



**South
Cambridgeshire
District Council**

REPORT TO: Cabinet
Council

7 November 2018
29 November 2018

LEAD OFFICER: Head of Finance

Housing Revenue Account Medium Term Financial Strategies (MTFS) 2018/19

Purpose

1. To provide Cabinet, and subsequently Council, with an update in respect of the financial position and forecasts for the Housing Revenue Account, allowing review of financial assumptions, approval of any mid-year budgetary changes, approval of any future year business plan changes and agreement of the budgets strategies for 2019/20 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 September 2018 Forward Plan.

Recommendations

3. Council is recommended to:
 - a) Approve the HRA Medium Term Financial Strategy as set out in **Appendix 1** to this report, to include:
 - noting 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, to include recognition of the virement of resource of £1,560,000 from the unallocated acquisition / new build budget for the acquisition of market dwellings, to ensure that right to buy receipts are appropriately reinvested in 2018/19
 - updates in the new build budget and the new build schemes included in the Housing Capital Investment Plan, incorporation of the latest budgetary figures in respect of approved new build schemes, inclusion of new pipeline schemes with associated budgetary provision and re-phasing of expenditure in line with anticipated build timetables
 - changes in anticipated receipt and use of capital resources for the HRA, as included in **Appendix H** to the HRA MTFS
 - noting the HRA budget strategy for 2019/20, to include the exemplification of efficiency savings of £142,000, to facilitate the creation of a corresponding

strategic investment fund also of £142,000 for 2019/20, with both reducing to £95,000 per annum from 2020/21 onwards for a further 4 years.

- noting the early proposals for bids and savings in the HRA, as detailed in **Appendix D (2)** to the HRA MTFS in advance of formal consideration as part of the HRA Budget Setting Report in February 2019.

Reasons for Recommendations

4. The HRA Medium Term Financial Strategy is presented for decision following consideration and review of the both internal and external factors which affect the financial position and forecasts.

Executive Summary

5. The HRA Medium Term Financial Strategies provide an opportunity to consider any changes in the financial context for the Housing Revenue Account. It allows review of external factors affecting the business, such as inflation and interest rates, provides the opportunity to update assumptions in respect of the day to operation of council housing services, and allows 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 report requests required changes to budgets in the HRA which result from the update of financial assumptions.
7. 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

8. 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.
9. Budgets are set for the HRA in February 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, allows approval of in-year budgetary changes and proposes the strategic approach to budget setting for the coming year, in the context of the longer-term forecasts for the HRA.

Considerations

10. 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 policy. A key assumption is the deferral of the sale of higher value voids levy for a further year, pending formal confirmation that the legislation will be repealed as indicated in the Housing Green Paper.
11. Assumptions will need to be continually reviewed and amended as information is made available and any changes in the economic environment become apparent.

Options

12. The HRA Medium Term Strategy 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

13. 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

14. The financial implications for the HRA are included in the body and appendices of the HRA Medium Term Financial Strategy.

Legal

15. There are no direct legal implications associated with this report. Officers may be required to seek legal advice in relation to national changes in housing policy as regulations are released by Central Government.

Staffing

16. There are no direct staffing implications associated with the decisions requested in this report. Some of the changes the HRA faces, ie; welfare reform and the introduction of Universal Credit are expected to have an impact on the staffing resource required in the HRA. Proposals are incorporated for additional staffing investment as part of the early bid process, with decisions anticipated to be made as part of the HRA Budget Setting Report in February 2019.

Risk Management

17. An assessment of the key strategic risks which the HRA currently faces in financial terms is included at **Appendix A** to the HRA MTFS.

Equality and Diversity

18. 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

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

Consultation responses (including from the Youth Council)

20. 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

Objective B – Homes For Our Future

21. The HRA Medium Term Financial Strategy 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 – Housing Revenue Account Medium Term Financial Strategy
- Appendix 2 – Confidential Appendix L to the HRA Medium Term Financial Strategy – New Build Pipeline

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.

- HRA Budget Setting Report 2018/19

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