



REPORT TO: Cabinet 6 February 2019

LEAD CABINET MEMBER: Lead Cabinet Member for Finance

LEAD OFFICER: Interim Executive Director – Corporate Services

General Fund and Housing Revenue Account (HRA) Budgets 2019-20

Purpose

- 1.1 Cabinet is asked to consider and approve the attached financial strategies and budgets prior to the report being presented to the Council on 21 February 2019.
- 1.2 As part of the 2019-20 budget process, the range of assumptions upon which the General fund (GF) Medium-Term Financial Strategy and Housing Revenue Account (HRA) Medium-Term Financial Strategy are based have been reviewed considering the latest information available, culminating in the preparation of the budget setting report (BSR).
- 1.2 The Budget Setting Reports 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 2019-20 budgets.
- 1.3 The resulting recommendations refer to the strategy outlined in the Budget Setting Reports.
- 1.4 The Budget Setting Reports 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 budgets.

Recommendations

- 1.6 Cabinet is asked to recommend that Council :-

Revenue and capital – GF

- (a) Approve the revenue estimates for 2019-20 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 / cumulative savings of £3 million for the five years from 2019-2024.
- (e) It is proposed that the use of the Earmarked reserve for Business Efficiency initiatives is delegated to the Chief Executive, in consultation with the Lead Member for Finance, and that £1m is transferred into this reserve from the General Fund reserve. As at the end of 2017-18 financial year, the General Fund reserve stood at £7,751,000.
- (f) Authorise £500,000 of Planning Earmarked Reserves, budgeted to support the shortfall in income in the year 2018-19, but not required due to sufficient over budget income levels being achieved, to be budgeted to use towards Business Transformation programmes in Planning in 2019-20.
- (g) Approve the GF capital programme and associated funding up to the year ended 31 March 2024, as set out in **GF BSR Section 7, at Appendix 1** to this report.
- (h) Subject to Council approval of the full budget Cabinet is requested to approve the pay award for 2019-20 based on 2% uplift on all spinal column points and payment of the Joseph Rowntree living wage foundation minimum pay of £9.00 with effect from April 2019.
- (i) Request that Cabinet delegates the decision in respect of any variation in fees to be charged by the Home Improvement Agency (HIA), to the Director of Housing and Environmental Services, following agreement of the proposed level of charges by the Shared HIA Board.
- (j) Approve that the Director of Housing & Environmental Services updates statutory fees as they are published by Government, **GF BSR Appendix A, Appendix 1** to this report.
- (k) 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 21 February 2019.
- (l) Set the Council Tax Requirement for 2019-20 at £9,092,962.
- (m) 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 £145.31 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 to be circulated with the formal resolution required at the Council meeting.

Revenue – HRA

- (n) 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.
- (o) 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.
- (p) Approve the resulting HRA revenue budget as shown in the HRA Summary Forecast 2018-19 to 2023-24 in **Appendix I of the HRA Budget Setting Report at Appendix 2** to this report.
- (q) Approve the retention of the balance of the 4-year efficiency savings target of £95,000 per annum from 2020-21 included as part of the 2018-19 HRA Medium Term Financial Strategy, and the corresponding Strategic Investment Fund for the same value.

Review of Rents and Charges

- (r) Approve that council dwelling rents for all social rented properties be reduced by 1% for the final year, in line with legislative requirements introduced as part of the Welfare Reform and Work Act, with effect from 1st April 2019.
- (s) 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 1st April 2019.
- (t) Approve inflationary increases of 2.2% in garage rents for 2019-20, in line with the base rate of inflation for the year assumed in the HRA Budget Setting Report.
- (u) 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

- (v) 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.
- (w) Approve earmarking of the required level of additional funding for new build investment between 2019-20 and 2023-24 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, acquisition of homes on the open market, or could alternatively be a grant made to a registered provider, where the registered provider will provide the 70% top up to build new homes.

- (x) Approve the capital budget proposals, detailed in **Appendix G (2) of the HRA Budget Setting Report at Appendix 2** to this report.
- (y) 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.
- (z) 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

- (aa) Approve the Capital and Investment Strategies 2018-19 to 2022-23, **Appendix 3 and 3A**
- (bb) Approve the borrowing and lending strategies for the year to March 2020, as included in the Treasury Management Strategy Statement in **Appendix 4**.
- (cc) Approve the prudential indicators required by the Code for Capital Finance in Local Authorities for the year to 31 March 2020, included in **Appendix 4**.
- (dd) Approve any unspent New Homes Bonus money allocated to the Greater Cambridge Partnership to be rolled into 2019-20.

Reasons for Recommendations

- 2 The GF and 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

- 3 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 day 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.
- 4 The report requests approval of the revenue and capital budgets for the GF for 2019-20 and the recommendation to Council of the council tax requirement for 2019-20 and the District council tax on a band D property, with the formal resolution to be presented at the Council meeting on 21 February 2019.
- 5 The report also requests approval to set both rents and service charges for 2019-20 and both the revenue and capital budgets for the HRA for 2019-20, in the context of longer-term financial forecasts.

- 6 The report also provides an opportunity to consider key strategic risks and levels of reserves. Furthermore, it presents the impact of several sensitivities to which both the GF and HRA are subject.

Background

- 7 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.
- 8 Budgets are set in February of each year, following presentation and consideration of the budget setting reports. MTFS's for both 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

- 9 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 and Investment Strategies 2019-20 to 2023-24
 - Appendix 4 – Treasury Management Strategy Statement 2019-20 to 2021-22
 - Appendix 5 – Financial Administration (S 25 Report)
 - Appendix 6 – CONFIDENTIAL Ermine Street Housing Business Plan Update
- 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 anticipated changes in national housing policy, where confirmation of detailed changes to regulations are awaited in some areas following consultation. This has resulted in the deferral of some assumptions and best estimates of the impact at a local level, until confirmation is available.
- 11 Assumptions will need to be continually reviewed and amended as information is made available and any changes in the economic environment become apparent.
- 12 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://scambsmoderngov.co.uk/ecCatDisplay.aspx?sch=doc>

Options

- 13 The HRA Budget Setting Report identifies the financial impact of a few 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

- 14 As detailed in the report and appendices.

Legal

- 15 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 few the national changes in housing policy as the regulations are released by Central Government.

Staffing

- 16 The commitment to seek efficiency savings in both the GF and HRA over the medium term may have implications for staff, all of which will be fully explored with Human Resources once they are known.

Risk Management

- 17 Risks and controls concerning financial projections in the MTFS are included in the strategic risk register.
- 18 A summary of the key risks to the GF MTFS are summarised in section 8 to the GF BSR included at Appendix 1.
- 19 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

- 20 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

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

Consultation responses (including from the Youth Council)

- 22 There has been no formal tenant or leaseholder consultation in the preparation of this strategic report. 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

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

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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