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Performance, Assets and Strategy Overview and Scrutiny Committee

Tuesday, 27 January 2026

PERFORMANCE, ASSETS AND STRATEGY OVERVIEW AND SCRUTINY COMMITTEE

27 January 2026

5.30 - 8.25 pm

Present: Councillors Porrer (Chair), Gawthrop Wood (Vice-Chair), Clough, Dalzell, Davey, Griffin, Pounds and Sheil

Officers:

Democratic Services Manager: Dan Kalley

Democratic Services Officer: Sarah Michael

Jody Etherington: Chief Finance Officer (S151)

Jane Wilson: Chief Operating Officer

Other councillors in attendance:

Councillor Karen Young, Chair of Services, Climate and Communities Overview and Scrutiny Committee

Councillor Martin Smart, Cabinet Member for Nature, Open Space and City Services

Councillor Simon Smith, Cabinet Member for Finance and Resources

Councillor Tim Bick, Leader of Liberal Democrat Group

Councillor Mark Ashton (Cherry Hinton Ward)

Councillor Richard Robertson (Petersfield)

FOR THE INFORMATION OF THE COUNCIL

26/1/P&A Apologies for Absence

There were no apologies received.

26/2/P&A Declarations of Interest

A non-pecuniary declaration of interest was made by Councillor Davey in respect of Item 5, as a Director at Cambridge United Football Club.

26/3/P&A Minutes

- i. The minutes of the meeting held on 9 December 2025 were agreed as a true and accurate record.

- ii. Councillor Pounds gave an update on the Waterbeach railway station reporting that a public consultation would take place and include options to 'mothball' or retain the current station.

26/4/P&A Public Questions

There were no public questions.

26/5/P&A Budget Setting Report and Medium Term Financial Strategy 2026/27

Budget Setting Report

The Chief Finance Officer gave a presentation on the Housing Revenue Account (HRA) highlighting the following points:

General:

- i. This was the first combined Budget Setting Report (BSR) bringing together the General Fund (GF), HRA, as well as the Medium-Term Financial Strategy (MTFS), HRA 30-year Business Plan, Capital Strategy and the Treasury Management Strategy. Officers hoped this would provide a more holistic view of the Council's finances.
- ii. LGR (Local Government Reorganisation) had made 'no practical change' to the 2026/27 budget setting process.

HRA:

- iii. There were significant variances between allocated budgets and actual expenditure within the HRA, with an operating overspend of £2.3 million reported in 2024/25, and a further overspend of £3.1 million forecast for 2025/26.
- iv. The Council's capital programme included plans to spend £709m within the HRA over the next 10 years on delivering new homes, energy efficiency and the retrofit of existing stock.
- v. External consultants, Savills, had been employed to review the HRA budget and 30-Year Business Plan.
- vi. Ongoing (revenue) bids and pressures totalling £2.2 million per year had been identified with the bulk to be spent on housing repairs. Much of the

investment would be funded through rent convergence, expected to generate an additional £2.1 million per year by 2030/31.

- vii. The Business Plan has been refreshed, and officers confirmed that the 10-year new homes programme was affordable within the current parameters.
- viii. The budget plans proposed that social and affordable rents increase by 4.8% from April 2026, and Garage rents also increase by 4.8%.
- ix. Rent convergence, the process of aligning current social rent levels with formula rent levels (calculated using a formula set by the Regulator of Social Housing), would allow the council to increase rents by an additional annual amount for those currently paying below the formula rent. This would be on top of the 4.8% rent increase.
- x. The government had promised an announcement on the outcome of the rent convergence consultation in January 2026; this had not been published, however, for the purposes of the proposed budget it was assumed that rent convergence of £2 per week would be applied beginning from 1 April 2026.
- xi. With this convergence, the average rent increase for 2026/27 would be 6.1%.
- xii. The HRA revenue surplus projections demonstrated that the reserves were able to be maintained at or above the minimum level (£8.2m), with surplus utilised as revenue contributions to capital outlay (RCCO).
- xiii. The total capital investment over the next ten years was expected to be £867.2m on existing stock, development and other capital spend. The plan was predicated on a successful bid for 'strategic partnership' with Homes England. If this was not secured, bids would be submitted on a site-by-site basis.
- xiv. HRA borrowing would total £478m over the next 10 years and to ensure financial resilience an ICR (Interest Cover Ratio) of 1.25 had been set.

Following the presentation, Members were invited to ask questions and as a part of these discussions the following key points were raised:

- i. Proposed rent convergence increases would be a fixed amount per property (i.e. £2 per week) and not a percentage amount.

- ii. Officers noted that recent changes to 'Right to Buy' (RTB) had seen maximum discounts reduced, changes to eligibility, and the ability for local authorities to keep 100% of receipts from sales.
- iii. The level of sales under RTB was modelled at 40 in 2025/26 (whilst the Council worked its way through the influx of applications received before the changes to discount levels) and 15 sales per annum from 2026/27.
- iv. It was summarised that the Rent Standard allowed councils to charge social rents at 5% above the formula rent (10% for supported housing).
- v. Plans for new builds were informed by the Housing Register and the greatest demand remained 1- and 2-bedroom properties (representing 78% of the Register).
- vi. Officers reported that the situation on rent arrears had worsened, largely due to ongoing work to resolve historic rent regulation errors.
- vii. Officers reported that the Council was still awaiting government guidance on rent convergence, and the papers included a sensitivity analysis on the key assumptions underpinning the budget (including deviation from the £2 per week convergence modelling).
- viii. Officers noted that if there was no government decision before the Cabinet meeting (10th February 2026), rent convergence could not be implemented in 2026/27.
- ix. The budget proposals included plans to streamline the processes on Universal Credit (UC) including the implementation of a system to automate UC rent verifications and other related processes.
- x. Officers reported that most residents had migrated to UC and those that hadn't (those who had seen no changes to their circumstances since UC's introduction) included some of the most vulnerable residents.
- xi. Officers confirmed that borrowing was at fixed rates and was looked at in conjunction with treasury management advisors (as outlined in the Treasury Management Strategy) with a focus on securing a balance between low rates and minimising risk levels (specifically re-financing risks).
- xii. Officers outlined plans to integrate potential additional software (Voicescape and UC Bot) with existing housing management software (MRI Orchard) to tackle issues such as rent arrears.
- xiii. Officers reported that a strategic partnership with Homes England would provide financial certainty for the Council and a 'lump sum' of funding to support house building.

- xiv. It was recognised that the budget proposals contained a significant amount of borrowing (and therefore associated risk), but officers gave assurances that they had worked closely with Savills and assumptions would be kept under constant review.

In summation on the HRA, the Chair confirmed the following points on behalf of the Committee:

- i. Concerns about the tight deadline to have national government confirmation of rent convergence and the risk that further delays may miss the necessary deadline to notify tenants of rent charges.
- ii. Request officers to provide examples of the maximum and minimum impact that rent convergence could have on residents.
- iii. Concerns on the robustness of the savings assumptions relating to bad debt, void improvements and the related software implementation.
- iv. Note the overall level of risk and borrowing contained within the HRA proposals, and the need for constant monitoring and regular review of underlying assumptions.
- v. Request officers provide further detail in the BSR on the following bids:
 - B5464 - Damp, condensation and mould (DCM) repairs
 - B5465 - Housing disrepair claims and compensation costs
 - B5466 - Increase cost of void repairs
 - B5453 - Housing Management Teams.

Following additional questions the below points were clarified:

- i. Rent levels when a tenancy was succeeded were summarised by officers.
- ii. Officers were aware that void costs were increasing and had commenced a project to review processes to bring down re-let times and costs.
- iii. Officers outlined that the risk profiles of the HRA and General Fund were very different, and the Council had received specific advice from Savills on the benchmark that should be applied to the HRA.
- iv. The current capital programme included an investment of £47.7m over 5 years to deliver EPC C rating on the current housing stock and then an additional £43.2m to undertake further energy efficiency / retrofit work.

General Fund

The Chief Finance Officer gave a presentation on the General Fund highlighting the following points:

- i. The public consultation received 512 responses after being promoted through direct emails, the council website, digital screens at Mandela House and via Cambridge Matters.
- ii. 72% of respondents rated the Council as excellent, good or acceptable for value for money.
- iii. Financial resilience was assessed by reference to the 'five-year funding gap' (how much projected expenditure exceeded projected income). The budget plans, with the savings outlined in the General Fund, outlined how this gap would be reduced to £1.5m by 2030/31.
- iv. The national funding settlement saw the implementation of the Fair Funding reform and the core spending power of the Council decrease by 4.1% with ongoing uncertainty around business rates.
- v. The budget was modeled on a maximum allowable Council Tax increase of 2.99% over the next 3 years (roughly 13p per week for Band D property).
- vi. A full review of the Capital Plan had been undertaken. Application of transitional funding along with use of revenue reserves would remove the requirement in the General Fund to borrow to fund capital expenditure.
- vii. The prudent minimum balance (PMB) and target level of General Fund reserves had been reviewed and increased in the context of the uncertainty surrounding LGR.

Following the presentation, Members were invited to ask questions and as a part of these discussions the following key points were raised:

- i. The budget proposals reflected the decisions taken on the Civic Quarter (two investments of £4m) with nothing additional projected except the allocation of a further £1million to the Civic Quarter Development Reserve.
- ii. On the Cambridge Folk Festival, concern was raised over the one-off nature of the bid (£60k) relating to marketing.
- iii. An explanation was given on the changes to the national funding formula with officers noting that each council's 'relative need' is calculated by

- reference to seven individual funding formulas (two of which apply to Cambridge).
- iv. Through this formula, the Council has both benefitted (due to significant population growth since the last funding review together with the inclusion of 'daytime population') and lost (through a refresh of national deprivation data and a resetting of the business rates system).
 - v. The budget provision for business rate appeals has been increased from 2026/27 in light of recent experience and the additional uncertainty generated by the 2026 revaluation.
 - vi. On the public consultation, the responses received were well represented in terms of income and gender but not in terms of age (with younger people not engaging as much).
 - vii. The pension fund was currently 'overfunded' (following triennial valuation) and this meant that the budget included a proposal to reduce the employer pension contribution rate.
 - viii. On the crematorium, it was confirmed that there had been a £300,000 income reduction due to increasing competition from new providers and online-only direct cremation services, as well as cultural and environmental shifts driving demand for lower-cost options.
 - ix. It was confirmed that the county council provided statutory street lighting services and what the city council was paying for is an enhancement of those services.
 - x. Officers confirmed that local authorities were no longer permitted to make new investments in commercial property primarily for yield although investment in an existing portfolio was permitted. It was reported that the council's current portfolio was performing well.
 - xi. On LGR, it was reported that there would be significant transitional costs; however, reorganisation would deliver savings in the long-term. The Budget set aside £2.5 million for the purpose of covering the Council's share of pre-transition costs.
 - xii. The 'free text' comments in the consultation had seen residents raising concerns over issues such as condition of roads and the need to focus on 'basic' services.
 - xiii. Transitional funding (£8.3million available over the current 3-year settlement period) was discussed including its use on the historic (previously funded by internal borrowing) and future capital programme.

In summation, the Chair confirmed the following points on behalf of the Committee:

- i. Concern about the one-off nature of the bid for the Folk Festival relating to marketing and the need to highlight to Cabinet that this will require careful monitoring. It was noted that the issue will come back to the Committee after the delivery of the new style event.
- ii. Concern over the response to the consultation, specifically that young people were not that well represented. It was noted that the Committee had requested plans for the 2026/27 consultation (when ready).
- iii. Request that officers provide a summary of movements in/out of the Civic Quarter Development Reserve.
- iv. Request more details from officers on the following (and where necessary for the BSR to provide more narrative):
 - RI5356 - Crematorium reduced income proposal
 - B5341 – Playground investments proposal.
 - Weed Clearance proposal.

Financial Strategies

The Chief Finance Officer gave a presentation on the Medium-Term Financial Strategy (MTFS), Capital Strategy and Treasury Management Strategy highlighting the following points:

- i. Key financial risks included the impact of LGR (Including transitional costs); high inflation, interest rates, economic stress, variance from assumptions made, cost of waste reform, future government rent policy, unforeseen spending and the ability to deliver and identify remaining.
- ii. The Section 25 report concluded that the Chief Finance Officer considered the estimates for the financial year 2026/26 to be sufficiently robust and the reserves up to 21 March 2027 to be adequate. However, attention was drawn to uncertainty on the impact of LGR, the inherent risk posed by the scale of the council's new homes development, and that the council currently did not have detailed plans to meet its five-year savings requirement in full.

Following the presentation, Members were invited to ask questions and as a part of these discussions the following key points were raised:

- i. Officers outlined the stress testing that had been undertaken on the MTFs and the significant impact that changes to government funding could have.

Ward Councillors were invited to ask questions and as a part of these discussions the following key points were raised:

- i. Clarification was given on the business rate baseline (the amount that the government would expect the council to retain based upon rateable values set for all existing business premises as at 1 April 2026) and the accumulated business rate growth (additional rate generated through growth).
- ii. Members sought information on the current budget for the Operational Hub at the Cowley Road Depot.
- iii. Concern was raised about the lack of detail on the proposed bid relating to car park 'entry and exit systems' (CAP5337).

In summation, the Chair confirmed the following points on behalf of the Committee:

- i. Request more details from officers on the following (and where necessary for the BSR to provide more narrative):
 - CAP5337 - Car park entry and exit systems – to include what savings this will deliver and when.
 - B5470 - Cowley Road Depot and Hub - covering where the projections came from and how this sits alongside existing budgets.

26/6/P&A Work Programme

The Work Programme was noted including the plan to undertake further scrutiny of the Civic Quarter project.

The meeting ended at 8.25 pm

CHAIR

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