



**South
Cambridgeshire
District Council**

REPORT TO: Scrutiny and Overview Committee
Cabinet
LEAD OFFICER: Head of Finance

9 November 2017
16 November 2017

General Fund and Housing Revenue Account Medium Term Financial Strategies (MTFS) 2017/18

Purpose

1. To provide Cabinet with an update in respect of the financial position and forecasts for both the General Fund (GF) and the Housing Revenue Account (HRA), allowing review of financial assumptions, approval of any mid-year budgetary changes and agreement of the budgets strategies for 2018/19 and beyond.
2. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budgets, and it was first published in the July 2017 Forward Plan.

Recommendations

3. The Scrutiny and Overview Committee is asked to note the report and endorse the recommendations to Cabinet, which are that Cabinet:
 - a) Approve the GF MTFS as set out in **Appendix 1** to this report, as follows:
 - Approves the assumptions underpinning the MTFS (Section 3)
 - Notes the GF forecast at Section 4 and Appendix A of the attached report;
 - Notes the indicative unavoidable revenue pressures and their impact on savings requirements ;
 - Instructs the Head of Finance to bring forward detailed draft estimates for 2018/19 based on assumptions and issues contained in this report for consideration by the Cabinet in the new year; and
 - Instructs the Executive Management Team (EMT) to identify and develop other options for meeting the MTFS additional income / savings requirement.
 - b) Approve the HRA MTFS as set out in **Appendix 2** to this report, to include:
 - changes in financial assumptions as detailed in **Appendix B** to the HRA MTFS
 - mid-year revenue budget changes, as detailed in **Appendix D(1)** to the HRA MTFS, which impact future forecasts for the HRA.

- mid-year capital budgets changes, as detailed in **Appendix E** to the HRA MTFS
- update to the total new build budget and the new build schemes included in the Housing Capital Investment Plan, incorporation of the latest budgetary figures in respect of new build schemes, and re-phasing of expenditure in line with anticipated build timetables
- recognition of an increase of £500,000 in the budget for the acquisition of market dwellings, to ensure that right to buy receipts are appropriately reinvested in 2017/18.
- changes in anticipated receipt and use of capital resources for the HRA, as included in **Appendix H** to the HRA MTFS
- approval of the HRA budget strategy for 2018/19, to include the exemplification of savings against a target of £600,480, with £100,480 required from 2018/19, and £250,000 per annum sought from 2019/20 and 2020/21 onwards.
- noting the early proposals for bids and savings in the HRA, in advance of formal consideration as part of the HRA Budget Setting Report in February 2018.

Reasons for Recommendations

4. The General Fund and HRA MTFSs are presented for decision following consideration and review of the both internal and external factors which affect the financial position for both funds.

Executive Summary

5. The GF and HRA MTFSs provide an opportunity to consider any changes in the financial context for the General Fund or Housing Revenue Account. They allow review of external factors affecting the business, such as inflation and interest rates, provide the opportunity to update assumptions in respect of the day to operation of council services, and allow recognition of the anticipated impact of any major changes in national policy as legislation is passed and information surrounding any anticipated regulations begins to emerge.
6. The GF MTFS provides an indication of a number of unavoidable revenue pressures which are expected to come forward into budgets for 2018/19 and notes their impact on requirements for savings and/or increased income. Additionally it identifies a number of earmarked reserves that are available to fund pressures such as the costs of delivering transformational change.
7. The report requests required changes to budgets in the HRA which result from the update of financial assumptions.
8. The report also provides an opportunity to consider key strategic risks, and to present the impact of a number of sensitivities to which the housing business plan is subject.

Background

9. The attached GF MTFS updates the MTFS contained within the GF Budget Setting Report approved by Council in February 2017.
10. The HRA is a ring-fenced area of the Council's activity, and represents the landlord activity which the authority carries out as a stock retaining authority.

11. Budgets are set for the HRA in February of each year, following presentation and consideration of the HRA Budget Setting Report. The HRA Medium Term Financial Strategy, presented for consideration and approval in November of each year, allows review of key assumptions and the resulting impact on the housing business, and proposes the strategic approach to budget setting for the coming year, in the context of the longer-term forecasts for the HRA.

Considerations

12. Consideration needs to be given to the fluid nature of some of the assumptions that are required to be incorporated into the financial forecasting for both the General Fund and the HRA, particularly in relation to the impact of some of the changes in national policy, where the absence of detailed regulations has resulted in the need to make best estimate of the impact at a local level, until this is available.
13. Assumptions will need to be continually reviewed and amended as information is made available and any changes in the economic environment become apparent.

Options

14. The HRA MTFS identifies the financial impact of a number of scenarios for the future of the business, modelling the impact of changes in key assumptions and presented as part of the sensitivity analysis at **Appendix J** of the report.

Implications

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

Financial

16. The financial implications for both the GF and the HRA are included in the body and appendices of the relevant MTFSs.

Legal

17. There are no direct legal implications associated with this report. Officers will be required to seek legal advice in relation to a number of the national changes in housing policy as the regulations are released by Central Government.

Staffing

18. There are no direct staffing implications associated with the decisions requested in this report. The identified need to make savings in the HRA over the next 3 years is likely to have implications for staff, all of which will be fully explored with Human Resources once they are known.

Risk Management

19. An assessment of the key risks which the authority currently faces in financial terms are included at Section 6 in the GF MTFS and Appendix A to the HRA MTFS.

Equality and Diversity

20. There are no direct equality and diversity implications associated with this report. Future reports, which consider reductions in expenditure and therefore potential service provision, will need to be accompanied by an Equalities Impact Assessment.

Climate Change

21. There is no direct climate change impact associated with this report.

Consultation responses (including from the Youth Council)

22. The Council's 'Let's Talk' consultation has been undertaken to inform the identification of priorities to include in a new Corporate Plan. As such, it provides evidence to support budgetary considerations and the prioritisation of spend, in both the MTFS and Budget Setting Reports.
23. There has been no formal tenant or leaseholder consultation in the preparation of this strategic report. Consultation with tenants and leaseholders may be required as part of the preparation of future reports, particularly where savings are being proposed and service levels may be impacted.

Effect on Strategic Aims

24. The report addresses the financial context in which the Council operates and therefore provides critical support to all its strategic aims. However, attention is drawn to the following aims in particular.

Objective D – An innovative and dynamic organisation

25. The GF MTFS addresses the financial aspects of providing services to our communities at a strategic level. It seeks to identify and balance cost pressures with funding; from government, local taxation and from commercial and investment initiatives. It sets the strategic context for budget setting for 2018/19 and beyond as the Council seeks to move to a sustainable financial model at a time in which government funding continues to reduce significantly.

Objective B – Homes For Our Future

26. The HRA MTFS seeks to provide a strategic update in respect of the financial position for the HRA in the context of national housing policy. The provision of affordable homes to meet the housing need in the district remains a key consideration for the HRA both in the short term, and for the life of the 30 year business plan.

Appendices

- Appendix 1 – General Fund Medium Term Financial Strategy
- Appendix 2 – Housing Revenue Account Medium Term Financial Strategy

Background Papers

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

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

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