balance of Cambridgeshire Horizons money set aside for for future FDC use		2,761,500	
		986,594	

APPENDIX B
(0% Council Tax increase)

Medium Term Financial Strategy	Projected 2021/22 £000	Estimate 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
Expenditure						
Service Expenditure/Income						
Gross Service Expenditure	25,467	22,711	22,648	22,906	23,657	23,777
Fees and Charges	-6,045	-6,392	-6,503	-6,583	-6,663	-6,744
Grants and Contributions	-4,344	-1,772	-1,368	-1,356	-1,339	-1,330
Recycling Credits	-1,047	-1,120	-1,140	-1,155	-1,170	-1,185
Total Net Service Expenditure	14,031	13,427	13,637	13,812	14,485	14,518
Corporate Items						
Corporate Expenditure/Savings						
Drainage Board Levies	1,594	1,626	1,659	1,692	1,726	1,760
Financing Charges - Interest on External Borrowing	494	606	700	700	700	700
Financing Charges - Current Capital Programme - MRP	356	424	550	550	550	550
Vacancy Factor (1.5%)	0	-180	-185	-190	-195	-200
A14 Upgrade - contribution	74	74	74	74	74	74
CFF Transformation Savings identified not yet implemented	0	-192	-384	-384	-384	-384
	2,518	2,358	2,414	2,442	2,471	2,500
Corporate Income Items						
Contribution to(+)/from(-) Earmarked Reserves	-132	-47	-30	60	60	60
Contribution to(+)/from(-) Business Rates Reserve	-1,987	-1,430	0	0	0	0
Cambridgeshire Horizons - share of surplus	-3,982	0	0	0	0	0
RTB/VAT Sharing Income	-126	-70	-20	-20	-20	-20
Investment and Property Fund Income	-40	-215	-200	-200	-210	-210
New Homes Bonus	-875	-868	-868	-853	-800	-800
Business Rates - net additional income above baseline	-1,544	-1,492	-1,489	-1,524	-1,554	-1,586
Business Rates - reimbursement of additional Covid-19 reliefs	-1,204	0	0	0	0	0
Business Rates Pool - FDC Share of Benefit	-300	-300	-300	-300	0	0
Government Income Compensation Scheme	-88	0	0	0	0	0
Lower Tier Services Grant	-158	-158	-158	-158	-158	-158
FFL - Net Loan Interest and Dividends	0	-100	-115	-225	-325	-325
	-10,436	-4,680	-3,180	-3,220	-3,007	-3,039
Total Corporate Items	-7,918	-2,322	-766	-778	-536	-539
Gross Service/Corporate Expenditure	27,985	25,069	25,062	25,348	26,128	26,277
Gross Service/Corporate Income	-21,872	-13,964	-12,191	-12,314	-12,179	-12,298
Net Budget Requirement	6,113	11,105	12,871	13,034	13,949	13,979
Funding - NNDR/CT						
Business Rates Baseline Funding	-3,702	-3,702	-3,787	-3,859	-3,925	-3,991
Business Rates Collection Fund Deficit	3,621	1,899	184	0	0	0
Council Tax Collection Fund Surplus(-)/Deficit	44	-37	0	-50	-50	-50
Council Tax (increases of 0% in 22/23 onwards)	-7,851	-7,987	-8,084	-8,182	-8,280	-8,377
Total Funding - NNDR/CT	-7,888	-9,827	-11,687	-12,091	-12,255	-12,418
Surplus(-)/Shortfall(+)	-1,775	+1,278	+1,184	+943	+1,694	+1,561
Balance of Cambridgeshire Horizons money set aside	2,762					
Shortfall(+) after Cambs. Horizons set aside	+987					
Summary						
Total Gross Expenditure	27,985	25,069	25,062	25,348	26,128	26,277
Funded by:						
Fees and Charges	-6,045	-6,392	-6,503	-6,583	-6,663	-6,744
Grants and Contributions	-4,344	-1,772	-1,368	-1,356	-1,339	-1,330
Recycling Credits	-1,047	-1,120	-1,140	-1,155	-1,170	-1,185
New Homes Bonus	-875	-868	-868	-853	-800	-800
Investment Income, VAT/RTB	-166	-285	-220	-220	-230	-230
Cambridgeshire Horizons - share of surplus	-3,982	0	0	0	0	0
Contribution to(+)/from(-) Earmarked Reserves	-132	-47	-30	60	60	60
Contribution to(+)/from(-) Business Rates Reserve	-1,987	-1,430	0	0	0	0
Income Compensation Scheme	-88	0	0	0	0	0
Lower Tier Services Grant	-158	-158	-158	-158	-158	-158
FFL - Net Loan Interest and Dividends	0	-100	-115	-225	-325	-325
Retained Business Rates	-3,129	-3,595	-5,392	-5,683	-5,479	-5,577
Council Tax	-7,807	-8,024	-8,084	-8,232	-8,330	-8,427
Total Funding	-29,760	-23,791	-23,878	-24,405	-24,434	-24,716
Surplus(-)/Shortfall(+)	-1,775	+1,278	+1,184	+943	+1,694	+1,561
Balance of Cambridgeshire Horizons money set aside	2,762					
Shortfall(+) after Cambs. Horizons set aside	+987					

Assumptions built into Budget and Medium Term Financial Strategy (MTFS)

Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although the aim is to mitigate these risks as detailed in section 13 of the main report.

The main assumptions are as follows:

- 0% Council Tax increase for 2022/23 and thereafter (1% increase generates around £80k of resources and 1.97% around £157k of resources).
- 1.73% increase in Council Tax base in 2022/2023 (Tax-base 30,664) and 1.20% thereafter (increase of 375 Band D equivalent properties per annum).
- Inflation (CPI) increases in Retained Business Rates income (0% for 2022/23, and in line with Treasury assumptions for 2023/24 onwards, 2.3% for 2023/24 falling to 1.7% for 2026/27).
- Inclusion of this Council's share (£300k) of the potential benefit arising from the continuation of the Cambridgeshire Business Rates Pool in 2022/23 and over the SR21 period to 2024/25. Potential benefit from the Pool in future years will be dependent on the scheme design of the new Business Rates Retention System expected to be implemented from 1 April 2025.
- Continuation of the Lower Tier Services Grant (£158k received in 2021/22) in 2022/23 onwards. The actual level of this grant or any similar funding will be announced as part of the Provisional Finance Settlement.
- The New Homes Bonus for 2022/23 onwards has been included as detailed in Section 4 of the report. The actual New Homes Bonus (or any similar Housing Growth initiative) will be announced as part of the Provisional Finance Settlement.
- 2% increase in 2022/23 (£230k cost) and thereafter together with an allowance for pay increments of around 1% p.a. (£115k cost) reflecting the continuing impact of the pay grades re-modelling following the national pay award agreement effective from April 2019.
- Employer's Pension Contributions – following the triennial valuation as at 31.03.2019, the rate for 2022/23 is to remain the same as 2021/22 (17.4% of salary) with additional past deficit lump sum payment of £978k, representing an overall increase of 1% p.a. in total contributions. For 2023/24 onwards, following the next triennial valuation, further increases have been assumed in line with the current triennial valuation.
- Inclusion of a vacancy factor for 2022/23 onwards, equivalent to a reduction in staff costs of 1.5% (£180,000 in 2022/23);
- 0% general inflation for the period of the MTFS;
- Specific allowance for inflation where required eg: business rates, external contracts, energy and water, drainage board levies;
- Investment interest rates to stay at current rates until December 2021 when market rates are forecast to begin rising slowly.
- Investment income includes an assumed £3m investment in property funds during 2022/23 (£150k p.a. income net of costs).

- Assumptions regarding forecast income levels from fees and charges have been included based on 2021/22 projections. In addition, fee increases (where applicable) together with a review of activity levels have determined the current estimates.
- For 2022/23 onwards, a full years' worth of Management Fee being received from the Leisure Management contractor has been assumed. This follows two years of significant additional Council support for the Leisure Management contract in 2020/21 and 2021/22 as a result of Covid-19, through deferral of the management fee and also cash support.
- For 2022/23, additional provision has been included for a continuation of the high demand for bed and breakfast and temporary accommodation for the homelessness and rough sleeper's service. Further work is being carried out to determine the level and type of ongoing support required.
- Potential impact of My Fenland Phase 3 has been included (£194k saving in 2022/23 rising to £383k savings p.a. from 2023/24 onwards). However, further detailed work is required to quantify the scope and savings likely to be generated.
- Recharges to Fenland Future Limited to reflect the use of FDC officer time on the company's behalf has been included (£50k in 2021/22, £75k in 2022/23 and £100k p.a. from 2023/24). This amount could vary depending on the amount of time and types of activities being carried out for the company.
- Potential net benefits from Fenland Future Ltd of loan interest and dividends from future developments have been included. These amounts could vary depending on the timing and profitability of developments being carried out by the company.
- No potential additional income from the Extended Producer Responsibility scheme for managing packaging waste (effective from 2024/25) has been included as there are currently no indications of the level of this income.

CAPITAL PROGRAMME AND FUNDING 2021 - 2025

	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000
Capital Programme (excluding Commercial and Investment Strategy Schemes)	13,455	13,083	7,368	1,587
Commercial and Investment Strategy Schemes	6,302	10,000	5,000	0
CURRENT FORECAST EXPENDITURE	19,757	23,083	12,368	1,587

FORECAST RESOURCES AVAILABLE

Capital Grants	10,228	9,292	5,661	950
Usable Capital Receipts - In Year	265	100	100	15
Reserves used in year to fund Capital	463	200	0	0
Section 106s and Other Contributions	138	33	0	0
Borrowing (Internal and Prudential)	8,663	13,458	6,607	622
Total Forecast Resources	19,757	23,083	12,368	1,587

CAPITAL PROGRAMME SUMMARY 2021/22 - 2024/5

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Leisure Centres								
1 Condition Survey Improvements	447	790	810	422	2,469	2,469		£98k R&M Reserve
Regeneration Programmes								
2 Fenland Renaissance and Place Shaping	16				16	16		
3 Heritage Lottery Fund - Non-FDC Properties	514				514	81	433	£433k HLF Grant.
4 Heritage Lottery Fund - 24 High Street, Wisbech	400	950			1,350	1,112	238	£238k HLF Grant.
5 Railway Station Master-Planning	2,543	1,853			4,396	82	4,314	£4,314k CPCA Grant, £82k S106
6 Whittlesey Flood Warning Signs	46				46		46	£46k CPCA Grant
7 Future High Street Fund, March	564	3,272	4,611		8,447		8,447	£2,000k CPCA, £6,447k MHCLG Future High Streets
8 Growing Fenland - Capital Grants	320				320		320	£320k CPCA Grant
Cemeteries								
9 Manea Churchyard	15				15	15		
10 Cemetery Chapels Condition Survey Works		315			315	315		
11 Remedial Works in Closed Cemeteries		80	190		270	270		
Highways								
11 Category 2 Street Lights - FDC Lights	105	176			281	281		
12 Street Name Plates/District Facilities Signage	18				18	18		
Street Light Improvements - Parishes (Contribution to Cat 2								
13 Replacements)	11				11	11		£11k Capital Contribution Reserve
14 Growing Fenland - Civil Parking Enforcement	100	200	100		400		400	£400k CPCA Grant
15 Huntingdon Road Improvements, Chatteris	35				35	35		
Office Accommodation								
16 Fenland Hall and The Base - Repairs and Renewals	200	1380	100		1,680	1,680		
Environment								
17 Replacement and Grant-Funded Additional Litter Bins	108				108	83	25	£25k WRAP Grant
Port								
18 Boat/Vessels - Replacement Deck, Hull and Engines	57	35			92	92		
19 Wisbech Port Structural Works	328				328	328		
Sub Total	5,827	9,051	5,811	422	21,111	6,888	14,223	

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Brought Forward	5,827	9,051	5,811	422	21,111	6,888	14,223	
Parks and Open Spaces								
20 West End Park, March - Park Improvements	27				27	8	19	£17k Cambs CC, £2k March TC
21 Parks, Play Areas and Open Space - Chatteris	60	40			100	100		£6k S106 money
22 Parks, Play Areas and Open Space - Doddington		75			75	75		£21k S106 money
23 Parks, Play Areas and Open Space - Parson Drove	30				30	30		£30k S106 money
24 Parks, Play Areas and Open Space - Wisbech	20	20		15	55	55		£32k S106 money
25 Parks, Plays Areas and Open Space - Whittlesey		45			45	45		
26 Wisbech Water Park		150			150		150	£150K CPCA Grant
Vehicles and Plant								
27 Vehicles	321	124	257	200	902	902		
ICT System Replacement Programme & Upgrades								
28 Replacement & Upgrade Programme	364	380	100		844	844		£554k Management of Change Reserve
Improvement of Assets								
29 Sewage Treatment Works Refurbishment	537	200	250		987	987		
30 Birch Fen Silt Removal and Outfall Maintenance	25				25	25		
31 March Moorings Renewals	12	12			24	24		
32 Hostel Roof Renewal	42				42	42		
33 Lattersley Nature Reserve - Capping Layer		40			40	40		
34 Energy Efficiency Improvements to Clarion Properties	4,492				4,492		4,492	£4,492k BEIS Decarbonisation Fund Grant
Car Parks								
35 Eastwood, Chatteris		100			100	100		
Economic Estates								
36 Replacement of AV Equipment at Business Centres		50			50	50		
37 South Fens Business Park Expansion	150	1,846			1,996	1,000	996	£996k CPCA 'Business Space' Funding
Private Sector Housing Support								
38 Private Sector Renewal Grants	240	40	40	40	360		360	£360k Govt Grant
39 Disabled Facilities Grants	1,308	910	910	910	4,038		4,038	£4,038k Govt Grant
Total - Approved Programme	13,455	13,083	7,368	1,587	35,493	11,215	24,278	

Reserve Name	Balance 01.04.21 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2021/22 £	Revised Balance 31.03.22 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2022/23 £	Estimated Balance 31.03.23 £	Comments / Conditions of Use
Travellers Sites	326,101		45,990	372,091		41,140	413,231	Can only be used for specific future maintenance liabilities.
Station Road, Whittlesey - Maintenance	4,800		2,800	7,600		2,800	10,400	Required for future road maintenance.
CCTV - Plant & Equipment	21,128		10,000	31,128		10,000	41,128	Available for future CCTV maintenance & replacement liabilities.
Invest to Save	104,000		-104,000	0			0	Original Funding agreement with Salix Finance has been terminated and grant repaid.
Management of Change	800,468	-354,000		446,468	-200,000		246,468	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Specific Government Grants (received in previous years)	1,327,622		-385,057	942,565		-66,940	875,625	Available to fund specific spending commitments in future years.
Business Rates Equalisation Reserve	4,146,689		-1,987,155	2,159,534		-1,430,275	729,259	Available to assist the Council in smoothing out volatility in the business rates retention system.
Capital Contribution Reserve	315,196	-11,000		304,196			304,196	Available to fund specific spending commitments in future years.
Port - Buoy Maintenance	146,999		-8,000	138,999		-19,000	119,999	Available for future buoy maintenance to service windfarms.
Repairs and Maintenance	562,706	-98,000		464,706			464,706	Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.
Heritage Lottery Fund (HLF) - Wisbech	80,898		-21,660	59,238		-21,620	37,618	To manage the Heritage Lottery Funded scheme in Wisbech.
Solid Wall Remediation	100,000			100,000			100,000	Available to fund potential costs linked to solid wall installations in the District.
Highways Street Lighting	29,367		19,230	48,597		19,230	67,827	Available to fund future repairs and maintenance relating to street lighting.
Investment Strategy Reserve	1,340,168			1,340,168			1,340,168	Established to provide future funding for Commercial and Investment Strategy projects.
Budget Equalisation Reserve	482,633			482,633			482,633	Year-end surpluses are transferred to this reserve. If a deficit is forecast this reserve can be used to offset the expected shortfall.
Planning Reserve	391,138		-85,000	306,138			306,138	Available to fund additional planning costs not reflected in the annual budget, including the development of the Local Plan.
Elections Reserve	30,000		30,000	60,000		30,000	90,000	Available to fund four-yearly District-wide elections. Transfers are made to this reserve each year to fund the cost of the next District-wide election.
Specific Covid-19 Government Grants (received in 2020/21)	1,838,547		-1,631,766	206,782			206,782	Specific Government Grants received for Covid-19 initiatives eg. Business Support, Test & Trace and Outbreak Management.
Port - Pilots Staff Development Training	24,000		-24,000	0			0	Available to fund the training of maritime pilots to fulfill the authority's statutory functions.
Cambridgeshire Horizons - A14 Contribution	0		1,008,000	1,008,000		-42,000	966,000	Monies received from Cambridgeshire Horizons specifically for contribution to A14 improvements. To be paid over 25 years at £42k per annum.
Cambridgeshire Horizons - Share of Surplus	0		2,761,500	2,761,500			2,761,500	Available for the Council's future use in accordance with the conditions attached to the receipt.
TOTAL EARMARKED RESERVES	12,072,458	-463,000	-369,118	11,240,340	-200,000	-1,476,665	9,563,675	
General Fund Balance	2,000,000			2,000,000			2,000,000	Unallocated general reserve required for various and unplanned for contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.
TOTAL RESERVES	14,072,458	-463,000	-369,118	13,240,340	-200,000	-1,476,665	11,563,675	

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Agenda Item 7

Agenda Item No:	7	
Committee:	Cabinet	
Date:	8 December 2021	
Report Title:	Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2021/22	

1 Purpose / Summary

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2021/22.

2 Key issues

- The Treasury Management Mid-Year Review 2021/22 as considered by Audit & Risk Management Committee on 29 November 2021 is attached.
- The report highlights all the key activities carried out within the Treasury Management function during the first six months of 2021/22. All activities have been conducted in accordance with the approved strategy and policies.
- Prudential indicators for the Capital Financing Requirement (CFR) and the capital position have been revised.

3 Recommendation

It is recommended that Members note the report.

Agenda Item No:	9	
Committee:	Audit and Risk Management Committee	
Date:	29 November 2021	
Report Title:	Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2021/22	

1 Purpose / Summary

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2021/22 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

2 Key issues

- The Council has operated within its Treasury Management Strategy Statement (TMSS), Annual Investment Strategy, treasury limits and prudential indicators set by Council for the first six months of 2021/22.
- Forecasts for Bank Rate now includes five increases, one in December 2021 to 0.25%, rising incrementally to 1.25% by Q1 2025.
- PWLB certainty rates are forecast to rise steadily over the next three-and-a-half years.
- The Prudential indicators for the Operational Boundary and Authorised Limit have been adjusted reflecting the anticipated need for external borrowing to support the Council's Commercial and Investment Strategy.
- Due to the Council's long term debt portfolio (£7.8m at 31/03/21) currently attracting excessive premiums for early redemption of debt, as has been the case since 2007, it is not financially advantageous for the Council to comply with the Gross Borrowing and Capital Financing Prudential Indicator in 2021/22.
- No new external borrowing has been taken out to date in 2021/22. The current Medium Term Financial Strategy assumes that some external borrowing will be required over the three-and-a-half-year period to 31 March 2024.
- Investment income received for the first six months of 2021/22 is £21k. This is in line with the original estimate of £40k for the whole year.
- Property Funds formed part of the Council's Annual Investment Strategy approved in February 2021 as an instrument to increase investment returns from surplus cash balances. There has been a delay in accessing Property Funds whilst the impact of COVID-19 is fully understood and other commercial property acquisitions are considered, with a corresponding reduction in budgeted income this year of around £150k.

3 Recommendations

It is recommended that Members note the report.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Background Paper (s)	Link Asset Services template Council Report - 23 February 2021 - General Fund Budget 2021/22 and Capital Programme 2021-24 Cabinet Report – 15 July 2021 - Capital Programme Update

Report:

1 Context

- 1.1 The Council's responsibilities in relation to Treasury Management are defined as part of the Local Government Act 2003 ('the Act'). The Act requires the Council to have regard to the Treasury Management Code published by the Chartered Institute of Public Finance and Accountancy, (CIPFA). CIPFA updated the Treasury Management Code in December 2017 and this report has been prepared with reference to the requirements set out in the updated Code.
- 1.2 Additionally, there is a statutory requirement for the Council to comply with the Prudential Code which is also published by CIPFA and was also updated in December 2017. There is a close interaction between the Treasury Management Code and the Prudential Code. The Prudential Code establishes a framework for the Council to self-regulate the affordability, prudence and sustainability of its capital expenditure and borrowing plans whilst the Treasury Management Code is concerned with how the Council uses its Treasury Management function to progress the future plans developed with reference to the Prudential Code.
- 1.3 Reductions in central government funding for local government and declining returns on deposits invested with financial institutions has led some local authorities to explore other avenues for generating investment returns, including investment in non-financial assets. Local authority spending on commercial property takes place in the context of the prudential framework, made up of both powers and duties created by legislation and a set of statutory codes and guidance to which authorities must have regard. In particular, there is a recognition that all authorities need to ensure they can clearly identify the strategic considerations underpinning their investment strategies and effective governance frameworks are in place to protect and preserve each authority's long-term financial sustainability. Specifically, from 2019/20, all local authorities have been required to approve a Capital Strategy which is intended to provide the following:
- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - an overview of how the associated risk is managed;
 - the implications for future financial sustainability.

The Council's Capital Strategy for 2021/22 was approved by Full Council on the 23 February 2021.

- 1.4 The Council recognises that there is an ongoing consultation relating to changes to both the Prudential Code and the Treasury Management Code with new versions of both documents due to be published in December 2021. Whilst CIPFA has recently announced that full implementation of the updated codes will not be required until the 2023/24 financial year, the impact of changes to both documents will be considered when determining the Council's Treasury Management Strategy Statement and Capital Strategy for 2022/23 which are due to be approved in February 2022.

Treasury Management

- 1.5 Treasury management is defined as "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."
- 1.6 The Council complies with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2017).

- 1.7 The primary requirements of the Code applicable to the 2021/22 financial year are as follows:
- Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.
 - Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will seek to achieve those policies and objectives.
 - Receipt by Full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.
 - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - Delegation by the Council of the role of scrutiny of treasury management strategy and policies (including Mid-year Review Report) to a specific named body. For this Council the delegated body is the Audit and Risk Management Committee.
- 1.8 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the following:
- an economic update for the first six months of 2021/22 taking account of expert analysis provided by the Council's Treasury Management Advisors, Link Asset Services;
 - a review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - the Council's capital plans;
 - a review of the Council's investment portfolio for 2021/22;
 - a report of the Council's borrowing strategy for 2021/22;
 - a report of debt rescheduling during 2021/22;
 - a review of compliance with Treasury and Prudential Limits for 2021/22.

2 Economic Update

MPC meeting 04.11.21

- 2.1 The Monetary Policy Committee (MPC) voted 7-2 to leave Bank Rate unchanged at 0.10% with two members voting for an increase to 0.25% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn by a vote of 6-3.
- 2.2 After the Governor and other MPC members had made speeches prior to the MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), thus reinforcing the strong message from the September MPC meeting, financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% at this meeting. However, these were not messages that the MPC would definitely increase Bank Rate at the first upcoming MPC meeting as no MPC member can commit the MPC to make that decision ahead of their discussions at the time. The MPC did comment, however, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank rate will be increased in

December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out.

- 2.3 Information available at the December MPC meeting will be helpful in forming a picture but not conclusive, so this could cause a delay until the February meeting. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would, therefore, need to wait until the May meeting (although it also meets in March) when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation expected around that time. If the statistics show the labour market coping well during the next six months, then it is likely there will be two increases in these three meetings.
- 2.4 Over the next year the MPC will be doing a delicate balancing act of weighing combating inflation being higher for longer against growth being held back by significant headwinds. Those headwinds are due to supply shortages (pushing prices up and holding back production directly), labour shortages, surging fuel prices and tax increases. However, those headwinds could potentially be offset – at least partially - by consumers spending at least part of the £160bn+ of “excess savings” accumulated during the pandemic. However, it is also possible that more affluent people may be content to hold onto elevated savings and investments and, therefore, not support the economic recovery to the extent that the MPC may forecast.
- 2.5 The latest forecasts by the Bank showed inflation under-shooting the 3 years ahead 2% target (1.95%), based on market expectations of Bank Rate hitting 1% in 2022. This implies that rates don't need to rise to market expectations of 1.0% by the end of next year.
- 2.6 It is worth recalling that the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement after the MPC meeting in September yet at its August meeting it had emphasised a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was ‘sustainably over 2%’. On balance, once this winter is over and world demand for gas reduces - so that gas prices and electricity prices fall back - and once supply shortages of other goods are addressed, the MPC is forecasting that inflation would return to just under the 2% target.
- 2.7 The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
1. Raising Bank Rate as “the active instrument in most circumstances”.
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- 2.8 COVID-19 vaccines. These have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread. There is also a potential for the winter flu season combined with Covid to overwhelm NHS hospitals so the UK is not entirely in the clear yet.
- 2.9 World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal

of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those observed in prior decades.

3 Interest Rate Forecast

- 3.1 The Council's treasury advisor, Link Group, provided the following forecasts on 8th November 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View 8.11.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

- 3.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.
- 3.3 As shown in the forecast table above, the forecast for Bank Rate now includes five increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.
- 3.4 Gilt Yields / PWLB Rates - as the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US. However, there is likely to be exceptional volatility and unpredictability in gilt yields. PWLB rates and interest rates will both be kept under review by officers to inform the Council's strategy.
- 3.5 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.
- 3.6 For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.

4 Treasury Management Strategy Statement and Annual Investment Strategy Update

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Council on 23 February 2021. There are no policy changes to the TMSS.
- 4.2 The Prudential indicators for the Operational Boundary and Authorised Limit have been adjusted reflecting the anticipated external borrowing need to support the Council's Commercial and Investment Strategy (see paragraph 5.3 below).

5 The Council's Capital Position

- 5.1 This part of the report is structured to update:
- the Council's capital expenditure plans;
 - how these plans are being financed;
 - the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
 - compliance with limits in place for borrowing activity.
- 5.2 At its meeting on 15 July 2021 the Cabinet approved revised estimates for the 2021/22 capital programme and the financing of that programme. The revised estimate addresses amendments to the programme since February, including re-profiling schemes from 2020/21 and a re-assessment of resources available in the period 2021-24.
- 5.3 The capital programme reflects the Council's decision to allocate a maximum of £25 million to take forward schemes in accordance with the Council's Commercial and Investment Strategy. Members will be aware that the Investment Board approved the first purchase of an Investment Property in March 2021. Originally, £10 million of borrowing to fund the Commercial and Investment Strategy was allocated to the 2021/22 financial year. This has been reduced in light of the purchase which took place in March 2021 after the 2021/22 budget had been approved.
- 5.4 The table below compares the revised estimates with the original capital programme which was incorporated into the 2021/22 Treasury Management Strategy Statement (TMSS).

Capital Programme	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Capital Programme (Excluding Commercial and Investment Strategy Schemes)	17,970	21,447
Commercial and Investment Strategy Schemes	10,000	6,302
Forecast Expenditure	27,970	27,749
Financed by:		
Capital Grants	14,449	16,327
Section 106's & Contributions	108	159
Capital Receipts	265	265
Capital Reserves	508	563
Total Financing	15,330	17,314
Borrowing Requirement	12,640	10,435

- 5.5 The table below shows the anticipated CFR at 31 March 2022, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period; this is termed the Operational Boundary. The revised estimated CFR is in line with the original forecast.

Prudential Indicators	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Capital Financing Requirement as at 31 March 2022	15,409	15,409
External Debt / Operational Boundary		
Borrowing	12,000	12,000
Other Long Term Liabilities Finance Leases	1,000	1,000
Commercial Activities/ Non Financial Investments	25,000	21,302
Total Debt 31 March	38,000	34,302

- 5.6 The Council has made provision to repay all 'borrowing' liabilities through increased Minimum Revenue Provision (MRP) in the General Fund revenue budget.
- 5.7 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need. The policy permits borrowing in advance of need where it is prudent to do so. Members should note that the current limits and estimates set out below have been determined with reference to the existing capital programme.

Limits to Borrowing Activity	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Gross Borrowing (Excluding Commercial and Investment Strategy Schemes)	11,060	7,800
Plus Other Long Term Liabilities Finance Leases	106	106
Commercial Activities/ Non Financial Investments	10,000	10,000
Anticipated Gross Borrowing as at 31 March 2022	21,166	17,906
Anticipated Capital Financing Requirement as at 31 March 2022	15,409	15,409

- 5.8 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/2021) currently attracting excessive premiums (£2.570m at the time of writing this report) if it were prematurely repaid, it is not financially advantageous for the Council to fully comply with this prudential indicator. A similar issue applies to the fixed rate loan of £3.3m which the Council has with Barclays. This has been the case since the housing stock transfer in 2007 and has been acknowledged and approved by Council since then. In addition, the Council's external auditors have also acknowledged this situation and have not raised any issues with our strategy.
- 5.9 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit, which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level for borrowing which, while not desired could be afforded in the short term but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit For External Debt	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Debt	17,000	17,000
Plus Other Long Term Liabilities Finance Leases	1,000	1,000
Commercial Activities/ Non Financial Investments	25,000	21,302
Total Borrowing	43,000	39,302

- 5.10 The Corporate Director & Chief Finance Officer reports that no difficulties are envisaged for the current year in complying with the above prudential indicators.

6 Investment Portfolio

- 6.1 In accordance with the Treasury Management Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 6.2 As set out in section 2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020 until the MPC meeting on 24th September 2021 when 6 and 12 month rates rose in anticipation of Bank Rate going up in 2022.
- 6.3 The current forecasts shown in paragraph 3.1, includes a forecast for a first increase in Bank Rate in December 2021 though there is a high risk that it could be delayed until quarter 1 or 2 of 2022. Investment returns are expected to remain low for the remainder of this year.
- 6.4 The Council held investments of £34.5m as at 30th September 2021 (£24m at 31st March 2021). The investment portfolio yield for the first 6 months of the year is 0.11% (7 day LIBID un-compounded rate -0.08%).

- 6.5 It should be noted that the value of investments remains high due to the distorting impact on working capital of some of the mechanisms government introduced to mitigate the liquidity impact of the pandemic on local authorities. Typically, this involved local authorities receiving significant funds up-front before the cost of implementing policies to support local businesses could be accurately determined. The relevant government departments are still working through the various reconciliations which will result in the Council repaying funds received in excess of those required. Likewise, the Council received significant up-front grant funding in respect of capital schemes approved prior to the implementation of a new wave of restrictions in December 2020. Progress on these schemes is gathering pace and this result in the use of grants received in the coming months.
- 6.6 The Council has achieved investment income of £21k to 30th September 2021. The 2021/22 original estimate of £40k is projected to be achieved.
- 6.7 Property Funds formed part of the Council's Annual Investment Strategy approved in February 2021 as an instrument to increase investment returns from surplus cash balances. There has been a delay in accessing Property Funds whilst the impact of COVID-19 is fully understood and other commercial property acquisitions are considered, with a corresponding reduction in budgeted income this year of around £150k.
- 6.8 In line with the 2017 CIPFA Codes and guidance notes greater emphasis is placed on the enhanced importance of risk management. Should the Council decide to invest in a Property Fund(s) this increases the level of risk associated with the Council's treasury management activity as the value of investments can go down as well as up and the Council may get back less than they originally invested. During the previous five years property funds have generally generated better investment returns (through capital appreciation and income) than bank deposits, though past performance or future projections are not indicative of future returns. One of the main characteristics of investment in Property Funds, compared to bank deposits, is that the Council will need to be prepared to hold on to its investment for a longer period – typically at least five years – to benefit from capital appreciation in the underlying value of the investment. Officers are working with Link Asset Services to examine the opportunities and evaluate the risks associated with investing in this way.
- 6.9 The Corporate Director and Chief Finance Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2021/22.


7 Borrowing Strategy

- 7.1 The Council's estimated CFR for 2021/22 is £15.409m (including finance lease borrowing facilities). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.
- 7.2 No new external borrowing has been undertaken during 2021/22 to date. The Council has utilised surplus cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.
- 7.3 The current Medium Term Financial Strategy assumes that some external borrowing will be required over the three-and-a-half-year period to 31 March 2024. Assumptions about the level of external interest payable are included within the budget. Responsibility for deciding when to borrow externally, together with details of the amount to borrow and the term and type of any loan, rests with the Chief Finance Officer. The Chief Finance

Officer's decision will be informed by advice from the Council's treasury management advisors and information regarding the progress of schemes set out in the capital programme. Any borrowing decisions will be reported to Cabinet through the annual treasury management report.

8 Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken or is anticipated in the current financial year.

Agenda Item No:	8	
Committee:	Cabinet	
Date:	9 Dec 2021	
Report Title:	March Area Transport Study OBC Report	

1 Purpose / Summary

To report the outcome of the March Area Transport Study Outline Business Case and note the approval to proceed to Full Business Case stage.

2 Key issues

March Area Transport Study

- The aim of the March Area Transport study is to identify potential transport interventions in March to address existing capacity and safety problems whilst mitigating for future growth in the demand for travel resulting from increases in housing and employment opportunities identified in the Fenland Local Plan that was adopted in May 2014.
- The Cambridgeshire and Peterborough Combined Authority (CPCA) approved funding in October 2017 (£100k) and March 2018 (£1million) for the March Area Transport Study, formally known as the March Junctions Package. The funding is for feasibility study and option testing work.
- The study has examined a wide range of options developed from officer led workshops and subsequently reviewed by the appointed Member Steering Group (MSG). These options were assessed using bespoke transport models at a higher strategic and more detailed operational level. Study outcomes are detailed in the Options Assessment Report that was reported to Cabinet in March 2020.
- Public consultation was held between 15 May and 28 June 2020 which was online only due to the Covid-19 pandemic. Results showed strong public support for the options presented in the OAR.
- The MATS Outline Business Case (Executive Summary attached in Appendix B) was completed in September 2021 and built upon the Strategic Outline Business Case submitted in October 2020.
- The OBC makes the case for constructing the package of March improvement schemes and demonstrates that there is a strategic need for change, the package offers value for money, is commercially viable, is financially affordable and is deliverable.
- The package includes MATS Broad Street scheme which is closely aligned with a pedestrianisation scheme for Broad Street that is being delivered as part of March's successful Future High Street Fund (FHSF) bid. The Broad Street FHSF scheme is currently at concept design stage but work needs to progress quickly in order to meet the challenging timescales for completing construction by April 2024. The MATS Broad Street scheme is inextricably linked to the FHSF Broad Street scheme, so construction of the two schemes needs to happen simultaneously.

- The March Minor Schemes approved for delivery at the September 2020 H&T committee and FDC Cabinet included nine schemes, detailed in Appendix A. Seven of these schemes have been completed with the remaining two, Upwell Road/Cavalry Drive speed reduction measures and Norwood Rd traffic calming earmarked for completion by February 2022.
- The MATS Pedestrian and Walking Strategy document that was produced in May 2020 is now being assessed to determine which of the 91 interventions identified by the strategy can be progressed through to preliminary design. This work is due to be completed in January 2022 and will result in a set of preliminary designs for sifted schemes. This work is being aligned with the Fenland Cycling, Walking and Mobility Aid Strategy (Version 1) adopted by FDC Cabinet in September 2021.

Recommendations

It is recommended that Cabinet:

- Note and comment on the conclusions of the March Area Transport Study Outline Business Case.
- Note progress on delivery of the March Minor Schemes approved at the September 2020 Cabinet.
- Note the programme and costs for Full Business Case and detailed design of the March package of schemes, providing funding is made available by CPCA Board and a suitable funding agreement between CCC and CPCA is agreed.

Wards Affected	All March Wards
Forward Plan Reference	
Portfolio Holder(s)	Cllr Chris Seaton, Portfolio Holder for Transport
Report Originator(s)	Belinda Pedler, Senior Transport Officer
Contact Officer(s)	Wendy Otter, Transport Development Manager Belinda Pedler, Senior Transport Officer

Background Paper(s)

March Area Transport Study background paper and appendix

The following March Area Transport Study Outline Business Case document is available on the County Council website from the link below:

<https://www.cambridgeshire.gov.uk/residents/travel-roads-and-parking/transport-funding-bids-and-studies/march-transport-study>

The following March Area Transport Study documents are also available on the County Council website from the link:

Existing Conditions and Data Collection Report

Sustainable Travel Report

SATURN Model Validation Report

VISSIM Model Validation Report

Forecasting Report

Options Assessment Report

1 Background

- 1.1 The original March Area Transport Study (2011) and the March Market Town Transport Strategy (2013) identified a number of transport interventions that were needed to address existing congestion problems and provide capacity for housing and employment growth identified in the currently adopted Fenland Local Plan for March. Although these pinch points were identified in previous studies, no schemes were devised to address the problems.
- 1.2 The Cambridgeshire and Peterborough Combined Authority (CPCA) presented a paper at its March 2018 board meeting that set out spending on transport during the period 2018-20. The March Junctions Improvement Package was one of the transport schemes identified in the pipeline of schemes and was allocated £100k in October 2017 and a further £1m in March 2018 for a feasibility study with responsibility for leading and delivering the study delegated to Cambridgeshire County Council (CCC). CCC subsequently appointed Skanska (now Milestone Infrastructure) as its consultant support for the study through its Highways Services Contract and the study was renamed as the March Area Transport Study (MATS).
- 1.3 In addition, following approval from Economy and Environment (E&E) Committee in July 2018, a Member Steering Group (MSG) was established to ensure Local Member involvement throughout the study. This MSG has met eighteen times to date and has guided the study throughout its development.
- 1.4 The study has examined a wide range of options developed from officer led workshops and subsequently reviewed by the MSG. These options were assessed using bespoke transport models at a higher strategic and more detailed operational level. Study outcomes are detailed in the Options Assessment Report that was reported at the March 2020 Economy and Environment Committee. Approval to proceed to Public Consultation with the options identified was also granted at the March 2020 committee meeting.
- 1.5 Consultation was held between 15 May and 28 June 2020 which was online only due to the Covid-19 pandemic. Results showed strong public support for the options presented in the OAR and a Strategic Outline Business Case (SOBC) was submitted in October 2020.
- 1.6 Approval to move to Outline Business Case (OBC) stage was granted at the September 2020 Highways and Transport committee after £1.0m funding to enable that was approved and released at the CPCA Transport and Infrastructure committee and Board meetings in August 2020. The September 2020 committee also approved the construction of a number of minor schemes in March and these are outlined in Appendix A. These were also supported and approved by FDC Cabinet.
- 1.7 CPCA remain keen to press ahead with the study and presented findings from the OBC at the Transport and Infrastructure committee meeting on 8 November 2021, recommending proceeding to Full Business Case and requesting release of £1.5m funding to enable that. This recommendation was approved.

2 Main Issues

Outline Business Case

- 1.1 The MATS Outline Business Case (Executive Summary attached in Appendix B) was completed in September 2021 and built upon the Strategic Outline Business Case submitted in October 2020. The OBC is based on the Department for Transport's The

Transport Business Model (2013) guidance as it follows the three phase approach for making major investment decisions;

- Phase 1 Strategic Outline Business Case,
- Phase 2 Outline Business Case, and
- Phase 3 Full Business Case (FBC).

1.2 This approach is also followed by the CPCA.

1.3 The OBC has been developed following HM Treasury's Five Case Model; the strategic, economic, financial, commercial and management cases. The OBC makes the case for constructing the package of March improvement schemes and demonstrates that there is a strategic need for change, the package offers value for money, is commercially viable, is financially affordable and is deliverable.

1.4 The package of March improvement schemes covered by the OBC is:

- A141/Peas Hill roundabout capacity improvement, in conjunction with a developer funded and delivered roundabout at the junction of A141/Hostmoor Avenue
- A141/Twenty Foot Road junction, introduction of traffic signals
- Broad Street/Dartford Road/Station Road junction, replacement of traffic signals with a mini roundabout and converting Broad Street to a single lane in each direction.
- Development of a Northern Link Road between Hundred Road/Melbourne Road in the south and Longhill Road to the north
- High Street/St Peters Road upgrade to existing traffic signals.

1.5 It is important to note that the OBC considers the above schemes as a package. Furthermore, the Broad Street scheme above is closely aligned with a pedestrianisation scheme for Broad Street that is being delivered as part of March's successful Future High Street Fund (FHSF) bid. The Broad Street FHSF scheme is currently at concept design stage but work needs to progress quickly in order to meet the challenging timescales for completing construction by April 2024. The MATS Broad Street scheme is inextricably linked to the FHSF Broad Street scheme, so construction of the two schemes needs to happen simultaneously.

1.6 Four of the schemes reported in the OBC have completed the preliminary design stage. Preliminary design for the Northern Link Road continues due to protracted negotiations over the past year with Network Rail over access to their land to complete required surveys. This is reflected in the programme reported later in this report.

1.7 The Economic Case of the OBC demonstrates that the March package offers high value for money with a central growth scenario benefit to cost ratio (BCR) of 2.9. Under low growth assumptions the BCR is 1.6, while high growth assumptions increase the BCR to 4.6. Note that the impacts of Covid-19 and Brexit have not been assessed at this stage in the absence of any guidance from DfT. This would be considered during the next stage of the study when guidance is forthcoming.

1.8 The Financial Case demonstrates that the recommended package of schemes is financially affordable. The scheme costs used in the assessment include base investment cost, risk adjusted base cost, inflated risk adjusted cost (outturn cost), and inflated risk adjusted cost including whole life costs in line with guidance. For the March improvement schemes package, the inflated risk adjusted cost, including whole life costs over the 60-year assessment period, is estimated at this stage at £30m and the outturn cost required to deliver the package is estimated at £29m. These scheme costs have been peer

reviewed by CCC colleagues in Project Delivery who were involved in calculating the costs during development of the OBC and the costs will be reviewed as the detailed design of the schemes develop during the FBC stage. During the FBC stage any changes in inflation between now and then will be accounted for in the revised scheme costs.

- 1.9 Potential funding sources for the schemes include the Transforming Cities Fund, the Levelling Up Fund, the CPCA Single Investment Fund and Section 106 developer contributions and this will be explored further during the next stage of the study.
- 1.10 The Commercial Case demonstrates that the package of schemes is commercially viable. Routes to procurement available include the Eastern Highways Alliance Framework 3, Standalone – ‘Find a Tender’ service; the existing Cambridgeshire Highways Services Contract; and the Cambridgeshire and Peterborough Joint Professional Services Framework. The preferred procurement strategy and sourcing options will be developed during the FBC stage.
- 1.11 The Management Case demonstrates that the package of schemes is deliverable. CCC has delivered similar projects in recent years including the Wisbech Access Strategy, Kings Dyke level crossing replacement and the Ely Southern Bypass. Appendix C shows the proposed structure for delivering the package of schemes during the next stage of the study and the delivery timetable is presented later in this report. The assurance and approvals plan in the OBC states that the CPCA will manage the MATS in accordance with its existing assurance and approvals processes, as detailed in the CPCA Assurance Framework and Ten Point Guide. As part of the CPCA Assurance Framework process, an Independent Technical Evaluation (ITE) of each business case, including this OBC, will be undertaken at each stage of the project. As part of the risk management strategy, Project and Construction Risk Registers have been prepared for the study.
- 1.12 The identified approach to communication and stakeholder engagement in the OBC requires the provision of regular updates to stakeholders, engagement with stakeholders, and ensuring that information is shared using appropriate methods of communication. To date, regular Members’ Steering Group (MSG) meetings have been held throughout the development of the MATS. An online MATS consultation event was held between May 2020 and June 2020, and a public consultation exercise regarding the March Future High Street Fund proposals ran in May 2020. Further consultation on the MATS schemes is proposed during the next stage of the study.
- 1.13 The overall conclusion of the OBC is that there is a compelling case for the CPCA to progress the recommended package of MATS improvement schemes to detailed design and an FBC. The schemes proposed as part of the improvement measures meet the objectives identified, and the benefits clearly outweigh the costs and offer high value for money. With good governance and good project management, the risks can clearly be managed.

MATS Minor Schemes

- 1.14 The package of minor schemes approved for delivery at the September 2020 H&T committee and FDC Cabinet included nine schemes, detailed in Appendix A.
- 1.15 Of these schemes seven have been completed with the remaining two, Upwell Road/Cavalry Drive speed reduction measures and Norwood Rd traffic calming earmarked for completion by February 2022.
- 1.16 Furthermore, the Pedestrian and Walking Strategy document that was produced in May 2020 is now being assessed to determine which of the 91 interventions identified by the strategy can be progressed through to preliminary design. This work is due to be completed in January 2022 and will result in a set of preliminary designs for sifted

schemes. This work is being aligned closely with the Fenland Cycling, Walking and Mobility Aid Strategy (Version 1) adopted by FDC Cabinet in September 2021.

Programme and costs for Full Business Case

- 1.17 The OBC outlines a delivery programme for the next stage of the study as shown in Table 1 below. Appendix D outlines an indicative delivery programme through to construction for the schemes.

Table 1: MATS Full Business Case and Detailed Design Programme	
Activity	Duration
Independent Technical Examination of OBC CCC, FDC & CPCA committees seeking approval to move to FBC & detailed design	Nov 21 – Jan 22
MATS Full Business Case & detailed design (for all schemes except Northern Link Road. Northern Link Road to be completed to end of preliminary design) Stakeholder consultation	Feb 22 – Dec 22
Independent Technical Examination of FBC CCC, FDC & CPCA committees seeking approval for FBC	Jan 23 – Mar 23

- 1.18 Estimated costs for producing a Full Business Case and detailed design of the individual MATS schemes are:

- Consultant costs = £830k
- CCC costs = £671k
- Total = £1.501m

- 1.19 Release of these funds was requested at the November 2021 CPCA Transport and Infrastructure committee and Board meetings. If this funding is not released CCC will not proceed with this work and there will be no financial burden on the council.

3 Effect on corporate objectives

3.1 Communities

The following bullet points set out details of implications identified by officers:

- MATS will improve access in the study area which will assist with providing better links to employment, health and education.
- MATS has considered the use of sustainable forms of transport which have health benefits. Funding for the delivery of pedestrian and cycling improvement schemes identified by MATS is being sought from CPCA.
- MATS Minor Schemes have identified key locations on St Peters Rd and Station Road for the installation of zebra crossings enabling safer crossing of busy main roads for school and nursery age children.

3.2 Environment

The following bullet points set out details of implications identified by officers:

- The transport schemes identified in the MATS are aimed at reducing vehicle delays and congestion thereby reducing emissions from idling engines
- The walking and cycling strategy developed as one of the minor schemes aims to promote walking and cycling across the town which will encourage reduction in vehicle use. Funding for these schemes is being sought from CPCA.
- The aspiration to improve public realm on Broad Street could further encourage non-car use with associated benefits in air quality.

3.3 Economy

The following bullet points set out details of implications identified by officers:

- The primary focus of MATS is to enable growth in the study area. This is both housing and employment growth which would be to the benefit of all local residents.
- Additional aims are to reduce congestion and improve safety across the area which will result in economic benefits.

4 Community impact

4.1 Resource Implications

The MATS project was delegated to the CCC Transport Strategy and Funding team with support from FDC by the CPCA and this arrangement is set to continue. The costs for the next stages of the MATS work is set out in section 2.18 and 2.19 above.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The following bullet points set out details of significant implications identified by officers:

- For the OBC stage of MATS Skanska (now Milestone Infrastructure) were procured for design and business case work through the Highways Services Contract because of their high-quality work on the previous stage of the study. This was in line with CCC procurement practises.
- For the FBC stage, colleagues in Project Delivery have recently undertaken a mini competition assessment of Milestone, Atkins and WSP proposals for the work. Milestone are available via the Highways Services contract, with Atkins and WSP available via the recently established Joint Professional Services contract.
- On the basis of this assessment, Atkins will be offered the FBC and detailed design work for MATS. This is in line with CCC procurement practice.

4.3 Statutory, Legal and Risk Implications

The following bullet points set out details of significant implications identified by officers:

- MATS FBC work will be commissioned providing a suitable Grant Funding Agreement can be set up between CPCA and CCC
- MATS will be managed robustly using risk registers and other mechanisms within the Joint Professional Services Contract.

4.4 Equality and Diversity Implications

The following bullet points set out details of significant implications identified by officers:

- An Equality Impact Assessment has been undertaken. The Screening indicated that no potential negative impact has been identified at this stage, see Appendix E. Further equality impact assessment will be undertaken at the Full Business Case stage.

4.5 Engagement and Communications Implications

The following bullet points set out details of significant implications identified by officers:

- An online only consultation was conducted between 15 May and 28 June 2020 led by the CPCA Communications team and supported by CCC Communications officers. Local Members were also involved in the consultation, via the Local Member Steering Group.
- Results of this consultation were reported at the September 2020 H&T committee meeting and are supported by the MATS Consultation report; “Future March: Summary of Consultation Findings”.
- The majority of respondents to the consultation were in favour of the MATS schemes, with the following percentages of respondents either ‘supporting’ or ‘strongly supporting’ each proposed scheme:
 - A141/Peas Hill roundabout capacity improvement – 62%
 - Developer funded and delivered roundabout at the junction of A141/Hostmoor Avenue – 76%
 - A141/Twenty Foot Road junction, introduction of traffic signals – 64%
 - Broad St/Dartford Rd/Station Rd junction, replacement of traffic signals with a mini roundabout and high quality public space – 57%
 - Development of a Northern Link Road between Hundred Rd/Melbourne Rd in the south and Longhill Rd to the north – 71%
 - High Street/St Peters Rd upgrade to existing traffic signals – 54%.
 - Further consultation is planned during the next stage of the study.

4.6 Localism and Local Member Involvement

The following bullet points set out details of implications identified by officers:

- Local Members have been involved in MATS via regular Local Member Steering Group meetings. March Town Council Members also sit on the MSG.

4.7 Public Health Implications

The following bullet points set out details of implications identified by officers:

- MATS will improve access in the study area which will assist with providing better links to employment, health and education.
- MATS has considered the use of sustainable forms of transport which have health benefits. Funding for the delivery of pedestrian and cycling improvement schemes identified by MATS is being sought from CPCA

Appendix A - March Area Transport Study Minor Schemes

Minor Scheme	Description	Construction Completion Date
QW1A – Station Rd	Improve safety for pedestrians. Provide a zebra crossing	Apr 2021
QW2 – Upwell Rd/Cavalry Drive	Introduce gateway feature with speed reduction measures at edge of town, introduce 40mph speed limit buffer and revise deflections on Cavalry Dr roundabout	Est Jan 2022
QW11-13 March-wide Walking/Cycling Strategy document production	March-wide walking and cycling facility audit and produce improvement delivery plan	May 2020
QW15 – St Peter’s Rd	Improve safety for school children. Provide a zebra crossing	Dec 2020
QW16 – March-wide HGV Signage	Improve signage for HGV drivers to reduce poor route choice	Mar 2021
QW20 – Traffic signals on B1101	Re-validate signal timings on B1101 between St Peters Rd and Station Rd	May 19
QW21 – Norwood Ave	Complete footway on southern side of Norwood Ave	Sep 2021
QW22 – Norwood Rd	Introduce traffic calming on three sections of Norwood Rd	Est Feb 2022
QW23 – Hundred Rd	Complete footway on eastern side of Hundred Rd including build out feature	Sep 2021
QW11-13 – March-wide Walking/Cycling strategy scheme sifting	Sift the 91 potential interventions identified in the strategy to determine which should be progressed to preliminary design	Jan 2022

Appendix B – March Area Transport Study Outline Business Case Executive Summary

Executive Summary

Introduction

This Outline Business Case (OBC) makes a compelling case for a package of March Area Transport Study (MATS) Improvement Schemes that: addresses the case for change, offers value for money, is commercially viable, is financially affordable, and is deliverable.

The recommended package of MATS Improvement Schemes will address existing capacity and safety problems, while mitigating for future growth in travel demand resulting from housing and employment growth identified in the Fenland Local Plan (2014). In addition, the recommended package of schemes includes improvements to Broad Street, which seek to facilitate regeneration funded by the Future High Streets Fund (FHSF), and the wider regeneration of March town centre.

This OBC is set out in compliance with the Department for Transport's (DfT's) The Transport Business Cases (2013) guidance and HM Treasury's (HMT's) Five Case Model.

Strategic Case

The Strategic Case demonstrates how the recommended package of MATS Improvement Schemes fits with wider public policy objectives and provides the case (or need) for change.

The recommended package of MATS Improvement Schemes strongly aligns with the vision and objectives of national, regional, and local bodies, including the DfT, the Cambridgeshire and Peterborough Combined Authority (CPCA), Fenland District Council (FDC), and March Town Council (MTC).

The Strategic Case identifies a clear need for change and the impacts of not progressing. The need for change can be summarised as follows:

- The need for regeneration in March town centre
- The need to address existing traffic congestion and safety issues
- The need to facilitate housing and employment growth across March
- The need to improve local environmental conditions.

The need for change is being driven internally, by local growth aspirations and support from local authority bodies, and externally, by the requirement to redesign Broad Street to facilitate regeneration funded by the FHSF.

Twelve scheme objectives, which remain unchanged since the SOBC, will be used to measure the success of the recommended package of MATS Improvement Schemes. These objectives reflect the themes identified in the need for change, and are as follows:

1.1 Regeneration of March Town Centre

- Deliver a transport scheme for Broad Street that is compatible with the FHSF scheme
- Ensure a transport scheme for Broad Street is aligned with FHSF Core Objectives to renew and reshape town centres, improve user experience and drive growth
- Maximise public realm within Broad Street
- Enhance pedestrian safety and accessibility around the town centre

1.2 Address Existing Traffic Congestion and Safety Issues

- Address existing congestion issues within the town centre (Broad Street area)
- Address existing congestion issues along the A141 around Peas Hill roundabout
- Improve pedestrian level of service around Broad Street
- Improve safety along the A141 at Peas Hill Roundabout and the Twenty Foot Road Junction

1.3 Facilitate Housing and Employment Growth

- Support Local Plan development proposals
- Ensure sustainable access to proposed Local Plan development

1.4 Improve Local Environmental Conditions

- Improve air quality conditions around Broad Street
- Facilitate the enhancement of heritage assets around Broad Street.

Finally, the options identification and appraisal work that has been undertaken to date is explained within the Strategic Case. Ultimately, the Strategic Case identifies Package 3a as the recommended package of MATS Improvement Schemes to be progressed for further analysis in the subsequent cases of this OBC. Package 3a comprises the following MATS Improvement Schemes:

- A141 / Peas Hill Roundabout (60m ICD), in conjunction with the development of a developer funded roundabout at Hostmoor Avenue
- A141 / Twenty Foot Road Signals.
- Broad Street / Dartford Road / Station Road Mini Roundabout, with one lane in each direction on Broad Street
- Development of a Northern Industrial Link Road (NILR)
- High Street / St Peter's Road Traffic Signal Improvements.

Economic Case

The Economic Case demonstrates that the recommended package of MATS Improvement Schemes offers value for money.

Package 3a has an initial BCR of 2.828 based on transport user benefits alone. The addition of road safety benefits increases the BCR to 2.862, indicating that the monetised transport user benefits outweigh the initial scheme cost estimates and provide High Value for Money (VfM).

Sensitivity testing has been undertaken to determine whether Package 3a could still achieve VfM if the expected road traffic growth differs from current predictions. Three growth scenarios were tested: Low Growth, Central Growth, and High Growth. The results from the sensitivity testing indicate that:

- Package 3a has a BCR of 1.578 in the Low Growth Scenario, which represents Medium VfM
- Package 3a has a BCR of 2.862 in the Central Growth Scenario, which represents High VfM
- Package 3a has a BCR of 4.575 in the High Growth Scenario, which represents Very High VfM.

Financial Case

The Financial Case demonstrates that the recommended package of MATS Improvement Schemes is financially affordable.

The scheme costs considered in the Financial Case include base investment cost, risk adjusted base cost, inflated risk adjusted cost (outturn cost), and inflated risk adjusted cost including whole life costs. For Package 3a, the inflated risk adjusted cost including whole life costs over the 60-year assessment period, is £30,155,090 and the outturn cost required to deliver it is £28,952,030. A full 60-year schedule (2021-81) showing how the costs have been calculated is included in Appendix D of this OBC.

Potential funding sources identified for the construction of the recommended package of MATS Improvement Schemes include the Transforming Cities Fund (TCF), the Levelling Up Fund, the CPCA Single Investment Fund, and S106 Developer Contributions.

Commercial Case

The Commercial Case demonstrates that the recommended package of MATS Improvement Schemes is commercially viable.

The output-based specification identifies the five recommended MATS Improvement Schemes (included in Package 3a) as the key outputs to be delivered through the chosen procurement route. The success of these outputs will be measured using the scheme objectives, as detailed in the Benefits Realisation Plan and Monitoring and Evaluation sections of the Management Case.

Possible routes to procurement include: Eastern Highways Alliance Framework 3; Standalone – ‘Find a Tender’ service; the existing Cambridgeshire Highways Services Contract; and the Cambridgeshire and Peterborough Joint Professional Services Framework. The scheme promotor will need to confirm the procurement strategy as the MATS enters the Full Business Case (FBC) stage.

Possible sourcing options include: a traditional arrangement; a single-stage design and build contract; a two-stage design and build contract; early contractor involvement (ECI); and a private finance initiative (PFI). The scheme promotor will need to confirm its choice of contractor as the MATS enters the FBC stage.

The remaining sections of the Commercial Case consider possible payment mechanisms, pricing framework and charging mechanisms, risk allocation and transfer, contract length, and contract management issues. As above, this information will need to be confirmed by the scheme promotor as the MATS enters the FBC stage.

Management Case

The Management Case demonstrates that the recommended package of MATS Improvement Schemes is deliverable.

Evidence of the delivery of similar projects, which supports the recommended project approach, includes the Wisbech Access Study (WAS), Ely Southern Bypass, and King’s Dyke.

The Management Case provides information relating to the governance, organisation structure, and roles, and describes the key roles, lines of accountability and how they are resourced. The CPCA is the organisation that is ultimately responsible for the delivery of the MATS Improvement Schemes, with Cambridgeshire County Council (CCC) nominated as the delivery partner, with delegated authority.

The Management Case includes a project plan with delivery milestones, ranging from the completion of MATS Stage 1 (May 2020 – September 2020) to the construction of the NILR (January 2027 – December 2027). It is important to note that the delivery of the Broad Street

scheme has been prioritised to align with the construction programme for the FHSF scheme, to meet the requirements of the FHSF.

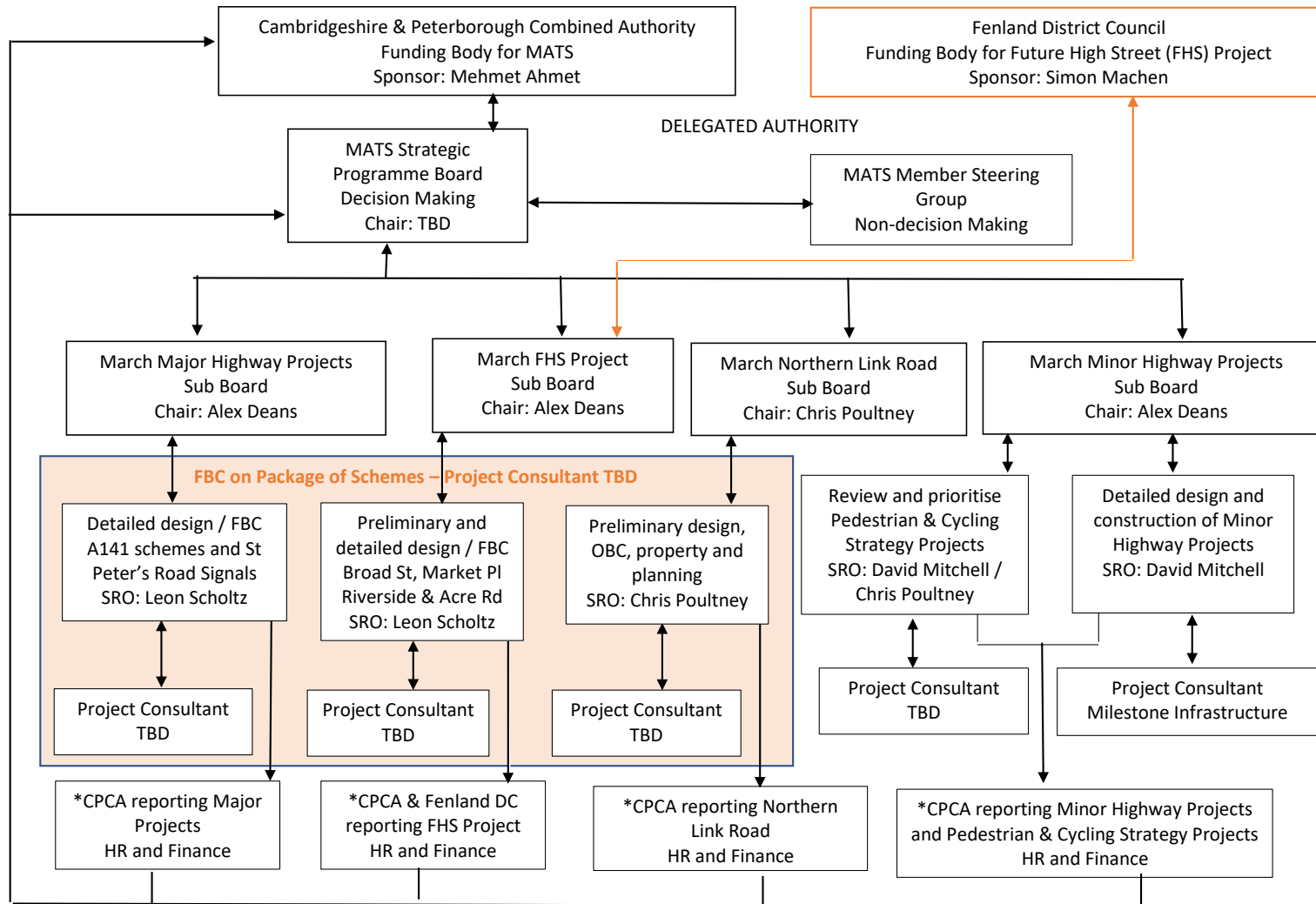
The assurance and approvals plan states that the CPCA will manage the MATS in accordance with its existing assurance and approvals processes, as detailed in the CPCA Assurance Framework and Ten Point Guide. As part of the CPCA Assurance Framework process, an Independent Technical Evaluation (ITE) of each business case, including this OBC, will be undertaken at each stage of the project.

The identified approach to communication and stakeholder engagement requires the provision of regular updates to stakeholders, engagement with stakeholders, and ensuring that information is shared using appropriate methods of communication. To date, regular Members' Steering Group (MSG) meetings have been held throughout the development of the MATS. A Future March online consultation event was held between May 2020 and June 2020, and a public consultation exercise regarding the March Future High Street Fund proposals ran in May 2020. Further public consultation was also undertaken during the development of the adopted Fenland Local Plan, the March Neighbourhood Plan, the Growing Fenland project

A Benefits Realisation Plan, which outlines the approach for managing the realisation of benefits of the recommended package of schemes, and a Monitoring Evaluation Plan, which outlines the arrangements for monitoring and evaluating the recommended package of schemes, have been prepared for the MATS. These plans are included in Appendices E and F of this OBC.

As part of the risk management strategy, a Project Risk Register, which is managed by CCC, and a Construction Risk Register, which is managed by Milestone Infrastructure, have been prepared for the MATS.

Appendix C – March Area Transport Study Full Business Case Proposed Structure



*Note each sub-group project should be established as individual projects at CPCA with separate budgets and separate reporting requirements

Appendix D – March Area Transport Study Indicative Delivery Programme

MATS OBC Table 5.3: Project Implementation Timescales

Timescale	Activity
November 2020 – October 2021	MATS Stage 2: Scheme Preliminary Designs and completion of the OBC document.
November 2021 – January 2022	CPCA Technical Assurance Review, CCC / CPCA Committees / Strategic Board Approval to proceed to MATS Stage 3: Detailed Design / FBC.
February 2022 – December 2022	MATS Stage 3: Detailed Design*, Stakeholder Consultation and completion of the FBC document for all MATS Schemes. (*NILR will be at Preliminary Design). Ecology surveys timeframe may be determined by seasonal conditions.
January 2023 – March 2023	CPCA Technical Assurance Review, CCC / CPCA Committees / Strategic Board Approval to proceed. (*NILR funding will be confirmed at later date following further design work and a review of the FBC).
February 2023 – March 2023	Procurement of MATS Broad Street scheme construction contractor.
April 2023 – March 2024	Construction of MATS Broad Street scheme (in conjunction with FHSF scheme construction, to meet FSHF funding expenditure timeframe of March 2024).
January 2022 – June 2023	Land Acquisition Requirement for A141 / Peas Hill Roundabout.
January 2022 – June 2023	Land Acquisition Requirement (possible CPO) for A141 / Twenty Foot Road Traffic Signals
January 2023 – June 2024	Land Acquisition Requirement (possible CPO) for Northern Industrial Link Road.
September 2024 – August 2025	Planning Process and supporting surveys (Ecology / Topography) (for Northern Industrial Link Road scheme). Ecology surveys timeframe may be determined by seasonal conditions
June 2023 – February 2024	Procurement of Contractors (For A141 / Peas Hill, A141 / Twenty Foot Road, High Road / St Peters Road).

Timescale	Activity
September 2023 – March 2024	Statutory Orders (approval from FDC, CCC).
April 2024 – October 2025	Scheme construction period for phased delivery of: <ul style="list-style-type: none"> • A141 / Peas Hill Roundabout • A141 / Twenty Foot Road Junction (Signals) • High Road / St Peters Road Junction Improvements (Signals).
April 2023 – January 2026	Detailed Design and scheme preparation for Northern Industrial Link Road, including Governance Process and review of FBC. Plus, Statutory Orders (approval from FDC, CCC).
February 2026 – March 2026	Procurement of Contractor for Northern Industrial Link Road.
Jan 2027 – Dec 2027	Scheme construction*: <ul style="list-style-type: none"> • Northern Industrial Link Road (*construction timescale indicative).

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**DRAFT 6 MONTH CABINET FORWARD PLAN –
Updated 30 November 2021**



(For any queries, please refer to the published forward plan)

CABINET

CABINET DATE	ITEMS	LEAD PORTFOLIO HOLDER
Thu 20 Jan 2022	<ol style="list-style-type: none"> 1. Wisbech Levelling Up Fund Regeneration Bid 2. Authorisation of external funding in relation to energy efficiency 3. Economic Growth Strategy 2022-25 4. Freedom Leisure: Jan - Mar 5. 24 High Street, Wisbech 6. March High Street 7. Cabinet Draft Forward Plan 	Cllr Boden / Cllr Hoy / Cllr Tierney / Cllr Lynn Cllr Boden / Cllr Hoy / Cllr Tierney Cllr Benney Cllr Clark Cllr Seaton Cllr Seaton Cllr Boden
Thu 24 Feb 2022	<ol style="list-style-type: none"> 1. Business Plan 2022/23 2. Budget 2022/23 and Mid Term Financial Strategy 3. Draft Local Plan 4. Cabinet Draft Forward Plan 	Cllr Boden Cllr Boden Cllr Laws Cllr Boden
Tue 22 Mar 2022	<ol style="list-style-type: none"> 1. Wisbech Levelling Up Fund Bid 2. Cabinet Draft Forward Plan 	Cllr Boden / Cllr Hoy / Cllr Tierney / Cllr Lynn Cllr Boden
Thu 12 May 2022	<ol style="list-style-type: none"> 1. Cabinet Draft Forward Plan 	Cllr Boden

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