



REPORT TO: Council

22 February 2018

LEAD OFFICER: Executive Director – Corporate Services

Medium Term Financial Strategy, General Fund Budget 2018-19 (including council tax setting), Housing Revenue Account Budget 2018-19 (including housing rents), Capital Programme and Treasury Management Strategy

Purpose

- 1.1 Council are asked to consider and approve the attached financial strategies and budgets.
- 1.2 As part of the 2018-19 budget process, the range of assumptions upon which the General fund (GF) and Housing Revenue Account (HRA) Medium-Term Financial Strategies and HRA Business Plan were based have been reviewed in light of the latest information available, culminating in the preparation of the budget setting reports (BSRs).
- 1.2 The BSRs provide an overview of the review of the key assumptions. They set out key parameters for the detailed recommendations and final budget proposals, and are the basis for the finalisation of the 2018/19 budgets.
- 1.3 The resulting recommendations refer to the strategy outlined in the BSRs.
- 1.4 The BSRs are presented to Cabinet and Council, to allow consideration, scrutiny and approval of revenue and capital expenditure and resources which form part of the GF and HRA budgets and proposals for the review of rents and service charges.
- 1.5 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 budget and it was first published in the October Forward Plan.

Recommendations

- 2 Council are asked to:-

Revenue and capital – GF

- (a) Approve the revenue estimates for 2018-19 as shown in the **GF BSR Section 5 at Appendix 1** to this report.

- (b) Approve the precautionary items for the GF, **GF BSR Appendix B, Appendix 1** to this report.
- (c) Approve the GF revenue forecasts as set out in **GF BSR Section 6, Appendix 1** to this report.
- (d) Instruct the Executive Management Team to identify additional income / savings of £449k for 2018-19, rising to £1.3m in 2022-23.
- (e) Approve the GF capital programme and associated funding up to the year ended 31 March 2022, as set out in **GF BSR Appendix D, at Appendix 1** to this report.
- (f) Approve the creation of a Planning Policy earmarked reserve and the transfer of £224k into the reserve from the GF reserve, being the carry forward of underspend from 2016-17 not used in 2017-18, as shown in **GF BSR Section 3**. Delegate approval of the use of this reserve to the Executive Director – Corporate Services in consultation with the Portfolio Holder for Finance and Staffing.
- (g) Request that the Portfolio Holder (Housing) delegates the decision in respect of any variation in fees to be charged by the Home Improvement Agency (HIA), to the Director of Housing, following agreement of the proposed level of charges by the Shared HIA Board, **GF BSR Appendix A**.
- (h) Instruct the Head of Finance, on the basis of the proposals set out in the GF BSR, to prepare formal papers to set the council tax requirement and amount of council tax at the Council meeting on 22 February 2018.
- (i) Set the Council Tax Requirement for 2018-19 at £8,616,465.16
- (j) Set the amount of Council Tax for each of the relevant categories of dwelling in accordance with Section 30(2) of the Local Government Finance Act 1992 on the basis of the District Council Tax for general expenses on a Band D property of £140.31 plus the relevant amounts required by the precepts of the Parish Councils, Cambridgeshire County Council, the Cambridgeshire Police and Crime Commissioner and the Cambridgeshire Fire Authority, details of those precepts and their effect included with the formal resolution attached at **Appendix 6**.

Revenue – HRA

- (k) Approve the HRA savings, increased income, unavoidable revenue pressures, bids and reduced income items, as summarised in Section 4, and detailed in **Appendix G(1) of the HRA Budget Setting Report at Appendix 2** to this report.
- (l) Approve the non-cash limit adjustments, as summarised in Section 4, and detailed in **Appendix G(1) of the HRA Budget Setting Report at Appendix 2** to this report.
- (m) Approve the resulting HRA revenue budget as shown in the HRA Summary Forecast 2017-18 to 2022-23 in **Appendix I of the HRA Budget Setting Report at Appendix 2** to this report.

- (n) Approve the retention of the balance of the 4 year savings target included originally as part of the 2016-17 HRA Budget Setting Report to mitigate the impact of some of the changes in national housing policy, recognising that the net savings proposed from 2018-19 over-deliver against the profile of £250,000 per annum for 4 years, reducing the balance to be sought in the remaining 2 years to £147,540.

Review of Rents and Charges

- (o) Approve that council dwelling rents all social rented properties be reduced by 1%, in line with legislative requirements introduced as part of the Welfare Reform and Work Act, with effect from 2nd April 2018.
- (p) Approve that affordable rents are reviewed in line with rent legislation, to ensure that rents charged are no more than 80% of market rent, with this figure then reduced by 1% as with social housing. Local policy is to cap affordable rents at the lower level of Local Housing Allowance, which will result in rent variations in line with any changes notified to the authority in this level, effective from 2nd April 2018.
- (q) Approve inflationary increases of 2.6% in garage rents for 2018-19, in line with the base rate of inflation for the year assumed in the HRA Budget Setting Report.
- (r) Approve the proposed service charges for HRA services and facilities provided to both tenants and leaseholders, as shown in **Appendix B of the HRA Budget Setting Report, at Appendix 2** to this report.

Housing Capital

- (s) Approve the latest budget, spend profile and funding mix for each of the schemes in the new build programme, as detailed in **Section 5 and Appendix E of the HRA Budget Setting Report at Appendix 2** to this report, recognising the most up to date information available as each scheme progresses through the design, planning, build contract and completion process.
- (t) Approve earmarking of the required level of additional funding for new build investment between 2018-19 and 2022-23 to ensure that commitments can be met in respect of the investment of all right to buy receipts currently retained, or anticipated to be received by the authority for this period. This expenditure will either take the form of HRA new build, with the 70% top up met by other HRA resources or could alternatively be grant made to a registered provider, where the registered provider will provide the 70% top up to build new homes.
- (u) Approve the capital budget proposals, both bids and savings, detailed in **Appendix G(2) of the HRA Budget Setting Report at Appendix 2** to this report.
- (v) Approve the capital amendments, detailed in **Appendix H of the HRA Budget Setting Report**, which include the capital proposals in **Appendix G(2) of the HRA Budget Setting Report, at Appendix 2** to this report, alongside re-profiling of investment, increase and re-allocation of resource for new build schemes.

- (w) Approval of the revised Housing Capital Investment Plan as shown in **Appendix J of the HRA Budget Setting Report at Appendix 2** to this report

Capital and Treasury Management

- (x) Approve the Capital Strategy 2018-19 to 2022-23, **Appendix 3**.
- (y) Approve the borrowing and investment strategies for the year to March 2019, as included in the Treasury Management Strategy Statement in **Appendix 4**.
- (z) Approve the prudential indicators required by the Code for Capital Finance in Local Authorities for the year to 31 March 2019, included in **Appendix 4**.
- (aa) Approve any unspent New Homes Bonus money allocated to the Greater Cambridge Partnership to be rolled into 2019-20.

General

- (bb) Gives delegated authority to the Executive Director – Corporate Services to issue the final version of the Estimates Book, incorporating any amendments required from the Council's decisions.

Reasons for Recommendations

- 3 The GF HRA Budget Setting Reports, Treasury Management Strategy Reports and Capital Strategy are presented for decision following consideration and review of the both internal and external factors which affect the council's financial position.

Executive Summary

- 4 The budget setting report provides an opportunity to consider any changes in the financial context of both the GF and the HRA, allowing review of external factors such as inflation and interest rates. It provides the opportunity to update assumptions in respect of the day to operation of the business and allows recognition of the anticipated impact of major changes in national housing policy as legislation is passed and information surrounding the anticipated regulations begins to emerge.
- 5 The report requests approval the revenue and capital budgets for the GF for 2018-19 and the recommendation to Council of the council tax requirement for 2018-19 and the District council tax on a band D property, with the formal resolution to be presented at the Council meeting on 22 February.
- 6 The report also requests approval to set both rents and service charges for 2018-19 and both the revenue and capital budgets for the HRA for 2018-19, in the context of longer-term financial forecasts.
- 7 The report also provides an opportunity to consider key strategic risks and levels of reserves. Furthermore, it presents the impact of a number of sensitivities to which the housing business plan, in particular, is subject.
- 8 Since the drafting of the **GF BSR (Appendix 1)**, the government has released the final local government finance settlement. This makes a small positive change to the

council's funding of £30k, which will be reflected in the detailed estimates for 2018-19.

Background

- 9 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. All other council activities are accounted for within the GF.
- 10 Budgets are set in February of each year, following presentation and consideration of the budget setting reports. MTFS's for the each of the GF and HRA are presented for consideration and approval in November each year, allowing review of key assumptions and the resulting impact on the business. These MTFS's set out the strategic approach to budget setting for the following year, in the context of longer term forecasts.

Considerations

- 11 These are set out in detail in the appendices:-
- Appendix 1 – General Fund (GF) budget setting report
 - Appendix 2 – Housing Revenue Account (HRA) budget setting report
 - Appendix 3 – Capital strategy 2018-19 to 2022-23
 - Appendix 4 – Treasury management strategy statement 2018-19
 - Appendix 5 – Financial administration (S 25 Report)
 - Appendix 6 – Formal council tax setting resolution for 2018-19 (**To follow**)
- 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 the HRA, particularly in relation to the impact of some of the changes in national housing policy, where the continued absence of detailed regulations in some areas has resulted in the retention of a 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.
- 14 The draft revenue and capital estimates for both the GF and HRA are published alongside this report and can be viewed at the following link:
<http://scamb.moderngov.co.uk/ecCatDisplay.aspx?sch=doc>

Options

- 15 The options for setting the level of council tax are set out in Section 3 of the GF BSR at **Appendix 1** to this report, along with the impact on the net savings requirement.
- 16 The HRA Budget Setting Report 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 F** of the report, appended at **Appendix 2** to this report.

Financial

- 17 As detailed in the report and appendices.

Legal

- 18 The pressure to reduce budgets and the continuation of a poor financial settlement could adversely affect the provision of statutory services. 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

- 19 The identified need to make further savings in the HRA by 2020/21 may have implications for staff, all of which will be fully explored with Human Resources once they are known.

Risk Management

- 20 Risks and controls concerning financial projections in the MTFS are included in the strategic risk register, which is appended to the position statement report elsewhere on this agenda.
- 21 A summary of the key risks to the GF MTFS are summarised in section 8 to the GF BSR included at **Appendix 1**.
- 22 An annual update to the assessment of the key risks which the HRA faces in financial terms was included as part of the HRA Medium Term Financial Strategy in November 2018.

Equality and Diversity

- 23 There are potential equality and diversity implications associated with some of the bids and savings proposed in this report. Where proposed budgetary changes are anticipated to have an equalities impact, the service manager responsible for the area will need to complete an Equalities Impact Assessment.

Climate Change

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

Consultation responses (including from the Youth Council)

- 25 There has been no formal tenant or leaseholder consultation in the preparation of this strategic report. A briefing on HRA finance and the HRA budget has been provided for the Tenant Participation Group (TPG), Detailed consultation with tenants and leaseholders may be required as part of the preparation of future reports, particularly if savings are being proposed that may affect service delivery, with service levels impacted.

Effect on Strategic Aims

- 26 The determination of the budget, council tax and rents will provide resources for the council to continue its services in order to achieve all its strategic aims as far as possible within the current financial constraints.

Objective B – Homes For Our Future

- 27 The HRA Budget Setting Report seeks to provide a strategic update in respect of the financial position for the HRA in the context of change in national housing policy, culminating in proposals for the authority to be able to set a budget for 2018/19. 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.

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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