

Item

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY 2022/23



To:

Councillor Gerri Bird, Executive Councillor for Housing

Report by:

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Wards affected:

Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Key Decision

1. Executive Summary

- 1.1 The Housing Revenue Account (HRA) Medium Term Financial Strategy, considered and approved in September / October of each year is one of two long-term strategic financial planning documents produced each year for housing landlord services provided by Cambridge City Council.
- 1.2 The HRA Medium Term Financial Strategy provides an opportunity to review the assumptions incorporated as part of the longer-term financial planning process, recommending any changes in response to new legislative requirements, variations in external national and local economic factors and amendments to service delivery methods, allowing incorporation into budgets and financial forecasts at the earliest opportunity.

2. Recommendations

Recommendations to be considered under Part 1 of the Housing Scrutiny Committee Agenda:

The Executive Councillor is recommended to:

- 2.1 Approve the Housing Revenue Account Medium Term Financial Strategy attached, to include all proposals for changes in:
 - Financial assumptions as detailed in Appendix B of the document.
 - 2022/23 and future year revenue budgets, resulting from changes in financial assumptions and the financial consequences of changes in these and the need to respond to unavoidable pressures and meet new service demands, as introduced in Section 5, detailed in Appendix D and summarised in Appendices G (1) and G (2) of the document.
- 2.2 Approve that delegated authority be given to the Strategic Director to be in a position to confirm that the authority can renew its investment partner status with Homes England.

Recommendations to be considered under Part 2 of the Housing Scrutiny Committee Agenda:

The Executive Councillor is asked to recommend to Council:

- 2.3 To approve proposals for changes in existing housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H, for decision at Council on 20 October 2022.
- 2.4 To approve proposals for new housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H, for decision at Council on 20 October 2022.

- 2.5 To approve the revised funding mix for the delivery of the Housing Capital Programme, recognising the latest assumptions for the use of Grant, Right to Buy Receipts, HRA Resources, Major Repairs Allowance and HRA borrowing.

3. Background

- 3.1. The Housing Revenue Account budget was set for 2022/23 as part of 2022/23 HRA Budget Setting Report, approving a net use of reserves in the year of £1,029,530.
- 3.2 This figure was amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2021/22 into 2022/23 as part of the closedown process for 2021/22. Following these changes, the increased sum of £13,591,290 was anticipated to be taken from reserves for the year.
- 3.3 The HRA Medium Term Financial Strategy revisits the assumptions made as part of the HRA Budget Setting Report and recommends both changes in these and in some areas of budgeted expenditure and income for 2022/23 and beyond.
- 3.4 The resulting financial impact for the Housing Revenue Account is explained and summarised in the attached document and appendices.
- 3.5 The rent increase for 2023/24 is currently subject to a government consultation, with a proposal for a ceiling in rent increase of 5%, as opposed to estimated rent increases of in excess of 10% if CPI plus 1% were to continue to apply for the coming year. The consultation seeks views on 3%, 5% and 7% increases, with 3% incorporated currently into the HRA MTFs for prudence. It should be noted, however, that the difference between each of these levels of rent increase has a significant impact on the financial projections for the HRA and the authority's ability to invest in new homes or to consider any future investment in retrofit of the existing housing stock. A decision on the level of rent increase will be taken in January 2023, and will need to take account of the impact for both tenants and the delivery of services.

- 3.6 As part of the HRA Medium Term Financial Strategy, the assumptions in respect of the delivery of a net 1,000 new homes over the 10 years following on from the 500 programme, have been updated. These now reflect the need to bid to Homes England to secure grant under the Continuous Market Engagement process on a scheme by scheme basis, with future grant assumptions based upon experience of successful bids to date.
- 3.7 To be in a position to be able to bid for any funding or additional borrowing capacity provided through Homes England for the provision of social, affordable or intermediate housing, the authority is required to remain an investment partner with Homes England. To remain as an investment partner, as Cambridge City Council is currently, the authority is required to confirm annually that there have been no material changes to its membership status and that there is authority in place for continued membership.
- 3.8 As part of this covering report for the HRA Medium Term Financial Strategy, this is confirmed, and delegated authority is requested to allow the Strategic Director to continue to make this annual confirmation.

4. Implications

(a) Financial Implications

The financial implications associated with the HRA Medium Term Financial Strategy are incorporated as part of the document itself and the associated appendices.

(b) Staffing Implications

The HRA Medium Term Financial Strategy incorporates proposals that would result in the recruitment of additional staff. All these posts will be advertised in line with the Council's recruitment policies and will not adversely impact any existing employees.

(c) Equality and Poverty Implications

An Equalities Impact Assessment is not considered to be required as part of this report but will be carried out as part of the 2023/24 HRA budget process and preparation of the 2023/24 HRA Budget Setting Report.

(d) Environmental Implications

There are no adverse environmental implications anticipated as a result of changes proposed in this report.

(e) Procurement Implications

Any procurement implications arising from the recommendations for additional investment in this report will be addressed by the relevant service areas.

(f) Community Safety Implications

There are no direct community safety implications associated with the HRA Medium Term Financial Strategy.

5. Consultation and communication considerations

Tenant and Leaseholder representatives are being consulted on the proposals in the HRA Medium Term Financial Strategy as part of the Housing Committee scrutiny process.

6. Background papers

Background papers used in the preparation of this report:

- (a) Housing Revenue Account Mid-Year Financial Review (October 2021)
- (b) Housing Revenue Account Budget Setting Report (February 2022)

7. Appendices

Appendix A Housing Revenue Account Medium Term Financial Strategy

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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