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Cambridge City Council

COMMUNITY SERVICES SCRUTINY COMMITTEE

Despatched: Wednesday 8 January 2014

Date: Thursday, 16 January 2014
Time: 1.30 pm
Venue: Committee Room 1 & 2 - Guildhall
Contact: Toni Birkin **Direct Dial:** 01223 457013

SUPPLEMENTARY AGENDA

- 7 HOUSING REVENUE ACCOUNT BUDGET SETTING REPORT –
Labour Group Amendment (Pages 5 - 36)**

Information for the Public

Location The meeting is in the Guildhall on the Market Square (CB2 3QJ).

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To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart
Report by: Director of Customer & Community Services
Relevant scrutiny committee: Community Services and Housing Management Board 16/1/2014
Wards affected: All Wards

LABOUR GROUP AMENDMENT TO:

HOUSING REVENUE ACCOUNT (HRA) BUDGET SETTING REPORT (BSR) 2014/15

Key Decision

1. Executive Summary

1.1 This report sets out amendments proposed by the Labour Group to the Housing Revenue Account Budget Setting Report 2013/14 to 2017/18, presented to both Community Services Scrutiny Committee and Housing Management Board on 16 January 2014, for decision in respect of the revenue aspects of the report by the Executive Councillor for Housing, and consideration of the capital aspects, prior to recommendation to Council on 27 February 2014.

1.2 The appendices to this report incorporate the Labour Group budget proposals in relation to specific budget items for both HRA revenue and capital as follows:

- a) To add new items
- b) To amend existing specific proposals

The proposals are presented as amendments to the published HRA Budget Setting Report, with the changes identified in ***bold italics***. In most cases the entire section or appendix has been re-stated for ease of reference.

1.3 The Labour Group states that its budget amendment focuses on some key areas, including:

- Implementing a lower level of rent increase in 2014/15 than government guideline would indicate should be applied.

- Increasing training and employment opportunities for young people.
- A focus on spending on the external and communal areas of the housing stock, with boundary fencing and fencing of communal space a key priority.
- A fundamental review of both housing services and asset management, with a target to achieve a higher level of savings of 4% from 2015/16.
- A reduction in the target level of reserves held in the HRA.

1.4 The resulting recommendations refer to the strategy outlined in the HRA Budget Setting Report.

2.Recommendations (Labour Group Amendments are in Italics)

2.1 Changes to recommendations in the original report are highlighted in ***bold italics***. All of the recommendations have been re-stated in full for clarity

The Executive Councillor, is recommended, following scrutiny and debate at Housing Management Board, to:

Review of Rents and Charges

- Approve that council dwellings rents be increased, departing from government guidelines, assuming that 2014/15 is the last year that a move towards convergence with formula rent is possible, but introducing a local maximum in individual increases of inflation (RPI at September 2013 of 3.2%) plus half percent (0.5%) plus £1.00 per week with effect from 7th April 2014.***
- Approve inflationary increases of up to a maximum of 2.5% in garage and parking space rents for 2014/15, in line with the base rate of inflation for the year assumed in the HRA Budget Setting Report.
- Approve the proposed service charges for Housing Revenue Account services and facilities, as shown in Appendix B of the HRA Budget Setting Report.
- Approve revised leasehold administration charges for 2014/15 as detailed in Appendix B of the HRA Budget Setting Report.
- Approve that service charges for gas maintenance, door entry systems, lifts and electrical and mechanical maintenance are

increased by a maximum of inflation at 3.2% plus 0.5%, if required, to continue to recover full estimated costs as detailed in Appendix B of the HRA Budget Setting Report.

- f) Approve that caretaking, communal cleaning, estate services, grounds maintenance, window cleaning, temporary housing premises and utilities, sheltered scheme premises, utilities, digital television aerial and catering charges continue to be recovered at full cost, as detailed in Appendix B of the HRA Budget Setting Report.

Revenue – HRA

Revised Budget 2013/14:

- g) Approve with any amendments, the Revised Budget items shown in Appendix D of the HRA Budget Setting Report.

Budget 2014/15:

- h) ***Approve the Non-Cash Limit items originally shown in Appendix E of the HRA Budget Setting Report, as amended in line with Appendix E to this report.***
- i) Approve with any amendments, the Unavoidable Revenue Bids and Savings shown in Appendix F of the HRA Budget Setting Report.
- j) ***Approve the Priority Policy Fund (PPF) Bids originally shown in Appendix G of the HRA Budget Setting Report, as amended at Appendix G to this report.***
- k) ***Approve the resulting Housing Revenue Account Summary Forecast 2013/14 to 2017/18, shown originally in Appendix L of the HRA Budget Setting Report, as subsequently amended and re-stated in full at Appendix L to this report.***

The Executive Councillor is asked to recommend to Council (following scrutiny and debate at Community Services Scrutiny Committee):

Treasury Management

- l) Approve the revised approach to treasury management, setting-aside a proportion of the surpluses generated over the life of the Business Plan to allow for potential debt redemption, but re-investing up to 75% of the surplus generated in the acquisition or

development of new affordable housing, as outlined in Section 7 of the HRA Budget Setting Report.

Housing Capital

- m) **Approval of capital bids, shown in Appendix H of the HRA Budget Setting Report, to include** resource to implement the Cambridge Public Sector Network across housing offices, to purchase an additional module for the Housing Management Information System, to undertake emergency water mains replacement at Kingsway, to carry out remedial works to a specific HRA dwelling and the surrounding block **and to increase investment in boundary fencing and fencing to communal space.**
- n) Approval of re-phasing of £15,000 of resource between 2014/15 and 2013/14 to complete communal floor covering works to an entire block whilst the relevant equipment is on site.
- o) Approval of re-phasing of funding for UPVC window replacements of £500,000 from 2014/15 and £850,000 from 2015/16 into later years in the Housing Capital Investment Plan, recognising that it is too early to move to a full investment standard.
- p) Approval of re-phasing of £250,000 from 2014/15 to 2015/16 in respect of the communal areas uplift, recognising that the full programme of works has not yet been finalised.
- q) Approval of gross funding of £16,210,000 for the development of the affordable housing project at Clay Farm, in line with the scheme specific report being presented to Community Services in January 2014, which assumes 75% affordable rented and 25% shared ownership housing.
- r) Approval of funding of £2,875,000 for the provisional purchase of 13 market housing units on the garage re-development sites (or other units of existing market housing), recognising this as an appropriate use of retained right to buy receipts.
- s) Approval to earmark the required level of additional funding for new build investment in 2016/17 and 2017/18 to ensure that the anticipated level of future retained right to buy receipts can be appropriately utilised.
- t) **Approval of the revised Housing Capital Investment Plan, shown originally in Appendix M of the HRA Budget Setting**

Report, as subsequently amended and re-stated in full at Appendix M to this report.

- u) Approve a provisional addition to the Housing Capital Allowance of £30,702,000 in respect of anticipated qualifying expenditure in 2014/15.**

3. Implications

3.1 All budget proposals have a number of implications. A decision not to approve a revenue bid will impact on managers' ability to deliver the service or scheme in question and could have staffing, equal opportunities, environmental and/or community safety implications. A decision not to approve a capital or external bid will impact on managers' ability to deliver the developments desired in the service areas.

(a) Financial Implications

3.2 The financial implications associated with decisions are outlined in the HRA Budget Setting Report 2014/15, presented to both Community Services Scrutiny Committee and HMB on 16^h January 2014, as amended by this Labour Amendment,

(b) Staffing Implications

3.3 Any direct staffing implications are outlined in the HRA Budget Setting Report 2014/15, as presented to both Community Services Scrutiny Committee and HMB on 16^h January 2014, as amended by this Labour Amendment.

(c) Equal Opportunities Implications

3.4 An Equality Impact Assessment is included at Appendix N of the HRA Budget Setting Report 2014/15, as presented to both Community Services Scrutiny Committee and HMB on 16^h January 2014.

(d) Environmental Implications

3.5 Where relevant, officers have considered the environmental impact of budget proposals, with any impact highlighted in the HRA Budget Setting Report 2014/15, as presented to both Community Services Scrutiny Committee and HMB on 16^h January 2014, as amended by this Labour Amendment.

(e) Procurement

3.6 Any procurement implications arising directly from revenue or capital bids will be considered and addressed as part of each individual project.

(f) Consultation and Communications

3.7 Consultation with tenant and leaseholder representatives is carried out as part of the HMB scrutiny process. The view of a representative group of tenants and leaseholders, in respect of investment priorities, was sought as part of the 2012 STAR tenants and leaseholder survey, and will be repeated in 2014.

(g) Community Safety

3.8 Any community safety implications are outlined in the HRA Budget Setting Report 2014/15, as presented to both Community Services Scrutiny Committee and HMB on 16^h January 2014, as amended by this Labour Amendment.

4. Background Papers

These background papers were used in the preparation of this report:

Housing Revenue Account Mid-Year Financial Review 2013/14
Housing Revenue Account Budget Setting Report 2013/14 to 2017/18.

5. Appendices

- Amended Sections and Extracts of the HRA BSR 2014/15
- Appendix A - Re-Stated Business Planning Assumptions
- Appendix E - Amended HRA Non-Cash Limit Items
- Appendix G - Amended HRA PPF Funding and Bids
- Appendix H - Amended Capital Bids
- Appendix L - Amended HRA Summary Forecast 2013/14 to 2017/18
- Appendix M - Amended Housing Capital Investment Plan

6. Inspection of Papers

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

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Labour Amendment
HMB / Community
Services

Housing Revenue Account Budget Setting Report 2014/15

Labour Amendments - Amended or Re-Stated Content Only

January
2014

Cambridge City Council



Section 4

Housing Revenue Account Resources

Rent Setting

Rent levels continue to be set in January of each year, with the Executive Councillor for Housing having delegated authority to make this decision, following pre-scrutiny by Housing Management Board.

The HRA Self-Financing settlement, and the resulting level of debt that Cambridge City Council took on, was derived from financial projections undertaken nationally, using the assumptions that rents continue to be increased in line with government guidelines, until target rents are achieved.

Any decision to increase rents at a lower rate than assumed in the self-financing settlement and business plan, will require some form of remedial action to mitigate the financial impact if the authority still wishes to be in a position to deliver the existing HRA Business Plan.

Any decision to apply a higher rent increase in April 2014 in an attempt to mitigate the future impact of the proposed cessation of rent restructuring, would result in tenants receiving one-off rent increases in excess of the inflation (RPI at September 2013) plus half a percent, plus £2.00 per week limit, resulting in significant increases for individuals.

Taking into consideration the current economic climate, and the level of rent increase that residents have had in prior years, it is proposed that a lower local limit, of inflation plus half a percent plus £1.00 per week, is applied to rent increases in April 2014, ensuring that the average rent increase is similar to that applied in 2013/14, as opposed to being higher as government guideline would indicate.

Based on the assumption that April 2014 will be the last year that rent restructuring will apply, and will therefore become the intended year of convergence and assuming the outcome of

the consultation is as currently proposed, any occupied property below target rent would be increased either to target rent from April 2014, or by the local limit of inflation (using RPI of 3.2% as at September 2013) plus half a percent plus £1.00 per week on a 52 week basis, whichever is the lower.

This will result in an average rent increase for Cambridge City Council general and sheltered tenants of 4.9%, equivalent to £4.55 per week on a 52-week basis, as opposed to the 5.76%, equivalent to £5.36 per week on a 52-week basis, which would be applicable if the government's limit were adhered to.

This will result in the need to take remedial action to offset the reduction in anticipated income, with a fundamental review of housing services proposed in 2014/15, with a target to deliver 4% savings from April 2015.

Section 5

Housing Revenue Account Budget

Post-HRA Business Plan Update Approvals

There were no revenue decisions impacting the Housing Revenue Account taken between the publication of the HRA Mid-Year Financial Review (approved as part of the October committee cycle) and publication of this document. Such decisions, including any made under urgency arrangements, together with financial implications would be noted here.

There are capital implications to take into account in reviewing the final budget proposals in relation to scheme specific approval being given for HRA new build and re-development schemes at Community Services up to and including January 2014. The schemes anticipated to be presented within this timeframe, where the financial implications will need to be included are:

- Clay Farm
- Anstey Way (no net financial implications anticipated)

It should be noted that scheme specific approvals are awarded at the scheme viability stage, and that there may be the need to revisit the original approvals for all schemes once final scheme proposals, design and planning considerations have progressed.

Revised Budget 2013/14

The Housing Revenue Account (HRA) revenue budgets for the current year (2013/14) were initially reviewed as part of the HRA Mid-Year Financial Review in October 2013. A further review is undertaken as part of the January 2014 committee cycle and will be reported to

Council in February 2014. The current overall effects of the revised budget proposals, compared to the original and current, are shown in the table below.

2013/14 Revised Budget	Original Budget January 2013	HRA Mid-Year Review October 2013 £	January 2014 £
Net HRA Use of / (Contribution to) Reserves	(725,500)	1,804,140	1,875,940
Variation on previously reported projection			71,800

The above figures include carry forward approvals from 2012/13 in the second and third columns, with savings and unavoidable bids identified in the current year, as part of the January 2014 committee cycle, incorporated in the right-hand column.

Revised Budget items are considered by Housing Management Board for revenue items and Community Services for capital items, and are detailed in Appendix D. These can be summarised as follows:

Revised Budget Items	2013/14 £
Savings	(223,200)
Bids	295,000
Net Effect on Current Year Budget	71,800

The items submitted, as part of the revised budget, will be analysed as in previous years, to ensure that any ongoing implications are identified and that appropriate lessons can be learned for future budget management and monitoring.

The increase in cost for 2013/14 will be met from Housing Revenue Account reserves, where there is sufficient resource, partially due to the use of reserves in 2012/13 being less than anticipated.

Non-Cash Limit Budgets

Non-Cash Limit items are those that do not relate directly to the cost of service provision, including for example dwelling rent income, direct revenue funding of capital expenditure (DRF) and investment income. These are summarised in the table below together with full details given in Appendix E.

Proposal Type	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Non-Cash Limit items	(562,950)	(530,270)	(530,270)	(530,270)

Budget Proposals Summary

The budget proposals contained within this HRA BSR document are detailed in Appendix F, and can be summarised as follows:

Proposal Type	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Unavoidable Revenue Bid	370,230	364,890	364,890	364,890
Service Reviews	(32,400)	(35,400)	(35,400)	(35,400)
Saving	(484,000)	(522,120)	(522,120)	(522,120)
Net Effect of HRA proposals	(146,170)	(192,630)	(192,630)	(192,630)

Service Reviews

The Service Review process has been developed corporately over recent years and identifies particular service areas for detailed evaluation. The HRA incorporates any Service Review savings either identified by HRA services directly, or as a by-product of reviews of corporate services, support services or rechargeable services.

It is difficult, however, to fully predict the impact in monetary terms of savings to the HRA from in-direct service reviews, as the detail surrounding revised recharging mechanisms is not usually completed until the after the review is complete and resulting changes have been made.

Performance against Savings Target

As in previous years, a savings target for the HRA as a whole has been adopted, rather than allocating individual savings requirements to specific service areas or cost centres.

The following table compares the level of net savings, which are being proposed with the overall net savings target for the whole Housing Revenue Account. A more detailed comparison is included at Appendix F.

Portfolio	2014/15 £	2015/16 £	2016/17 £	2017/18 £
HRA General Savings Requirement	113,000	113,000	113,000	113,000
HRA Repairs Reduction in line with stock loss	27,030	27,030	27,030	27,030
Net Savings Requirement (HRA Mid-Year Financial Review October 2013)	140,030	140,030	140,030	140,030
Unavoidable Revenue Bid	370,230	364,890	364,890	364,890
Service Reviews	(32,400)	(35,400)	(35,400)	(35,400)
Saving	(484,000)	(522,120)	(522,120)	(522,120)
Over / (Under) performance against HRA Cash Limit	(6,140)	(52,600)	(52,600)	(52,600)

This shows that the Cash Limit has been over-achieved from 2014/15 at the level of £6,140, increasing from 2015/16 to an ongoing over-achievement against the net savings requirement of £52,600.

Overall Budget Position and Priority Policy Fund (PPF)

Overall Budget Position

The overall impact on the HRA, of the factors considered above in the context of the Cash Limit established in the October 2013 HRA Mid-Year Financial Review, is set out below:

Proposal Type	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Net Savings Requirement (HRA Mid-Year Financial Review October 2013)		140,030	140,030	140,030	140,030
2013/14 Revised Budget	71,800				
Unavoidable Revenue Bid		370,230	364,890	364,890	364,890
Service Reviews		(32,400)	(35,400)	(35,400)	(35,400)
Saving		(484,000)	(522,120)	(522,120)	(522,120)
Net Position (Under) / Over Cash Limit	71,800	(6,140)	(52,600)	(52,600)	(52,600)
Non-Cash Limit items	0	(562,950)	(530,270)	(530,270)	(530,270)
Overall Net Position Including Non- Cash Limit Items (Under) / Over	71,800	(569,090)	(582,870)	(582,870)	(582,870)

At this stage, savings have been marginally over-achieved at cash limit level for 2014/15 by £6,140, increasing to £52,600 per annum from 2015/16 onwards. This over-achievement could be used to help offset any over subscription against PPF funding in year, or could alternatively reduce the saving requirement from 2015/16 onwards.

Review of Priority Policy Fund (PPF) Funding

The Housing Revenue Account PPF allows facilitation of strategic re-allocation of limited resource into new and expanding service areas, recognising the priorities identified through the Council's Vision for the City and the STAR Tenants and Leaseholder Survey.

The HRA Mid-Year Financial Review of October 2013 assumed a continued level of funding for HRA PPF Bids of £150,000 per annum for the period from 2014/15 to 2017/18. The HRA BSR

reviews this assumption, considering the affordability of this assumption in light of the outcome of the review of other factors impacting the overall budget position.

The current list of PPF Bids is shown in Appendix G. In reviewing PPF Bids for approval, consideration is given to the relative value of PPF Bids compared to the additional Savings that their inclusion would require.

HRA Priority Policy Fund 2014/15	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Funding available	(150,000)	(150,000)	(150,000)	(150,000)
Bids into Fund	135,600	212,600	212,600	212,600
Shortfall / (Unused) Funding	(14,400)	62,600	62,600	62,600

The level of PPF funding has been increased from £75,000 to £150,000 per annum in recent years, in recognition of the challenges anticipated as part of the introduction of the Welfare Benefit Reforms and the opportunities that self-financing provides for additional investment in new build affordable housing. The higher level of PPF bids from 2015/16 directly reflects our anticipated need to respond proactively to these changes.

From 2015/16, there is a shortfall in PPF funding against the bids proposed. This could be addressed by:

- Reducing the level of direct revenue funding of capital
- Reduce the ability to set-aside resource to repay housing debt
- Offset the over-achievement in net savings to meet the over subscription in PPF funding
- Reduce the level of PPF funding available in future years

Any unused PPF funding in any year can be utilised to either:

- Increase the level of direct revenue funding of capital
- Increase the ability to set-aside resource to repay housing debt
- Offset the under-achievement in net savings to avoid an increased savings requirement in future years

Given the demand for PPF at a higher level than allowed for, it is proposed to offset this against the over-achievement against the HRA Net Savings Requirement for 2014/15 and beyond. This would still leave a net over-achievement against the anticipated net direct spend of £20,540 for 2014/15, but a net under-achievement of £10,000 per annum from 2015/16 onwards, which would require funding from reserves.

The effects of this would be as follows:

Proposal Type	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Reduction required to meet Cash Limit	0	140,030	140,030	140,030	140,030
Service Reviews	0	(32,400)	(35,400)	(35,400)	(35,400)
Savings	(223,200)	(484,000)	(522,120)	(522,120)	(522,120)
Unavoidable Revenue Bids	295,000	370,230	364,890	364,890	364,890
Net Savings Position above / (below) Savings Requirement	71,800	(6,140)	(52,600)	(52,600)	(52,600)
PPF Funding	0	(150,000)	(150,000)	(150,000)	(150,000)
PPF Bids	0	135,600	212,600	212,600	212,600
Net PPF Position – Above / (Below) Available Funding	0	(14,400)	62,600	62,600	62,600
Net Position above / (below) Overall Cash Limit for the HRA	71,800	(20,540)	10,000	10,000	10,000
Non-Cash Limit Adjustments	0	(562,950)	(530,270)	(530,270)	(530,270)
Net Position for the HRA above / (below) overall assumptions	71,800	(583,490)	(520,270)	(520,270)	(520,270)

Section 6

Capital and Asset Management

Capital Bids

Detailed in Appendix H are the capital bids for the period from 2013/14 to 2017/18, with the impact of these incorporated into the Housing Capital Investment Plan presented at Appendix M. The bids include:

- One-off funding of a maximum of £76,000 in 2014/15, for the installation of the Cambridge Public Sector Network across housing offices.
- One-off funding in 2014/15 of £9,000 to allow the purchase and implementation of an additional module to the Housing management System to aid the ability of staff to respond to multiple queries from a single customer.
- One-off funding of £48,000 in 2013/14 to undertake emergency works to the water mains at Kingsway.
- A negative bid (saving) of £150,400 in 2013/14 and £166,200 from 2014/15, resulting from a reduction in the level of internal fees that are charged to capital budgets based upon the latest assumptions of officer time spent undertaking activity associated with capital investment in the housing stock. This directly offsets growth in the revenue budget, where that staff are alternatively deployed in managing the revenue aspects of the cyclical and planned maintenance programmes.
- A bid for £150,000 in 2014/15 to undertake remedial works to an HRA dwelling and the surrounding block, where there are major structural and layout issues.
- **A bid for an additional £100,000 per annum on an ongoing basis in respect of fencing works, both for boundary fencing and fencing to communal areas / open spaces on housing land.**

Section 8

Summary and Overview

HRA Reserves

Housing Revenue Account General Reserves

Reserves are held partly to help manage risks inherent in financial forecasting and budget-setting. These risks include changes in legislative and statutory requirements, inflation and interest rates, unanticipated service demands, rent and other income shortfalls and emergencies, such as uninsured damage to the housing stock. In addition, reserves may be used to support the Housing Capital Investment Plan and, in the short-term, to support revenue spending, for example to spread the impact of savings requirements over more than one financial year or to invest up front in a project that is anticipated to pay back over a period of time or deliver future savings.

The HRA Budget Setting Report incorporates the requirements of the Local Government Act 2003, where the Chief Financial Officer is required to report on the adequacy of reserves and provisions and the robustness of budget estimates.

For the Housing Revenue Account the intended target level of reserves is proposed to be reduced to £2.75m, retaining the minimum level of reserves of £2m.

It is not proposed at this time to make any further changes to the target or minimum levels for reserves, as it is considered prudent to retain the current levels in order to safeguard the Council against the higher levels of risk and uncertainty in the current operating environment.

Options and Conclusions

Conclusions

The review of key factors undertaken and presented in this report shaped the approach for finalising the budget for 2014/15. As part of the 2014/15 budget process, significant savings were identified, particularly in the revenue aspects of the repairs service. Savings were partially offset by pressure from unavoidable revenue bids, which were identified across a number of areas of the housing service.

The level of savings required was driven by the need to ensure that housing debt be supported, whilst also releasing resource for strategic re-allocation through the PPF bid process. This ensures that the Housing Service is in a position to respond to new challenges and to meet changing demands and tenant / leaseholder aspirations.

An increase of £71,800 in revenue costs for 2013/14 has been identified as part of the revised budget process, which will be met from reserves in 2013/14. The level of reserves is sufficient to meet this one-off increased cost, with a marginally lower level of reserves utilised in 2012/13 than anticipated, after allowing for carry forward of expenditure into 2013/14.

The cash limit for 2014/15 (including proposed PPF's) was over-achieved in 2014/15 by £20,540, but is under-achieved by £10,000 per annum on an ongoing basis. A sustainable budget for the period 2014/15 to 2017/18 can be approved subject to the assumption that a higher level of efficiency savings (4% per annum) can be delivered from 2015/16 following a review of housing services.

In future years, as in previous years, consideration will need to be given to whether the perceived benefits of strategic investment in new areas outweigh any anticipated negative impact of the savings proposed as part of the HRA budget process.

The HRA's approach to long-term financial planning and review, incorporating the assumption that surplus resource will be used to re-invest in income generating assets whilst maintaining prudent financial assumptions, is key in ensuring a viable and expanding housing service that has the ability to respond to the many and varied challenges that face the sector on an on-going basis.

Appendix A

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2.5%	General inflation on expenditure included at 2.5% (Based upon CPI to June 2013), from 2014/15.	Retained
Capital Programme Inflation	3.5% ongoing	Real increase above CPI of 1%.	Retained
Debt Repayment	Re-invest surplus and set-aside 20% to Repay Debt	Assumes surplus is re-invested in income generating assets, with 20% of resource set-aside to repay debt as loans reach maturity dates	Amended
Capital Investment	Partial Investment Standard (in 10 Years)	Base model assumes partial investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed as part of the 2014/15 HRA BSR.	Amended
Pay Inflation	2.9%, 3.4%, 3.9% then 4.4%	Assume pay award of 1% and allowance for increments at 1.9% for 2014/15, then phased re-introduction of allowance for pay award at 0.5% per annum until 2.5% from 2017/18 onwards.	Amended
Employee Turnover	3%	Employee budgets - assume an employee turnover saving of 3.0% of gross pay budget for office-based staff.	Retained
Rent Increase Inflation	3.7% for 2013/14, 3.5% from 2015/16, 3% from 2025/26	Rent increases in line with government proposals of RPI at the preceding September plus 0.5% for 2014/15 and then move to CPI plus 1% from 2015/16 to 2024/25. Assume RPI in September 2013 is 3.2%. CPI as above. Introduce a local limit for 2014/15 of RPI plus 0.5% plus £1.00 per week for properties not yet at target rent.	Labour Amended
Rent Convergence	Only for Voids	Assume that current government proposals inhibit the ability to move to target rents after 2014/15, except when a property is void. Applied locally for energy efficient voids only	Amended
External Lending Interest Rate	0.64% for 2 years, 1.25% for 2 years, then 1.5%	Interest rate – based on latest market projections (on average 0.64% for 2013/14 and 2014/15, 1.25% for 2015/16 and 2016/17, then 1.5% from 2017/18.	Retained
Internal Lending Interest Rate	0.64% for 2 years, 1.25% for 2 years, 1.5% ongoing	Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment the General Fund over the longer term.	Amended
External Borrowing	4.5%	Assumes additional PWLB borrowing at a rate of 4.5%. Current rates for 25 to 50 years range from 4.44% to 4.52%.	Amended

Key Area	Assumption	Comment	Status
Interest Rate			
Internal Borrowing Interest Rate	4.5%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Amended
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising increased risks in HRA Self-Financing environment.	Retained
HRA Target Balances	£2,750,000	Reduce HRA target balance to £2,750,000.	Labour Amended
Right to Buy Sales	42, 35, 30, 25, 20 then 15 sales ongoing	Reinvigoration of the scheme has prompted increased activity. Assume 42 for 2013/14, 35 for 2014/15, then reducing by 5 per annum until 15 per annum ongoing.	Amended
Right to Buy Receipts	Settlement right to buy and assume one-for-one receipts included	Right to buy receipts in the debt settlement included, assuming the receipts will be utilised partly for general fund housing purposes. Anticipated one-for-one receipts have been included, but prudently only those received to date have been committed to specific new build schemes. The proportion for debt repayment has currently been set-aside.	Amended
Void Rates	Property specific for 2013/14, then 1%	Assumes continued higher void rate for 2013/14 based upon actual activity, then 1% assumed from 2014/15 onwards.	Retained
Bad Debts	0.56% for 2013/14, then 1.12%	Historic bad debt provision made in the HRA was increased by 100% from 2013/14 to reflect the requirement to collect 100% of rent directly. Universal credit is delayed until at least April 2014, so amend current year back to 0.56%. Assumes an extension of the existing rent payment profile across the entire housing stock.	Retained
Rent Collection Transactional Costs	An increase in transactional costs of £100,000 per annum from 2014/15	An increase of £100,000 per annum was included from 2013/14, recognising the increase in transactional collection costs associated with the requirement to collect 100% of rent directly from tenants, as opposed to receiving approximately 50% via housing benefit as currently happens. With Universal Credit delayed until April 2014, this assumption has been deferred by one year.	Retained
Debt Management Expenses	£20,000 per annum	Internal treasury management is recharged within existing SLA's. This allows a provision for specialist financial advice in this field, now from 2014/15.	Retained
New Build Programme	250 Units	Assumes delivery of the current 3-year affordable housing investment programme of 146 units, where HCA grant funding has been approved and an additional 104 units on the Clay Farm site in 2016/17.	Retained
Savings Target	4%	A savings target is included in the HRA model, with the assumption that savings and efficiencies will be driven	Labour Amended

Key Area	Assumption	Comment	Status
		out to allow strategic re-investment. The target is calculated as a percentage of net general management and repairs administration expenditure, and is proposed to increase to 4% from 2015/16 for the remainder of the budget period.	
Responsive Repairs Expenditure	Reduced pro rata to stock reductions	An assumption is made that direct responsive repair expenditure is reduced annually in line with any reduction in stock numbers.	Retained
Policy Space	£150,000	Policy space retained in base model at an increased level for 5 years recognising desire to expand services and respond to external pressures. To be reviewed as part of 2014/15 HRA Budget Setting Report.	Retained
Service Reviews	On case by case basis	Outcomes of service reviews will deliver ongoing benefit to the HRA as indicated in the review business case.	Retained

2014/15 Budget - HRA Non-Cash Limit Items - Labour Amendment (In Bold Italics)

Reference	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Non-Cash Limit Items

Housing Revenue Account

NCL3374(LAB3)	Reduced rent income	0	179,220	179,220	179,220	179,220	Julia Hovells	
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A combination of the level of RPI at September 2013 (3.2%), a low level of voids and the decision to move energy efficient void properties straight to target rent would result £151,000 more rental income than anticipated in 2014/15. A subsequent proposal to apply a local limit on the rent increase of inflation (RPI at September 2013 of 3.2%) plus 0.5% plus £1.00 per week, as opposed to the £2.00 indicated by government, would result in a reduction in rental income in 2014/15 and beyond of £330,220, resulting in the net reduction in income shown above.

NCLNEW(LAB4)	Reduction in the Bad Debt Provision from 2014/15	0	(3,720)	(3,720)	(3,720)	(3,720)	Julia Hovells	
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A decision to reduce the rent increase in 2014/15 has a direct impact on the level of contribution to the bad debt provision, which is derived from a percentage of the anticipated total rental income.

NCL3443	() Non-Cash Limit Item to remove duplicated carry forward	0	(40,000)	(40,000)	(40,000)	(40,000)	Julia Hovells	
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The base budget incorporated an error in respect of funding for repairs IT systems, where a duplicate entry requires correction in future years.

NCL3449	() Increase in capitalisation of costs associated with right to buy	0	(10,300)	(10,300)	(10,300)	(10,300)	Julia Hovells	
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The continued higher level of right to buy sales being experienced currently gives rise to the ability to capitalise a higher proportion of the administrative costs associated with the sale of dwellings. This will be offset by a reduction in the capital receipt available for re-investment.

NCL3450	() Adjustment to anticipated depreciation charges to the HRA	0	123,300	(62,100)	(62,100)	(62,100)	Julia Hovells	
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An increase in depreciation is anticipated in 2014/15 due to the need to depreciate new and surplus assets (assets held for disposal or demolition at 1/4/2014) on a different basis to the rest of the housing stock. This figure will reduce from April 2015, by which point all of the surplus assets will have been demolished and re-developed.

NCL3451	() Reduction in the level of Direct Revenue Financing of the Housing Capital Plan	0	(166,200)	(166,200)	(166,200)	(166,200)	Julia Hovells	
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A reduction in the level of HRA staff costs that can be capitalised causes a direct increase in the revenue costs associated with repairs and a corresponding reduction in the capital cost. This means that the funding for these posts is required in revenue, resulting in a reduction in the level of DRF required. (Linked to UR3378).

NCL3452(LAB5)	Reduction in net interest costs and debt arrangement fees	0	(427,170)	(427,170)	(427,170)	(427,170)	Julia Hovells
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A significant reduction in the estimated interest costs that the HRA will incur in 2014/15 is anticipated, as a direct result of re-phasing the first significant spend for Clay Farm into 2015/16, when build costs are incurred as the first phase of dwellings is released. This assumes that the authority borrows at current PWLB rates, from the beginning of 2014/15 in order to fund other aspects of the affordable housing re-development programme.

NCLNEW(LAB6)	In-year use of resource previously set-aside for potential debt repayment or re-investment	0	(218,080)	0	0	0	Julia Hovells
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A proportion (20%) of the resource previously set-aside for potential debt repayment or future re-investment is proposed to be utilised in 2014/15 to fund additional investment and partially offset reductions in income.

Total Non-Cash Limit Items in Housing Revenue Account	0	(562,950)	(530,270)	(530,270)	(530,270)
Total Non-Cash Limit Items	0	(562,950)	(530,270)	(530,270)	(530,270)
Report Total	0	(562,950)	(530,270)	(530,270)	(530,270)

2014/15 Budget - PPF Bids - Labour Amendment (In Bold Italics)

Reference	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
PPF Bids								
Housing Revenue Account								
PPF3364	() Cost of support and maintenance for the Cambridge Public Sector Network and Wireless installations in Housing Offices	0	7,300	7,300	7,300	7,300	Julia Hovells	H
<p>As part of a wider Council initiative it is proposed to introduce the new Cambridge Public Sector Network for IT access at the two area housing offices, 116 Chesterton Road and Ditchburn Place, to improve operational efficiency. The project will have ongoing support and maintenance implications, which are requested as part of this PPF bid.</p>								
PPF3366	() Additional finance staffing input for the Housing Service	0	44,600	44,600	44,600	44,600	Robert Hollingsworth	M
<p>The additional workload as a result of self-financing for the HRA, necessitate consideration of additional staffing resource to ensure that the finances for both the repairs service and the re-development programme can be managed effectively.</p>								
PPF3375(LAB1)	Funding for two Repairs Apprentices	0	15,000	30,000	30,000	30,000	Bob Hadfield	M
<p>Funding is requested to allow the phased recruitment of four Repairs Apprentices, allowing the authority to support the training and development for young people in the workplace.</p>								
PPF3385	() HRA Tenancy Sustainment Officer	0	67,300	67,300	67,300	67,300	Lynda Kilkelly	H
<p>It is proposed that additional resource be identified to work with households where chaotic lifestyles or mental health are of a concern, supporting the tenant to sustain their tenancy. This bid will fund two posts, one entirely HRA funded and the other funded 75 % HRA and 25% General Fund, with the General Fund element coming from existing Homelessness Prevention Grant funding.</p>								
PPF3387	() HRA Welfare Reforms Officer	0	0	62,000	62,000	62,000	Robert Hollingsworth	H
<p>It is proposed to retain the two FTE Assistant Housing Officers dealing with the ongoing issues associated with welfare reforms, on a permanent basis, after the current fixed term funding expires.</p>								
PPF3432	() Costs of annual support and maintenance for enhancements to the Orchard Housing Management System	0	1,400	1,400	1,400	1,400	Robert Hollingsworth	M
<p>Proposed capital investment to enhance the Orchard Housing Management System to add a customer management facility will result in additional ongoing support and maintenance costs.</p>								
Total PPF Bids in Housing Revenue Account		0	135,600	212,600	212,600	212,600		
Total PPF Bids		0	135,600	212,600	212,600	212,600		
Report Total		0	135,600	212,600	212,600	212,600		

2014/15 Budget - Capital Bids - Labour Amendment (In Bold Italics)

Reference	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
Capital Bids								
Housing Revenue Account								
C3363	() Cost of installation for the Cambridge Public Sector Network and Wireless in Housing Offices	0	76,000	0	0	0	Julia Hovells	H
As part of a wider Council initiative it is proposed to introduce the new Cambridge Public Sector Network for IT access at the two area housing offices, 116 Chesterton Road and Ditchburn Place, to improve operational efficiency.								
C3431	() Costs of purchase and implementation of an enhancement to the Orchard Housing Management System	0	9,000	0	0	0	Robert Hollingsworth	M
This capital investment will enhance the Orchard Housing Management System to add a customer management facility, which will improve efficiency in dealing with customer contacts and therefore the customer experience.								
C3455	() Reduction in Internal Capital Fees	(150,400)	(166,200)	(166,200)	(166,200)	(166,200)	Bob Hadfield	
A review of the time staff spend between capital and revenue activity has resulted in a reduction in the time charged to capital budgets as internal fees. This results in a direct reduction in the level of revenue financing of capital required, releasing the revenue resource to fund the staff from revenue instead.(Linked to RB3377 and UR3378).								
CNEW(LAB2)	<i>Increase in budget for fencing</i>	<i>0</i>	<i>100,000</i>	<i>100,000</i>	<i>100,000</i>	<i>100,000</i>	<i>Bob Hadfield</i>	
<i>An increase in the annual budget allocation for fencing is proposed, to undertake works to both boundary fencing and fencing surrounding communal areas / housing open space.</i>								
Total Capital Bids in Housing Revenue Account		(150,400)	18,800	(66,200)	(66,200)	(66,200)		
Total Capital Bids		(150,400)	18,800	(66,200)	(66,200)	(66,200)		
Report Total		(150,400)	18,800	(66,200)	(66,200)	(66,200)		

Appendix L

Re-Stated HRA Summary Forecast 2013/14 to 2017/18

Description	2013/14 £0	2014/15 £0	2015/16 £0	2016/17 £0	2017/18 £0
Income					
Rental Income (Dwellings)	(34,184,090)	(35,695,980)	(37,790,940)	(39,872,170)	(41,215,790)
Rental Income (Other)	(1,038,110)	(1,064,000)	(1,090,600)	(1,117,870)	(1,145,810)
Service Charges	(2,121,530)	(2,203,270)	(2,325,650)	(2,383,790)	(2,443,390)
Contribution towards Expenditure	(352,570)	(88,260)	(88,340)	(88,420)	(88,500)
Other Income	(409,030)	(403,930)	(414,030)	(424,380)	(434,990)
Total Income	(38,105,330)	(39,455,440)	(41,709,560)	(43,886,630)	(45,328,480)
Expenditure					
Supervision & Management - General	4,764,720	5,053,960	5,237,710	5,495,560	5,666,180
Supervision & Management - Special	2,319,670	2,375,290	2,322,150	2,269,140	2,216,480
Repairs & Maintenance	7,320,570	7,104,020	7,382,390	7,682,760	7,978,960
HRA Subsidy	0	0	0	0	0
Depreciation – t/f to Major Repairs Res.	9,811,240	10,301,160	10,414,470	10,814,380	10,817,770
Debt Management Expenditure	0	20,580	21,490	22,430	23,300
Other Expenditure	526,540	749,200	819,220	891,310	957,340
Total Expenditure	24,742,740	25,604,210	26,197,430	27,175,580	27,660,030
Net Cost of HRA Services	(13,362,590)	(13,851,230)	(15,512,130)	(16,711,050)	(17,668,450)
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(79,420)	(56,310)	(84,630)	(79,460)	(95,230)
HRA (Surplus) / Deficit for the Year	(13,442,010)	(13,907,540)	(15,596,760)	(16,790,510)	(17,763,680)
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,501,770	7,650,280	7,705,310	7,785,670	7,889,180
Housing Set Aside	0	(218,080)	2,136,650	0	1,108,190
Depreciation Adjustment	(2,280,780)	(2,394,240)	(2,505,660)	(2,582,610)	(2,348,040)
Direct Revenue Financing of Capital	10,096,960	8,911,130	9,082,890	11,598,220	11,103,930
(Surplus) / Deficit for Year	1,875,940	41,550	822,430	10,770	(10,420)
Balance b/f	(5,495,490)	(3,619,550)	(3,578,000)	(2,755,570)	(2,744,800)
Total Balance c/f	(3,619,550)	(3,578,000)	(2,755,570)	(2,744,800)	(2,755,220)

Appendix M

Re-Stated Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend					
Assessment Centre	151	0	0	0	0
Disabled Facilities Grants	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195
Long Term Vacants	20	20	20	20	20
Total General Fund Housing Capital Spend	916	765	765	765	765
HRA Capital Spend					
Decent Homes					
Kitchens	970	618	598	292	466
Bathrooms	243	522	525	119	61
Central Heating / Boilers	2,116	1364	606	1,794	1,357
Insulation / Energy Efficiency	159	100	100	100	100
External Doors	278	129	108	63	88
PVCU Windows	373	502	500	912	915
Wall Structure	36	621	63	114	105
Wall Finishes	346	319	230	165	167
Wall Insulation	200	100	100	100	100
External Painting	0	0	0	0	0
Roof Structure	300	800	687	322	300
Roof Covering	2584	215	210	274	658
Chimneys	90	12	2	1	
Electrical / Wiring	183	91	181	317	120
Smoke Detectors	8	19	109	9	26
Sulphate Attacks	102	102	102	102	102

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Major Voids / Major Works	98	201	48	53	53
HHSRS Contingency	150	100	100	100	100
Other Health and Safety Works	50	50	50	50	50
Other External Works	0	3	5	0	0
Rising Damp / Penetrating Damp	0	0	0	0	0
Capitalised Officer Fees – Decent Homes	439	439	439	439	439
External Professional Fees	19	22	22	22	22
Decent Homes Backlog	0	2,131	1,066	3,019	2,663
Decent Homes Planned Maintenance Contractor Overheads	1,038	818	551	809	760
Total Decent Homes	9,782	9,278	6,402	9,176	8,652
Other Spend on HRA Stock					
Garage Improvements	346	300	300	300	100
Asbestos Removal	200	200	200	200	100
Disabled Adaptations	864	878	878	878	878
Tenants Incentive Scheme	21	21	21	21	21
Communal Areas Uplift	594	796	796	546	546
Fire Prevention / Fire Safety Works	1060	300	300	300	300
Hard surfacing on HRA Land - Health and Safety Works	250	250	280	150	150
Hard surfacing on HRA Land - Recycling	147	0	0	0	0
Communal Areas Floor Coverings	185	185	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	122	122	122	122	122
Lifts and Door Entry Systems	29	13	13	13	13
Fencing	100	200	200	200	200
Cemetery Lodge	49	0	0	0	0
Hanover / Princess Laundry	2	0	0	0	0
East Road Garage Lighting	4	0	0	0	0
TV Aerials	0	0	0	0	0
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	442	322	306	267	236
Total Other Spend on HRA stock	4,415	3,587	3,416	2,997	2,666

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
HRA New Build / Re-Development					
Roman Court	1,193	41	0	0	0
3 Year Affordable Housing Programme	6,899	7,918	0	0	0
3 Year Affordable Housing Programme (Notional Spend – Land Value)	3,009	4,959	0	0	0
Market Housing on Garage Sites	0	2,875	0	0	0
New Build - Clay Farm	0	144	8,105	7,961	0
New Build - Unallocated Retained RTB Receipts	0	0	0	2,408	0
New Build - Investment of HRA Surpluses	0	0	0	4,500	6000
Total HRA New Build	11,101	15,937	8,105	14,869	6,000
Cambridge Standard Works					
Cambridge Standard Works	372	200	200	200	200
Total Cambridge Standard Works	372	200	200	200	200
Sheltered Housing Capital Investment					
Emergency Alarm Service	15	0	0	0	0
Ditchburn Place	1,912	1,900	0	0	0
Brandon Court	0	0	0	0	0
Total Sheltered Housing Capital Investment	1,927	1,900	0	0	0
Other HRA Capital Spend					
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	191	9	0	0	0
Cambridge Public Sector Network	0	76	0	0	0
Shared Ownership Repurchase	300	300	300	300	300
Right of First Refusal Buy Back	520	330	0	0	0
Commercial Property	232	30	30	30	30
Total Other HRA Capital Spend	1,243	745	330	330	330
Total HRA Capital Spend	28,840	31,647	18,453	27,572	17,848

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Total Housing Capital Spend at Base Year Prices	29,756	32,412	19,218	28,337	18,613
Inflation Allowance and Stock Number Adjustment for Future Years (*)	0	541	1,144	2,476	2,553
Total Inflated Housing Capital Spend	29,756	32,953	20,362	30,813	21,166
Housing Capital Resources					
Right to Buy Receipts	(441)	(495)	(516)	(522)	(527)
Other Capital Receipts (Land and Dwellings)	(400)	0	0	0	0
Notional Land Receipts (New Build Schemes)	(3,009)	(4,959)	0	0	0
Major Repairs Reserve	(9,698)	(10,851)	(7,909)	(8,232)	(8,470)
Direct Revenue Financing of Capital	(10,097)	(8,911)	(9,083)	(11,598)	(11,104)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(1,615)	(1,505)	(878)	(2,076)	(300)
Retained Right to Buy Receipts	0	(884)	(1,211)	(1,912)	0
Disabled Facilities Grant	(262)	(262)	(262)	(262)	(262)
Prudential Borrowing	0	(4,582)	0	(5,708)	0
Total Housing Capital Resources	(25,522)	(32,450)	(19,859)	(30,310)	(20,663)
Net (Surplus) / Deficit of Resources	4,234	503	503	503	503
Capital Balances b/f	(8,277)	(4,043)	(3,540)	(3,037)	(2,534)
Use of / (Contribution to) Balances in Year	4,234	503	503	503	503
Capital Balances c/f	(4,043)	(3,540)	(3,037)	(2,534)	(2,031)

The inflationary element of the decent homes spend for 2014/15 will be allocated against decent homes elements once the target prices for the new planned maintenance contract are known.

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