

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY 2024/25

To:
Councillor Gerri Bird, Executive Councillor for Housing
Housing Scrutiny Committee September 2024

Report by:
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Wards affected:
All wards with council garages or parking spaces

1.	Recommendations
1.1	<p>Recommendations to be considered under Part 1 of the Housing Scrutiny Committee Agenda:</p> <p>It is recommended that the Executive Councillor for Housing:</p> <ol style="list-style-type: none"> 1. Approve the Housing Revenue Account Medium Term Financial Strategy attached, to include all proposals for changes in: <ul style="list-style-type: none"> • Financial assumptions as detailed in Appendix C of the document. • 2024/25 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 8, detailed in Appendix E and summarised in Appendix G of the document.

2. Approve that delegated authority be given to the Director of Communities and Assistant Director of Development 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:

It is recommended that the Executive Councillor for Housing:

3. Approve proposals for changes in existing housing capital budgets, as introduced in Section 9 and detailed in Appendix F of the document, with the resulting position summarised in Appendix H, for decision at Council on 10 October 2024.
4. 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 10 October 2024.
5. 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, as summarised in Appendix H.

2.	Purpose and reason for the report
2.1	The Housing Revenue Account (HRA) Medium Term Financial Strategy is one of two long-term strategic financial planning documents produced each year for the housing landlord services provided by Cambridge City Council.
2.2	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.
3.	Alternative options considered
3.1	The HRA Medium Term Financial Strategy is constructed taking account of a number of forecasts in external factors, with data provided through a number of specialist sources. The report contains a Sensitivity Analysis Appendix, where a number of alternative assumptions are made in order to show the impact on the financial forecasts and resulting business plan.
3.2	Alternative options for funding the delivery of new homes were explored as part of the preparation of this report, with the resulting proposals made taking account of the need to balance financial risk with a desire to maximise the delivery of additional homes.
4.	Background and key issues
4.1	The Housing Revenue Account budget was set for 2024/25 as part of 2024/25 HRA Budget Setting Report, approving a net contribution to reserves in the year of £654,150.
4.2	This figure was amended to reflect approvals to carry forward £562,600 of expenditure originally anticipated to be incurred in 2023/24 into 2024/25 as part of the closedown process for 2023/24. Following these changes, a revised sum of £91,550 was anticipated to be contributed to reserves for the year.
4.3	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 2024/25 and beyond.
4.4	The resulting financial impact for the Housing Revenue Account is explained and summarised in the attached document and appendices.
4.5	The rent increase for 2025/26 is currently assumed to be 2.8%. This has been included in the absence of the Rent Standard from April 2025, which is yet to be published, and in the knowledge that a new government may take a different view to setting rents for this sector. 2.8% is arrived at assuming a level of CPI in September 2024 of 2.3% as forecast by the Bank of England, with a 0.5% increase above this, as was assumed when the Budget Setting Report was approved in January 2024. Many costs are increasing at a higher rate than this and there is a need to invest significant sums in energy improvement works, and so any ability to increase rents above this level will need to be considered.

	Recent press announcements have indicated that the government may allow rents to be increased by CPI plus 1% for a ten year period, but as no formal announcement has been made, this assumptions has not been incorporated at this stage. The final decision on the level of rent increase will be taken in January 2025 and will need to take account of the impact for both tenants and the delivery of services.
4.6	An assumption is incorporated into the HRA Medium Term Financial Strategy that the authority introduces the allowable 5% flexibility (10% for supported and sheltered housing) from April 2025. This would only apply to new tenancies and would not impact existing tenants whilst they remain in their current tenancy. At re-let a home would be charged at 5% (or 10% for supported and sheltered housing) above the formula rent for the dwelling. This proposal will be consulted upon prior to any implementation from April 2025.
4.7	As part of the HRA Medium Term Financial Strategy, the assumptions in respect of the delivery of the 10 Year New Homes Programme have been updated, taking account of a new portfolio approach to new build delivery, which is the subject of a separate report in this committee cycle. This approach allows affordable housing targets to be exceeded across the city as a whole through delivery of a mix of tenures, whilst reducing costs to the HRA. Reflecting the risks associated with borrowing significant sums during a period of financial uncertainty, and whilst rates remain stubbornly high, an assumption is made that the authority would require a significant increase in the level of grant funding to make delivery of the programme financially viable.
4.8	To be in a position to be able to bid currently for any funding 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.
4.9	As part of this covering report for the HRA Medium Term Financial Strategy, this is confirmed, and delegated authority is requested to allow the Director of Communities and the Assistant Director of Development to continue to make this annual confirmation.
5.	Corporate plan
5.1	<u>Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council</u>

	<p>The changes proposed in this report support the key priorities to:</p> <ul style="list-style-type: none"> • tackle poverty and inequality, helping people in the greatest need • build a new generation of council and affordable homes and reduce homelessness.
6.	Consultation, engagement and communication
6.1	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.
7.	Anticipated outcomes, benefits or impact
7.1	Reviewing and updating the assumptions made as part of the HRA Business and taking stock of any unavoidable pressures twice each year, as part of the Medium Term Financial Strategy and the Budget Setting Report ensures that the authority can respond quickly to any financial challenges and mitigate the impact on the delivery of key services to both existing and future tenants.
8.	Implications
8.1	Relevant risks
	A full risk analysis is provided at Appendix A to the HRA Medium Term Financial Strategy. There are risks that the assumptions made as part of the construction of the HRA Business Plan do not materialise as anticipated, and for this reason a number of sensitivities are modelled, which are provided in Appendix D of the HRA Medium Term Financial Strategy.
	Financial Implications
8.2	The financial implications associated with the HRA Medium Term Financial Strategy are incorporated as part of the document itself and the associated appendices.

	Legal Implications
8.3	There are no specific legal implications arising from this report.
	Equalities and socio-economic Implications
8.4	<p>An Equalities Impact Assessment has been prepared as part of this report and will be available on the Council's website.</p> <p>The key impact identified in the EqIA for the HRA Medium Term Financial Strategy is the higher rents that would be applicable for new council tenants from April 2025. Homes would still be let at less than 50% of market rent and the rent would be fully eligible for Housing Benefit or Universal Credit, to ensure that those on low incomes have the impact mitigated.</p>
	Climate Change and Environmental implications
8.5	There are no adverse environmental implications anticipated as a result of changes proposed in this report.
	Procurement Implications
8.6	Any procurement implications arising from the recommendations for additional investment in this report will be addressed by the relevant service.
	Community Safety Implications
8.7	There are no direct community safety implications associated with the HRA Medium Term Financial Strategy.
	Staffing Implications
8.8	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.
9.	Background documents Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985:
9.1	(a) Housing Revenue Account Medium Term Financial Strategy (November 2023) (b) Housing Revenue Account Budget Setting Report (February 2024)
10.	Appendices
10.1	Appendix A - Housing Revenue Account Business Plan and Medium Term Financial Strategy 2024/25
	To inspect the background papers or if you have a query on the report please contact Julia Hovells, Head of Finance and Business Manager Telephone: 01223 – 457248 or email: julia.hovells@cambridge.gov.uk .