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Cambridge City Council

HOUSING SCRUTINY COMMITTEE

To: **Scrutiny Committee Members:** Councillors Todd-Jones (Chair), Baigent (Vice-Chair), Avery, Ashton, Bird, Holland, Moore and Sarris

Alternates: Councillors Cantrill, Gawthrope and Gillespie

Tenants and Leaseholders: Diane Best (Leaseholder Representative), Kay Harris (Tenant Representative), John Marais (Tenant Representative), Diana Minns (Vice Chair /Tenant Representative), Caroline Oriokot (Tenant Representative) and Terry Sweeney (Tenant Representative).

Executive Councillor for Housing: Councillor Price

Despatched: Tuesday, 5 January 2016

Date: Wednesday, 13 January 2016
Time: 5.30 pm
Venue: Committee Room 1 & 2 - Guildhall
Contact: Toni Birkin **Direct Dial:** 01223 457013

AGENDA

1 Apologies

To receive any apologies for absence.

2 Declarations of Interest Committee Manager

Members are asked to declare at this stage any interests that they may have in an item shown on this agenda. If any member of the Committee is unsure whether or not they should declare an interest on a particular matter, they should seek advice from the Head of Legal Services **before** the meeting.

3 Minutes *(Pages 7 - 24)*

To approve the minutes of the previous meeting.

4 Public Questions Committee Manager

Please see information at the end of the agenda.

Items for Decision by the Executive Councillor for Housing, Without Debate

These Items will already have received approval in principle from the Executive Councillor. The Executive Councillor will be asked to approve the recommendations as set out in the officer's report.

There will be no debate on these items, but members of the Scrutiny Committee and members of the public may ask questions or comment on the items if they comply with the Council's rules on Public Speaking set out below.

On this occasion, pre-scrutiny has been requested for all non-key items on this agenda.

Items for Debate by the Committee and then Decision by the Executive Councillor for Housing

These items will require the Executive Councillor to make a decision after hearing the views of the Scrutiny Committee.

There will be a full debate on these items, and members of the public may ask questions or comment on the items if they comply with the Council's rules on Public Speaking set out below.

Part 1: To be chaired by Vice Chair (Tenant/Leaseholder Representative)

Items for Debate by the Committee and then Decision by the Executive Councillor for Housing

5 Housing Revenue Account Budget Setting Report *(Pages 25 - 136)*

Part 2: To be taken by the Chair of the Committee

6 Budget Proposals 2015/16 to 2019/20

Report to follow

7 Council New Build Redevelopment 74-82 Akeman Street - Scheme Approval *(Pages 137 - 152)*

8 HOUSING COMPANY - Lettings and Rent Policy *(Pages 153 - 162)*

9 Social Lettings Agency Model *(Pages 163 - 182)*

Exclusion of the Press and Public

It is recommended that the committee resolves to exclude the press and public during any discussion of the following item by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972

10 Recommendation to sell 12 Mortlock Avenue to Cambridgeshire County Council and buy 188 Kendal Way from the County Council Strategy Officer

Information for the Public

Location

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

Between 9 a.m. and 5 p.m. the building is accessible via Peas Hill, Guildhall Street and the Market Square entrances.

After 5 p.m. access is via the Peas Hill entrance.

All the meeting rooms (Committee Room 1, Committee 2 and the Council Chamber) are on the first floor, and are accessible via lifts or stairs.

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- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.

- For questions and/or statements regarding items NOT on the published agenda, the deadline is 10 a.m. the day before the meeting.

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HOUSING SCRUTINY COMMITTEE 24 September 2015
5.30 - 9.15 pm

Present:

Scrutiny Committee Menbers: Councillors Todd-Jones (Chair), Baigent (Vice-Chair), Avery, Ashton, Bird, Holland, Moore and Gawthrope

Executive Councillor for Housing: Councillor Price

Tenant/Leaseholder Representatives: Diane Best, Kay Harris, John Marais, Diana Minns, Caroline Oriokot and Terry Sweeney

Officers:
Director of Customer & Community Services: Liz Bisset
Head of City Homes: Robert Hollingsworth
Head of Strategic Housing: Alan Carter
Area Housing Manager: Andrew Latchem
Area Housing Manager: Sandra Farmer
Asset Manager: Will Barfield
Resident Involvement Facilitator: James Bull
Housing Advice Service Manager: David Greening
Business Manager & Principal Accountant: Julia Hovells
Manager Temp Housing & Housing Support: Frances Swann
Head of Estates & Facilities: Trevor Burdon
Committee Manager: Toni Birkin

FOR THE INFORMATION OF THE COUNCIL

15/77/HSC Apologies

Apologies were received from Councillor Sarris. Councillor Gawthrope was present as the alternate.

15/78/HSC Declarations of Interest

Name	Item	Interest
Diane Best (Leaseholder	15/84/HSC	Personal: Cambridge City

Representative)		Council Leaseholder

15/79/HSC Minutes

The minutes of the meeting of the 30th June 2015 were approved and signed as a correct record.

15/80/HSC Public Questions

This Item Was Chaired by Councillor Todd-Jones

Councillor Holland addressed the Committee regarding improvements to the communal areas in the council-owned properties on Honey Hill.

What is the status on the proposed improvements to the public area of Honey Hill council-owned property?

At a site visit last summer which I attended along with local residents and organised by Andrew Latchem, the contractor (SDC) outlined their plans for the occupation of the council-owned green area on Northampton Street whilst the redevelopment of Kettle’s Yard is underway. The need for these improvements was identified by local residents and there was a suggestion that the Kettle’s Yard redevelopment would make a contribution towards these local improvements.

Area Housing Manager, Andrew Latchem provided the following answer:

The details are still being worked on as part of the Licence agreement but are due to be finalised within a couple of weeks.

The improvements will include marking out the car park, low level fences, flower beds and a tidy up of the car park area.

A “residents parking only” sign has already been erected. Further improvements to include improved cycling provision for Kettles Yard and shrubs will be carried out on completion of the project in 2017.

15/81/HSC Housing Fencing Policy

This item was chaired by Diana Minns (Vice Chair / Tenant Representative).

Matter for Decision
The proposals described realistic and reasonable standards which can be readily explained to tenants and can be applied consistently regardless of demand and budgetary constraints. The standards which would be enforced as the “City Council’s Fencing Policy” include criteria for the allocation of annual resources, minimum requirements for individual situations, response times and specifications for the materials to be used to ensure a consistent appearance.

Decision of Executive Councillor for Housing
The Executive Councillor approved the proposed Fencing Policy as described in sections 3.6. 3.7 and 3.8 of the Officer’s report.

Reason for the Decision
As set out in the Officer’s report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Asset Manager.

The Committee made the following comments in response to the report:

i. Welcomed the policy.
ii. Questioned how tenants would be able to access the new policy information.
iii. Asked if there were community groups that could offer speedy, minor repairs.

In response to Members’ questions the Asset Manager stated that:

i. While chain link fencing would be the norm, there would be exceptions.
ii. The policy was looking towards long term savings.
iii. The overall appearance of estates would be taken into consideration.
iv. The policy would be available on the City Homes section of the City Council’s website.

The Executive Councillor for Housing welcomed the policy and stated that it would provide greater clarity for tenants

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

15/82/HSC Repairs Improvement Plan - Performance Update

This item was chaired by Diana Minns (Vice Chair / Tenant Representative).

Matter for Decision
A report detailing the success of the improvement plan was discussed at the meeting of Housing Management Board in October 2013, at which the decision was made to retain the delivery of the service by the in-house team, providing the high service standards achieved during the period of the improvement plan were maintained.

The current report detailed the performance achieved over the past twelve months and provides an update to the report considered at the Housing Scrutiny Committee meeting in September 2014.

Decision of Executive Councillor for Housing

i. Welcomed the successful delivery of the 2013 Repairs Improvement Plan, and the continuing and consistent improvement of the in-house Responsive Repairs and Voids team.

ii. Welcomed that performance of the in-house Responsive Repairs and Voids team is continuously and transparently monitored and that any significant failings or deterioration in service will be the subject of formal exception reporting.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Head of Estates & Facilities.

The Committee made the following comments in response to the report:

i. Suggested that the survey results would be easier to assess if more details of the sample size had been included.
ii. Suggested that this report should be shared with the Residents and Officers Asset Management group.

iii. Asked of feedback cards, with open questions, had been considered as a customer feedback option.

The Executive Councillor welcomed the improvements to the service and proposed an amendment to recommendations to reflect this as follows:

i. ~~Noted~~ Welcomed the successful delivery of the 2013 Repairs Improvement Plan, and the continuing and consistent improvement of the in-house Responsive Repairs and Voids team.

ii. ~~Noted~~ Welcomed that performance of the in-house Responsive Repairs and Voids team is continuously and transparently monitored and that any significant failings or deterioration in service will be the subject of formal exception reporting.

The amendments were agreed *Nem. Com.*

The Committee unanimously resolved to endorse the amended recommendations.

The Executive Councillor approved the recommendations.

15/83/HSC Update on the 'Get Online' Digital Inclusion Project

<u>This item was chaired by Diana Minns (Vice Chair / Tenant Representative).</u>

Matter for Decision

The report recommends three practical steps the Council can take to deliver effective Digital Inclusion and Engagement in council housing communities.

Decision of Executive Councillor for Housing

i. Approve the roll-out of a city-wide Get Online training course aimed at Council Tenants/Leaseholders and delivered from Council Community Centres

ii. Approved a Digital Champion training scheme to enable peer-to-peer skill sharing within the tenant/leaseholder community

iii. Approved a scoping project to assess whether a communal tenant/leaseholder WiFi provision was feasible (with a report to be brought to a future committee for funding approval if required).

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Resident Involvement Facilitator .

The Committee made the following comments in response to the report:

i. Sought clarification regarding the involvement of leaseholders.
ii. Questioned the costings.
iii. Welcomed the initiative as an example of what resident involvement could achieve.

In response to Members' questions the Resident Involvement Facilitator said the following:

i. Take up of the scheme would be optional and it was expected that the cost would be less than £10 per month, per household.
ii. The pilot training scheme had been limited to those in the greatest need.
iii. Confirmed that the term WiFi could mean other forms of forms of internet connection.
iv. Clarified that residents engaging with the training scheme would also be expected to sign up for minimum future resident involvement, such as receiving regular emails.
v. Stated that the timeframes for delivery would be dependent on British Telecom.

In response to questions from members, the Head of City Homes stated whilst it would nice to be able to offer this as a free services, here was no money available to deliver this. In addition, providing WiFi in sheltered housing schemes had produced disappointing results.

Councillor Avery was concerned that the technology in this area was moving was moving fast and that caution was needed to avoid spending a lot of money on something that could soon be out of date.

The Director of Customer and Community Services suggested that a Members briefing might be helpful once more information was available.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

15/84/HSC Home Ownership Services Update

This item was chaired by Diana Minns (Vice Chair / Tenant Representative).

Matter for Decision

i. The last review of the Leasehold Services was in July 2014 when the Executive Councillor instructed officers to review the level of staff resources, set up a working group to progress the action plan, review the Building Insurance cover and report back in 2015.

ii. The report updates the Housing Scrutiny Committee on the progress made to date.

iii. The team had been renamed "The Home Ownership Services Team". A new post of Senior Home Ownership Officer had been appointed to. A part time post of Right to Buy Officer had also been created and filled. The number of leaseholders was now 1,133.

Decision of Executive Councillor for Housing

i. Noted the current level of staff resources in the Home Ownership Services Team covered in 2.0 of appendix 1 of the Officer's report.

ii. Noted the changes to the Building Insurance covered in 3.0 of appendix 1 of the Officer's report.

iii. Noted the progress of the working group covered in 4.0 of appendix 1 of the Officer's report.

iv. Agreed the Discretionary Reduction in Service Charges covered in section 5.0 of appendix 1 and detailed in Appendix 3 of the Officer's report.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Area Housing Manager.

The Committee welcomed the report and praised the hard work of officer's in improving the service.

The Area Housing Manager explained the Leaseholder funding streams.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

15/85/HSC Fundamental Review of the Housing Service

This item was chaired by Councillor Todd-Jones

Matter for Decision

i. A fundamental review of the Housing Revenue Account (HRA) and General Fund (GF) housing services was initiated in autumn 2014. At that time it was recognised that we were nearly 3 years into self-financing, and had an ambitious future programme to manage our existing stock and our broader housing management services well, and also to build new affordable housing. The review was designed to enable us to review spending profiles and priorities, and to rebalance the budget and activities to take account of both new opportunities and pressures.

ii. The analysis that we have undertaken in the review was designed to help us respond in our forward business planning to the changing priorities and major new pressures. We were expecting to rebalance budgets and redirect resources through identified savings. The most significant finding of the review was the impact of construction inflation on our repairs and planned works programme and on new build.

iii. More recently we have needed to plan for the new Government proposals for council housing, which will have a significant impact on future rental income, stock retention, and as a result, our capital investment programme. In bringing forward the conclusions of the review we have had to look more radically at the future of housing services than we initially anticipated. Strategic proposals are made for the service as a whole to respond to the extent of change and the level of savings facing the service, whilst specific proposals are made for individual service areas.

Decision of Executive Councillor for Housing

i. Agreed in principle to take savings for year one, and to agree the specific savings in the Mid-Year Financial Review which follows on this agenda.

ii. Agreed to bring back a strategy for achieving a balanced budget in future years, including further savings options, shared services and other potential options.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Director of Customer and Community Services. She outlined the context of the report and reminded Members that the decision was to agree, in principle, the suggested savings. Further challenges were likely in the future.

The Committee made the following comments in response to the report:

i. Sought clarification regarding the recommendations which some Member's suggested were vague.
ii. Expressed concerns about interest being paid on funds that were being held but were not unavailable for use.
iii. Expressed concerns about the ability to use Right to Buy receipts.
iv. Suggested the debt portfolio should be reviewed.
v. Requested a briefing as the situation was complex.
vi. Suggested that difficult decisions had to be made based on the reality of the situation.
vii. Raised concern about the impact on existing tenants and those on the waiting list.
viii. Asked if tenants could choose not to take the rent reductions.

In response to Members' questions the Director of Customer and Community Services said that there was a need to make decisions quickly. The previous budget had been set on assumptions that were common across the sector. The long-term debt and risk profile would be looked at.

Members suggested that public awareness of policies such as 'Pay to Stay' and 'Right to Buy' was low and suggested that more publicity was needed.

The Executive Councillor for Housing outlined the likely impact of the new Right to Buy strategy. The Council could be forced to sell up to 25% of existing stock and would not benefit from the receipts for house sales. Difficult decisions were being forced on Local Authorities.

The Committee resolved by 6 votes to 0 and with 2 abstentions to endorse the recommendation.

The Executive Councillor approved the recommendations.

15/86/HSC Housing Revenue Account Mid-Year Financial Review

Recommendation 2A was chaired by Diana Minns (Vice Chair / Tenant Representative) and recommendation 2B and 2C were chaired by Councillor Todd-Jones

Matter for Decision
The Housing Revenue Account (HRA) Budget Setting Report, considered and approved in January / February of each year was the long-term strategic planning document for housing landlord services provided by Cambridge City Council.

Decision of Executive Councillor for Housing

i. Approved the Housing Revenue Account Mid-Year Financial Review, to include all proposals for change in:

   - Financial assumptions as detailed in Appendix C of the document.

   - 2015/16 and 2016/17 revenue budgets as introduced in Section 5, resulting from changes in financial assumptions and the financial consequences of change, as introduced in Section 5, detailed in Appendix E (1) of the document and summarised in Appendix H.

   - 2016/17 base revenue budgets, to incorporate the savings recommendations arising for the Fundamental Review of the Housing Service, as introduced in Section 5, detailed in Appendix E (2), of the document, and summarised in Appendix H.

- Rent Setting Policy, to allow for the movement of all void properties directly to target rent, as outlined in Section 4 of the document.

Agreed to recommend that Council:

ii. Approves proposals for changes in existing housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix F(1) of the document, with the resulting position summarised in Appendix I, for decision at Council on 22nd October 2015.

iii. Approves proposals for changes in housing capital investment resulting from the Fundamental Review of the Housing Service, as introduced in Sections 6 and 7 and detailed in Appendix F(2) of the document, with the resulting position summarised in Appendix I, for decision at Council on 22nd October 2015.

Reason for the Decision
As set out in the Officer’s report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Business Manager & Principal Accountant. She confirmed that long-term debts were staggered and were on differing rates. Refinancing them now would not achieve any savings. The HRA carried reserves of £3,000,000 as Council properties were not insured and engaging in a building programme could throw up unexpected costs.

The Committee made the following comments in response to the report:

i. Moving from planned maintenance to responsive repairs might produce initial savings but would be more expensive in the longer term.
ii. The service achieved a high level of resident involvement at the decision level but is less effective at an estate level. Could funding for this service be protected? When cuts are happening, resident involvement becomes even more important.
iii. Suggested that the under occupancy scheme should focus on people who were impacted by the spare room subsidy rent increase.
iv. Concerns were expressed about the possible loss of the City Homes South office.

In response to Members' questions the Director of Customer and Community Services stated:

i. There was not a shift from planned maintenance to responsive repairs and efficiency saving had been under review for some time.
ii. The proposals recognised the need for resident involvement.
iii. The under occupancy scheme was being brought back to the base line of twelve months ago.

The Committee further discussed the position of resident involvement. Officers confirmed that this service had carried an underspend for a number of years. This dated back to the closure of the Tenant Federation.

The Director of Customer and Community Services stated that it was important to make decision now in order to achieve the significant saving that were needed.

The Committee resolved by 6 votes to 0 with 8 abstentions to endorse the recommendation 2A (i).

The Committee resolved by 6 votes to 0 with 2 abstentions to endorse the recommendation 2B and 2C (ii and iii).

The Executive Councillor approved the recommendations.

15/87/HSC Maintenance/Improvement Contractor Procurement 2015 - 2017

This Item Was Chaired by Councillor Todd-Jones

Matter for Decision

The report sought approval to procure a number of contracts to ensure the continued delivery of planned maintenance and capital improvement works for the Council's housing stock and other Council-owned property assets for the next five – eight years.

Decision of Executive Councillor for Housing

i. Approved the extension of the current Kier Services' Planned Preventative Maintenance contract for 10 months from June 2016 until March 2017 to allow time for the procurement of a replacement contract to be completed.

ii. Authorised the Director of Customer and Community Services to invite and evaluate tenders and, following consultation with Executive Councillor, the Director of Business Transformation, Chair and Spokes of the Committee to award a contract, or contracts, for:
   a. the appointment of one or more contractors to carry out Planned Maintenance/Capital Improvement works for a period of five years from April 2017 to March 2022, with an option to extend for one or more periods up to a maximum extension of three years.
   b. the appointment of a contractor to deliver an annual gas servicing and repairs service for all HRA properties for a period of five years from June 2016 to June 2020, with an option to extend for one or more periods up to a maximum extension of two years.

iii. Approved a procurement budget of £25,000 for legal and other implementation costs associated with the procurement and implementation the new planned works contracts and gas servicing contracts referred to in this report.

Reason for the Decision
As set out in the Officer’s report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Asset Manager.

The Committee suggested that this item was relevant to tenants and leaseholders and that it should be considered in Part One of the agenda.

In response to Members’ questions the Asset Manager said the following:
i. Using external contactors to provide specialist services was the most cost effective way to deliver those services.
ii. Maintain work such as gas servicing in-house was not viable as a small team could not provide the desired level of service or meeting the require response times.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

15/88/HSC Mental Health Tenancy Sustainment Service Review

This Item Was Chaired by Councillor Todd-Jones

Matter for Decision
The report presented an update on how the newly appointed Mental Health Tenancy Sustainment Service in City Homes had helped to enhance the council's role in supporting vulnerable adults to sustain their accommodation.

Decision of Executive Councillor for Housing

i. Agreed to continue to support the role of the Tenancy Sustainment Service in supporting vulnerable people to sustain their accommodation.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Manager Temp Housing & Housing Support.

Members expressed their support for the service.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

15/89/HSC Re-Tendering of Street and Mental Health Outreach Service

This Item Was Chaired by Councillor Todd-Jones

Matter for Decision
The City Council funds a Street and Mental Health Outreach Service working primarily with rough sleepers and those at risk of rough sleeping. The contract is commissioned jointly with the County Council and is now due to be re-tendered, having been extended for the maximum permitted period. The new contract would commence on 1st April 2016.The service is aimed at adults engaged in a street based lifestyle (i.e. those who sleep rough, drink, beg or indulge in a number of other potentially anti-social behaviours) but also

provides a mental health outreach service. The service is a vital first point of contact with people arriving onto the streets of Cambridge with no accommodation and has played a significant part in minimising rough sleeping in Cambridge City since 2003.

Decision of Executive Councillor for Housing

i. Agreed to commit funds of up to £178,500 (plus annual inflationary uplifts, if applicable) per annum from 1st April 2016 and to award a contract for four years with an option to extend for a further two years.

ii. Agreed to continue to jointly commission the service with the County Council for the contract period outlined above

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Housing Advice Service Manager.

Members expressed their support for the service.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

15/90/HSC Review of Homelessness Prevention Grants Programme

This Item Was Chaired by Councillor Todd-Jones

Matter for Decision
The report followed on from recommendations, approved at this committee in January 2015, to implement changes to the assessment and monitoring of homelessness prevention grant funding to ensure that the Council can unequivocally demonstrate that value for money is being achieved across all grant funded services.

Decision of Executive Councillor for Housing

i. Agreed, subject to any changes that may be made as part of the budget setting process and the formal adoption of the 2016/17 budget by

Council, the proposed grant funding allocations as outlined in appendix 1 of the Officer's report.

ii. Agreed to support the assessment and decision making processes for future grant allocation and discontinuation of grants as outlined in this report.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Housing Advice Service Manager.

The Committee were pleased to see the level of grants maintained.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

15/91/HSC Lettings Policy Review

This Item Was Chaired by Councillor Todd-Jones

Matter for Decision
The purpose of this report is to explain, and seek approval for proposed revisions to the Council's Lettings Policy. The policy was last reviewed by Community Services Scrutiny Committee in January 2013 following guidance issued by the Department of Communities and Local Government.

Decision of Executive Councillor for Housing

i. Approved the draft Lettings Policy set out at Appendix 3 of the Officer's report.
ii. Agreed to grant delegated authority to the Head of Strategic Housing, in consultation with the Executive Councillor for Housing, Chair and Opposition Spokesperson, to approve further changes to the policy, if required, in the light of the High Court judgement outlined in 3.7 of the Officer's report.
iii. Approved these changes as effective from 1st April 2016.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Housing Advice Service Manager.

The Executive Councillor thanked officers for their hard work in producing a report which took account of the developing Ealing judgement.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

The meeting ended at 9.15 pm

CHAIR

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Cambridge City Council **Item**

To:	Executive Councillor for Housing: Councillor Kevin Price
Report by:	Liz Bisset, Director of Customer & Community Services
Relevant scrutiny committee:	Housing Scrutiny Committee 13/1/2016
Wards affected:	All Wards

2016/17 HOUSING REVENUE ACCOUNT BUDGET SETTING REPORT

Key Decision

1. Executive summary

1.1 As part of the 2016/17 budget process, the range of assumptions upon which the HRA Business Plan and Mid-Year Financial Review were based, were reviewed in light of the latest information available, culminating in the preparation of the HRA Budget Setting Report.

1.2 The HRA Budget-Setting Report provides an overview of the review of the key assumptions. It sets out the key parameters for the detailed recommendations and final budget proposals, and is the basis for the finalisation of the 2016/17 budgets.

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

1.4 The HRA Budget Setting Report is presented to this meeting of the Housing Scrutiny Committee on 13th January 2016, to allow consideration and scrutiny of proposals for both the review of rents and service charges and the revenue bids and savings, which form part of the HRA budget. The Executive Councillor for Housing will approve the final HRA revenue budget, after consideration of any budget amendments for the Housing Revenue Account.

1.5 The Housing Scrutiny Committee will also consider and scrutinise the Housing Capital Investment Plan, including capital bids and all associated funding proposals, prior to the Executive Council for Housing making final capital recommendations for approval at Council on 25th February 2016.

2. Recommendations

Under Part 1 of the agenda, the Executive Councillor, is recommended, following scrutiny and debate at Housing Scrutiny Committee, to:

Review of Rents and Charges

a) Approve that council dwellings rents for existing tenants be reduced by 1%, in line with legislative requirements, introduced as part of the Welfare Reform and Work Bill 2015, with effect from 4th April 2016. This equates to an average rent reduction at the time of writing this report of £1.01 per week on a 52 week basis.

b) Approve inflationary increases of 2% in garage and parking space rents for 2016/17, in line with the base rate of inflation for the year assumed in the HRA Budget Setting Report.

c) Approve the proposed service charges for Housing Revenue Account services and facilities, as shown in Appendix B of the HRA Budget Setting Report.

d) Approve the proposed leasehold administration charges for 2016/17 as detailed in Appendix B of the HRA Budget Setting Report.

e) Approve that service charges for gas maintenance, door entry systems, lifts and electrical and mechanical maintenance are increased by a maximum of inflation as measured by CPI at September 2015 (-0.1%) plus 1%, if required, to continue to recover full estimated costs as detailed in Appendix B of the HRA Budget Setting Report. This will result in a cap in increases for these charges of 0.9%.

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

g) Approve that the charge for the full cost of the provision of the alarm service in sheltered housing and dispersed community alarm properties be identified separately, as a charge which is ineligible for housing benefit, following cessation of funding for this service by the County Council from April 2016.

Revenue – HRA

Revised Budget 2015/16:

h) Approve with any amendments, the Revised Budget identified in Section 4 of the HRA Budget Setting Report, which reflects a net reduction in the use of HRA reserves for 2015/16 of £19,300.

i) Approve release, cessation of use, and appropriation, of an ear-marked reserve currently standing at £121,900, held in respect of monies received for the placement of aerials on HRA flat blocks, into general HRA reserves, to allow alternative future use.

Budget 2016/17:

j) Approve with any amendments, the Non-Cash Limit items shown in Appendix D (1) of the HRA Budget Setting Report.

k) Approve with any amendments, the Unavoidable Revenue Pressures, Savings and Increased Income proposals, shown in Appendix D (1) of the HRA Budget Setting Report.

l) Approve the deletion of the Priority Policy Fund (PPF) allocation of £150,000 from 2017/18, and instead approve the creation of a fund for Service Development and Transformation/ Invest to Save Initiatives, of £120,000 per annum for 5 years from 2016/17. Approve delegated authority to the Strategic Advisor, to invest this fund, in either one-off projects, or to fund ongoing activity as required.

m) Approve the resulting Housing Revenue Account revenue budget as summarised in the Housing Revenue Account Summary Forecast 2015/16 to 2020/21 shown in Appendix J of the HRA Budget Setting Report.

Under Part 2 of the agenda, the Executive Councillor for Housing is asked to recommend to Council (following scrutiny and debate at Housing Scrutiny Committee):

Treasury Management

n) Request that, in 2016/17, officers review the existing approach to treasury management, which required 25% of the value of the housing debt to be set-aside by the point at which the loan portfolio matures, recognising the financial constraints that have been placed upon the HRA as a result of recent change in national housing policy. A separate report will be brought back to Housing Scrutiny Committee in 2016/17 following this review.

Housing Capital

o) Approval of capital bids, shown in Appendix D (2) of the HRA Budget Setting Report, to include meeting the capital cost of re-locating staff to a single area housing office, with the cost to be funded from existing repairs and renewals funds for the service.

p) Approval of amendment to the Decent Homes Programme investment, recognising the ability to make savings of £810,000 in 2015/16 in respect of boiler replacements, roof structure works, communal areas investment, garage refurbishment, asbestos removal and fire safety works, as detailed in Section 5 and Appendix E (2) of the HRA Budget Setting Report.

q) Approval of the need to re-profile resource of £570,000 from 2015/16 into 2016/17 in respect of roof covering works and bathroom replacements, and £102,000 from 2015/16 into later years of the programme in respect of remedial works due to sulphate, as detailed in Section 5 and Appendix E (2) of the HRA Budget Setting Report.

r) Approval of 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 H of the HRA Budget Setting Report, recognising the most up to date information available as each scheme progresses through the design, planning, build contract and completion process.

s) Recognition of the need to incorporate into the Housing Capital Investment Plan, grants awarded by the Homes and Communities Agency in respect of Aylesborough Close, Water Lane and Ditchburn Place.

t) Approval to earmark the required level of additional funding for new build investment between 2016/17 and 2017/18 to ensure that commitments can be met in respect of the investment of all right to buy receipts retained by the authority, up to the end of September 2015.

u) Approval to earmark additional resource of £3,110,000 towards the cost of the re-development of Anstey Way, in anticipation of a revised scheme being brought forward for the site, recognising the lower level of HRA resource available than anticipated when the scheme was first considered.

v) Approval of allocation of funds for a scheme to re-develop a mixed use HRA site in Akeman Street, subject to the approval of a separate report for the scheme, to be considered in Part 2 of this committee agenda.

w) Approval of the revised Housing Capital Investment Plan as shown in Appendix K of the HRA Budget Setting Report.

x) Approve a provisional addition to the Housing Capital Allowance of £34,303,000 in respect of anticipated qualifying expenditure in 2016/17.

General

w) Approval of delegation to the Head of Finance, as Section 151 Officer, to make the necessary detailed budgetary adjustments in the HRA, in respect of savings approved as part of the HRA Mid-Year Financial Review, following the outcome of consultation with both tenants and staff about proposed service changes and resulting final savings.

3. Implications

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

The financial implications associated with decisions are outlined in the HRA Budget Setting Report 2016/17, appended to this report, for consideration by both Housing Scrutiny Committee and Council.

(b) Staffing Implications

Any direct staffing implications are outlined in the HRA Budget Setting Report 2016/17, appended to this report.

(c) Equality and Poverty Implications

An Equalities Impact Assessment has been undertaken in respect of new budget proposals where any impact (positive or negative) is anticipated. The consolidated assessment is presented at Appendix L of the HRA Budget Setting Report.

(d) **Environmental Implications**

Where relevant, officers have considered the environmental impact of budget proposals, with any impact highlighted in the HRA Budget Setting Report 2016/17, appended to this report.

(e) **Procurement**

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

(f) **Consultation and communication**

Consultation with tenant and leaseholder representatives is an integral part of the Housing Scrutiny Committee process. The views of tenants and leaseholders, in respect of investment priorities, were sought as part of the last STAR tenants and leaseholder survey, and the outcome continues to inform investment priorities, and therefore, this budget process.

(g) **Community Safety**

Any community safety implications are outlined in the HRA Budget Setting Report 2016/17, appended to this report.

4. Background papers

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

Housing Revenue Account Budget Setting Report 2015/16
Housing Revenue Account Mid-Year Financial Review 2015/16

5. Appendices

The Housing Revenue Account Budget Setting Report 2016/17 is appended to this report.

6. Inspection of Papers

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

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Version 2
Housing Scrutiny Committee

Housing Revenue Account Budget Setting Report 2016/17

January 2016

CAMBRIDGE CITY COUNCIL

Cambridge City Council

Version Control

	Version	for :	Anticipated Content
	1	Draft	Draft content for consultation
Current	2	Housing Scrutiny Committee 13 January 2016	Member Scrutiny Tenant and Leaseholder Representative Input Amendments to Executive proposals Opposition budget amendment proposals
	3	Council Meeting 25 February 2016	The Executive Councillor for Housing's recommended final budget proposals
	4	FINAL	Final version for publication following Council

Cambridge City Council
Housing Revenue Account Budget Setting Report
2016/17 to 2020/21

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Section 1
Introduction

Foreward by the Executive Councillor for Housing

The proposals for this 2016/17 Budget follow on from the challenges outlined in the September 2015 reports on the Mid-Year Financial Review and the fundamental review of the Housing Revenue Account. As laid out there, national changes to social housing and welfare policy have impacted on the council in its role as owner and manager of over 7,000 homes in Cambridge as well as on our tenants, many of whom are low income, or high need, households. The full impact of some of these changes, such as Pay to Stay and the levy for compulsory sales of council stock to fund the Right to Buy scheme for Housing Associations, is still to be determined, but will be severe.

The City Council has a strong and effective relationship with other social sector partners in Cambridge, but remains by far the most significant provider of social housing with 18% of the City's residential stock. This year for the first time we also expect to see an increase in our total stock numbers, despite a loss to Right to Buy. That achievement though is now under threat with compulsory sales. With 40% of the city's wage earners on under £22,000 a year and the average wage being less than £30,000 a year, the need for social housing at social rent levels has never been greater. The government focus remains almost exclusively on home ownership but this will achieve little in Cambridge where the ratio of lower quartile earnings to house prices now stands at a staggering 17.1%. The changing rules in planning, with schemes like starter homes replacing affordable social housing on development sites, and the restrictions in our ability to manage our own stock, like changing the 2014 rent settlement and using council stock to pay for Housing Association discounts, has turned the housing affordability crisis in the city into a housing affordability disaster.

The Housing Revenue Account took on a debt of £213,572,000 in 2012, negotiated with assumptions on revenue that the government has now changed. We are therefore exploring options under clauses in the Localism Act that were intended to protect local authorities. At the forefront of our actions is our priority to protect current and future council tenants and to ensure that social housing remains an option for all in Cambridge.

Background

Decisions about the level of expenditure in the Housing Revenue Account continue to be made in the context of a 30-year business plan, which is fully reviewed in January / February of each year, A mid-year review of key assumptions takes place annually in September / October.

The resource available to invest in housing services is wholly dependent upon anticipated income streams for the Housing Revenue Account, with the most significant of these being the rental income for the housing stock. Following legislative changes to be introduced through the Welfare Reform and Work Bill 2015, the authority no longer has discretion to set rents at a local level, but will instead be required to comply with a national approach where rents will be reduced by 1% per year, for four years, from April 2016.

This change, alongside other national changes in housing policy, removes a lot of the flexibility over longer-term decision making, which has been available at a local level since April 2012. It is vital, with diminishing resources, that the Housing Revenue Account continually reviews its priorities for investment, considering:

- The acceptable minimum level of investment in the existing housing stock

- The need to spend on landlord services (housing management, responsive and void repairs)
- The need to support, and potential set-aside for repayment of, housing debt
- Any ability to identify resource for Investment in new affordable housing
- Any ability to invest in new initiatives or income generating activities
- The desire to spend on discretionary services if resources allow (i.e. support)

To protect the future of the Council's social housing, it is imperative that the organisation sets budgets for the medium term in the context of the longer-term impact on the financial viability of the Housing Revenue Account 30-Year Business Plan.

A key feature of the 30-Year Business Plan is the requirement to support a significant level of housing debt whilst also ensuring ongoing delivery of quality housing services. As at April 2015, the authority was supporting a housing debt of £214,748,250. To date, it has been the policy of the HRA to set-aside resource to allow the potential to repay a proportion of the housing debt should the authority so chose, although the level of resource available for this has been significantly constrained by the recent changes in national housing policy.

Purpose, Scope and Key Dates

Purpose

The HRA Mid-Year Financial Review for 2015/16, approved in part at Housing Scrutiny Committee in September 2015, with the capital aspects approved at Council in October 2015, set the financial strategy for the HRA for 2016/17.

The mid-year review considered all factors affecting the housing service both internal and external, emerging changes in both local and national housing policy and the implications of any anticipated changes in the economic forecast. In response to some of the changes proposed in national housing policy, the mid-year review also allowed for approval of significant savings across the housing service. In addition to determining the financial strategy for the HRA, the framework for the detailed budget work to develop final proposals for the 2016/17 budget was agreed.

As part of the preparation of the HRA Budget Setting Report, the range of assumptions on which the HRA Mid-Year Financial Review was based, have been reviewed in light of the latest information available to determine whether any aspects of the strategy needed to be revised.

The outcome of the exercise, summarised in this document, provides the basis for the finalisation of the HRA budget and setting of rents and charges for 2016/17, culminating in recommendations to both Housing Scrutiny Committee on 13th January 2016, and ultimately Council on 25 February 2016.

Scope

The HRA Budget Setting Report provides an overview of the financial position for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two. As the authority's landlord account, all services to tenants and leaseholders are accounted for and it is the account into which the proceeds of the rent and landlord service charges are credited.

A key aspect of each review of the financial positon for the HRA is consideration of risk and any potential mitigation, considering these over both the medium (5 years) and long-term (30 years).

Sensitivity analysis of key factors is also undertaken, to ensure that effective contingency plans are available to the Council and that an appropriate level of reserves can be maintained in light of changes in assumptions.

The work on the 2016/17 HRA Budget Setting Report takes as its starting point the following key medium and long-term parameters:

- A financial model that assumes revenue resource is set-aside to redeem up to 25% of the housing debt, with only 12.3% being able to be set-aside based upon the assumptions made as part of the 2015/16 HRA Mid-Year Financial Review.
- A financial model assuming use of borrowing headroom, only in order to extend the financial viability of the business plan once rental income is insufficient to meet the costs of managing and maintaining the housing stock.
- Rent reductions in line with legislation for the period from 2016/17 to 2019/20, returning to rent increases in line with previous government guidelines after this.
- Housing stock that is maintained at a level that allows the authority to comply with the decency standard and more, but no longer at a full investment standard.
- The delivery, subject to viability, of up to 320 new and re-provided homes by 2018/19, with no additional new homes included from this point on.
- A savings requirement derived from the anticipated loss of rental income which a 1% rent cut will impose, but with decisions about where this will be delivered from having been taken as part of the HRA Mid-Year Financial Review
- An adjustment in responsive repairs expenditure in line with anticipated stock changes.
- No contingency to support continual service development (known as the priority policy fund) for 2016/17, recognising that investment in any new areas will need to be funded by additional savings elsewhere in the service. A return, from 2017/18 of the £150,000 per annum for the remaining 4 years, recognising some of the key challenges facing the authority as a landlord in the medium-term.
- A minimum working balance for reserves of £2m, with a target level of £3m.

Key Dates

The key member decision-making dates were / are as follows:

Date	Task
2015	
24 September	The Executive Councillor for Housing considered HRA Mid-Year Financial Review, incorporated Housing Scrutiny Committee, including Tenant and Leaseholder Representative views, and approved revenue aspects, making recommendations to Council in respect of the capital plan.
22 October	Council approved HRA Mid-Year Financial Review 2015/16
2016	
13 January	Executive Councillor for Housing considers Housing Scrutiny Committee views, before approving HRA revenue budgets and rent levels, and making recommendations to Council in respect of the capital aspects of the HRA Budget Setting Report
25 February	Council approves HRA Budget Setting Report

Section 2
Review of National and Local Policy Context and External Factors

Review of National Policy Context

National Tenancy and Rent Setting Policy

Following announcements as part of the July 2015 budget, and subsequent legislation approved as part of the Welfare Reform and Work Bill 2015, both local authority landlords and registered providers are now required to apply a 1% reduction in rent levels across each of the next four years, beginning in April 2016.

As highlighted in the HRA Mid-Year Financial Review, this assumption replaces and assumed rent increase using CPI, the Consumer Price Index, assumed to run at 2%, plus an additional 1% each year.

It has now been confirmed however, that any local authorities with actual rents that are still below rent restructured target social rents levels, will be permitted to increase the rent to target at re-let. Target rent levels will of course also reduce by 1% each year for the next four years.

It is still not clear what will happen to rent levels after 2019/20, with the authority still making the assumption that rent increases can be re-introduced at the previous levels of CPI plus 1% per annum.

Proposed amendments to the Housing and Planning Bill, which was still being considered in the House of Commons in early January 2016, would see local authorities also being required to introduce fixed term tenancies of between 2 and 5 years, for new tenancies.

Market Rents for Higher Income Households

The policy announcement that those in existing social housing with a household income in excess of £30,000 (£40,000 in London) will be charged up to market rent for living in their home, has now been subject to government consultation. The consultation, which ended on 20th November 2015, asked respondents to consider the following:

- how income thresholds might be set, for example by applying a taper that increases the rent as income rises
- whether the starting threshold should be set in line with housing benefit eligibility
- what each local authority would consider the administrative cost to them would be based upon existing systems and powers

The authority responded to the consultation, and although a view on the appropriateness and methodology for adopting a taper could be provided, it was impossible to quantify with any confidence how much the change in legislation will cost the Council until more information is available. It is clear however that there will be both upfront costs associated with putting systems in place to cater for the requirement, and significant ongoing costs associated with data collection, data validation, individual rent calculations, system amendments / updates and communication. This will be compounded by an assumed increase in collection and recovery costs, where it is anticipated that households may have committed their income in other ways, and will not initially be in a position to meet the higher rents payments.

Mandatory Disposal of High Value Housing Stock

Following announcements in advance of the June 2015 elections, which suggested local authorities should be required to sell any property that is valued in the top third for the area, on the open market at the point at which it becomes void, the draft Housing and Planning Bill 2015 provides further detail as to how this policy is intended to be implemented.

A payment to the Secretary of State, under a local authority specific determination, is anticipated in respect of a sum derived from an estimate of the high value property which may become vacant in any year. It could therefore be interpreted from this that a local authority may have some discretion over which assets it chooses to dispose of to make payment to central government, but this is not explicit. Concerns exist around the timing of the payments that may fall due under any determination, particularly if this is in advance of the sale of assets to which the determination formula relates.

There is allowance in the draft bill, for the Secretary of State to enter into an agreement with a local authority to reduce the amount that the authority is required to pay in order to provide, or facilitate the provision of, housing.

For financial planning purposes, an initial assumption that approximately 1.8% of the housing stock will need to be sold each year has been made, which is representative of just under 130 properties per annum at the outset. This assumption may need to be significantly amended as further information is made available, as it is based upon early estimates of what might constitute high value, in the absence of any detail at this stage.

Welfare Reforms

Following the Welfare Reform Act 2012 the Council has:

- introduced a local council tax reduction scheme following the abolition of council tax benefit
- introduced the overall benefit cap for working age claimants
- implemented the changes in relation to the spare room subsidy
- managed a significant increase in Discretionary Housing Payments expenditure
- Introduced changes to Local Housing Allowance (LHA) which is Housing Benefit for private tenants

These were major changes that have been implemented well, engaging with partners, customers and other sections of the Council with joint working and clear communication with customers and partners were paramount to the success of various projects to mitigate the impact on the most vulnerable.

The Summer Budget 2015 saw further changes announced including:

April 2016 - Freeze to LHA rates
April 2016 - Four year uprating freeze of Housing Benefit and working-age benefits
April 2016 - Removal of Family Premium from Housing Benefit
April 2016 - Increased Discretionary Housing Payment
April 2016 - 4 week backdate provision within Housing Benefit
April 2016 - Tax credit earnings threshold decreases (now subject to review)
April 2016 - Tax credit taper increase (now subject to review)
April 2016 - Social sector rents reduced by 1% for four years
April 2017 - Overall Benefit Cap reduced to £20,000 (outside of London)
April 2017 - 18 to 21 year olds lose housing element of Universal Credit/Housing Benefit

April 2017 - End to child allowances for 3rd and subsequent children in Housing Benefit
April 2017 - Social sector tenants on incomes of over £30,000 to pay market rent
These announcements have the potential to impact on homelessness and rent arrears and will put increased pressure on Discretionary Housing Payments administration. The freeze on uprating will also see the amount of support reducing over the next four years in real terms. The way Housing Benefit is calculated will change for working households. The family premium is £17.45 per week and will be removed for new claims and new births from April 2016, reducing future entitlement to benefit.

The backdating provision is also changing as it is proposed to reduce this to one month maximum and it is estimated that this may reduce backdated amounts by approximately half, reducing backdates for Council Tenants based on 2014/15 subsidy claim from £25,752 to £12,876. Backdated benefit in the private rented sector could reduce from £71,358 to £35,679.

Accurate estimation of the likely impact of the reduction in overall Benefit Cap to £20,000 (£23,000 in Greater London) from £26,000 is difficult to predict and the following information is a best estimate.

The change in Benefit Cap will reduce the maximum amount of weekly benefit from £500 per week to £384.61 per week.

There are currently 19 households affected by the existing cap in Cambridge and the cap currently reduces average Housing Benefit support to £67.29 for these 19 claims.
It is estimated that 156 families (including the current 19 families affected) could be affected by the Summer Budget 2015 reduction in the Benefit Cap; 74 council tenants and 82 housing association tenants.

Applying the amended cap results in all but three of these 156 claims having their Housing Benefit reduced to the minimum payment of £0.50 per week, and reduces the average Housing Benefit for the other three cases to £6.44 per week. The current average for the 156 claims is £127.

Universal Credit

Universal Credit is designed to support people who are on a low income or out of work. It will replace six existing benefits, is currently being rolled out across the UK and will be claimed by people of working-age, both in and out of work (i.e. not pensioners).

Universal Credit is based on a single monthly payment, transferred directly into the claimant's bank account. Unlike Housing Benefit which is administered by local Councils, Universal Credit will be administered by the Department for Work and Pensions (DWP).

The transition to Universal Credit is being managed in stages. Cambridge City Council has been selected as one of the local authority areas in the last phase of the rollout programme (tranche 4) and the 'go-live' in Cambridge is due on 29 February 2016.

From that date new claimants who are single and unemployed, with or without housing costs, will claim Universal Credit. The reality is that this should represent a small number of claims in the first instance to allow safe and secure roll out.

Universal Credit will be expanded to couples and families at a later date, which is yet to be decided by the DWP.

Universal Credit represents a major cultural transformation. The DWP recognise that some people will need support with the transition, by helping them adjust to some new aspects of the way Universal Credit is designed and that this support needs to be delivered locally by local Councils under the banner of Universal Support Delivered Locally, working together with the local Jobcentre, DWP Universal Credit national delivery centres and other partners.

Many people may be affected by a number of welfare reforms all at once and we will need to support those affected by these changes, particularly as Housing Benefit is incorporated in to Universal Credit, which could be very confusing for residents.

Key areas where support is likely to be required consist of the following:

- Digital inclusion in terms of both access and digital skills
- Triage of claimants (assessment of needs)
- Personal budgeting support (financial inclusion)
- Single point of contact within the Council for specialist support for housing costs.

There are potentially significant impacts on HRA rental income and related rent collection performance as tenants transfer onto Universal Credit.

Right to Buy Sales

Following a number of changes in the right to buy legislation in the past three years, the increase in activity experienced initially, appears to be slowing down marginally.

During 2014/15, 103 right to buy applications were received and recorded, resulting in 51 applications proceeding to completion This compares to 114 applications in the previous year, with 60 completions.

In the first 6 months of 2015/16, 22 completions have taken place, which may support the view that the authority will experience a slight slowing down in sales at some point. It is, however, impossible to predict the impact that the proposal to charge up to market rents for higher income households, will have on the level of right to buys, with an expectation that the change in legislation may cause a further peak in activity, as those with the financial resource to do so, seek to purchase their council home.

It is considered prudent to retain the assumed level of sales of 50 for 2015/16 in line with sales in 2014/15, reducing to 45 in 2016/17, 40 in 2017/18, 35 in 2018/19, 30 in 2019/20 and to 25 sales per annum from 2020/21.

The table below highlights the activity over the last 5 years, detailing the mix of houses, flats and bedsits sold through this process.

Status	**Year**	**Right to Buy (RTB)**			**Total**
		House	Flat	Bedsit	
Actual Sales	2010/11	12	5	0	17
	2011/12	7	5	0	12
	2012/13	26	15	0	41
	2013/14	31	28	1	60
	2014/15	26	24	1	51
Estimated Sales	2015/16	25	25	0	50
	2016/17	23	22	0	45
	2017/18	20	20	0	40
	2018/19	18	17	0	35
	2019/20	15	15	0	30

Right to Buy Receipts

The authority remains subject to the agreement with CLG that allows the retention of right to buy receipts, subject to a set of specific conditions.

The receipts assumed in the HRA Self-Financing Settlement continue to be shared with CLG in the statutorily agreed proportions, with a proportion of the receipts from any subsequent sales kept by the authority in recognition of the debt that the authority holds in respect of the asset. The balance of capital receipts is ring-fenced for one-for one (1-4-1) investment.

Currently, 1-4-1 receipts must still be spent within a 3-year timeframe, to fund the delivery of new social housing, with a maximum of 30% of the dwelling being met via this funding stream and the balance of 70% funded from the Council's own resources or borrowing. Failure in delivery still results in the receipt having to be paid to central government, with interest at 4% above the base rate, which far outweighs the interest earned on the receipt whilst held by the authority.

It remains clear from the table at Appendix G that although a deadline has not been breached yet, which would require the authority to pay retained receipts over to CLG with the associated interest due, there is a significant amount of new build spend required in every quarter from quarter 4 2015/16 onwards, in order to avoid the penalty.

It may still be necessary to consider some strategic acquisitions in the short-term in order to meet the deadlines, or alternatively to pursue passing some receipts to a registered provider to deliver the affordable housing in the city, in place of the Council. Any decision in this regard, will need to take account of the subsequent impact on any future Council new build schemes.

At the end of each quarter, the Head of Finance, as Section 151 Officer, in consultation with the Director of Customer & Community Services and the Executive Councillor for Housing, now makes a decision as to whether right to buy receipts are retained or paid directly over to central government. The decision takes account of the authority's ability to identify the 70% top up funding to enable use of the receipt in house and failing this, the potential for the receipt to be passed to a registered provider, with both options maximising the use of the resource and creation of new homes in the locality.

Payment of the sums to central government only takes place if there is a considered risk that the resource cannot be utilised appropriately within the required timeframes, thus mitigating the impact of a need to pay receipts over to central government at a later stage, alongside the interest penalty that would be incurred.

The additional capital spending required and the resulting funding sources identified, will be built into the Housing Capital Investment Plan at the next available opportunity.

Review of Local Policy Context

Council Vision and Corporate Plan

The Corporate Plan sets out the strategic objectives for Cambridge City Council for the years 2016-19. It replaces the seven separate portfolio plans that have been used in previous years. The plan sets out the key activities the Council will undertake in order to achieve its strategic objectives and deliver its vision. Success measures and key performance indicators (KPIs) are shown, as are lead Executive Councillors and officers. The Corporate Plan provides a key component of the local policy context looking forward over the three year period it covers. The plan will be considered by Strategy & Resources Scrutiny Committee, and will be included as an appendix to the final version of the General Fund Budget Setting Report, when it is presented to Council in February 2016.

Housing Stock

Cambridge City Council Housing Revenue Account owns and manages the following properties, broken down by category of housing provided:

Housing Category	**Actual Stock Numbers as at 1/4/2015**	**Estimated Stock Numbers as at 1/4/2016**
General Housing – Social	6,360	6,306
General Housing - Affordable	36	171
Sheltered Housing	509	509
Supported Housing	22	22
Temporary Housing (Individual Units)	52	52
Temporary Housing (HMO / EA's)	19	23
Miscellaneous Leased Dwellings	18	16
Shared Ownership Dwellings	79	79
Total Dwellings	7,095	7,178

Note: General Housing - Affordable are new build homes, which are let as agreed in the HRA Rent Setting Policy, at Local Housing Allowance levels of approximately 60% of market rent.

A breakdown of the housing stock by property type, excluding shared ownership, is demonstrated in the table below:

Stock Category (Property Type)	**Actual Stock Numbers as at 1/4/2015**	**Estimated Stock Numbers as at 1/4/2016**
Bedsits	108	108
1 Bed	1,671	1,699
2 Bed	2,365	2,415
3 Bed	2,255	2,261
4 Bed	99	98
5 Bed	7	7
6 Bed	2	2
Sheltered Housing	509	509
Total Dwellings	7,016	7,099

Leasehold Stock

The Housing Revenue Account continues to maintain the freehold in respect of flats, sold under the right to buy process on long leases. Services continue to be provided to these properties in respect of repairs and improvements to communal areas and services for common facilities.

At 1st April 2015, the Council retained the freehold and managed the leases for 1,129 leasehold flats.

Housing Demand

The mix of new housing delivered by the Housing Revenue Account continues to be influenced by a combination of the numbers on the housing register locally and the Affordable Housing Supplementary Planning Document (AHSPD).

Cambridge City Council currently has just over 2,150 households on the housing register. Around 550 to 650 applicants are being housed each year, with the majority of lettings being to applicants at band A or B.

The greatest demand for housing is for one and two bedroom properties, with one-bed applicants accounting for 55% of the register, two-bed applicants 35%, three-bed applicants 8% and 2% of applicants waiting for properties with 4 or more bedrooms.

Applicants are banded according to housing need, with band A representing the highest housing need and making up approximately 9% of the register. Band B applicants represent approximately 25%, band C 33% and band D 30%.

Support Service Contracts

Cambridge City Council continues to deliver support services to older people on a city-wide basis, within a contract which expires at the end of April 2017, unless the two year extension is agreed. The service is now demand led, and includes a greater degree of signposting to other agencies for those with lower support needs due to the expanded client based encompassed under the contract. The contract value is fixed at £180,000 per annum.

The authority is contracted to deliver support services in extra care housing, as part of the Ditchburn Place care contract, which expires in March 2016, following temporary extensions to the original contracts. This service is delivered outside of the HRA. The authority is in discussions with the County Council, to explore the potential to continue to deliver both care and support services under a partnership agreement.

However, notice has been given that the County Council no longer require us to deliver accommodation based support in our temporary housing stock across the city. Support in this accommodation will in future be partly provided under the existing floating support contract commissioned by the County Council.

Funding for the provision of alarms, and the telephone response to alarms, in sheltered housing is being terminated by the County Council from the end of March 2016. Its continued provision across our housing stock will now form the basis of a separately identified benefit ineligible service charge, which will be payable by all residents where the service is available, and not just those who are self-funders, as is the case at present.

The table below summarises the anticipated funding in 2016/17 for the provision of support services:

Contract	No. of Contract Units	Contract Status	Contracted Support Income 2016/17 (£)	Risks / Ongoing Assumptions
Older People Support Services	City-Wide	Fixed Price City-Wide Contract – Expires 30/4/2017, with an option to extend for up to 2 further years	180,000	Risks that base contract funding will be insufficient to meet demand for services.
Ditchburn Place (Extra Care)	36	Block Gross Contract (Part of Care Contract) – Expires 31/3/2016, but no notice given.	45,740 (Accounted for fully outside of the HRA)	Discussions are taking place about the County Council's plans for care at Ditchburn Place post March 2016
Total County Council Support Funding			**225,740**	

Tenant and Leaseholder Consultation

STAR Survey 2014 – Follow Up Actions Update

The STAR 2014 Survey responses were combined and then plotted, using regression-based analysis, to identify the potential triggers for areas of lower satisfaction. This, plus lower satisfaction hotspots in certain wards, lower satisfaction with value for money through rent paid and lower satisfaction amongst our younger tenants, were fed into focus groups in July 2015. This provided the focus groups with the themes of 'our image', 'how we manage expectations' and 'our customers' perception of waste' to produce an overall action plan. This plan will work towards ensuring tenants and leaseholders have a clear understanding of the key changes happening within the HRA and what this will mean for our customers.

An update on progress against the survey overall, and the focus group work, will be presented to Housing Scrutiny Committee in early 2016/17.

Partnership Working and Shared Services

The organisation, and therefore the HRA, continues to expand the provision of services which are delivered as shared or partnership services with other local authorities.

From a corporate perspective, the authority has entered into shared services with South Cambridgeshire District Council and Huntingdonshire District Council for the provision of ICT and Legal Services, both of which impact the HRA.

A pilot shared Head of Finance and Housing Finance Service with South Cambridgeshire District Council has been operational since March 2015, and is now set to be expanded into a wider shared service in 2016/17.

From April 2016, the new Housing Development Agency (HDA) is anticipated to be in place, with the City Council and South Cambridgeshire District Council seconding staff into a shared service for the initial stage. The HDA will aid the delivery of new homes in the sub-region, working with multiple partner agencies, helping increase the supply of new housing in response to the investment in transport and infrastructure which the Greater Cambridge City Deal brings. There is an agreed £400,000 of pump prime funding which has been made available alongside the City Deal funding to help create the new delivery vehicle.

Following the Fundamental Review of the Housing Service, a shared Housing Management Service with South Cambridgeshire District Council will be explored in 2016/17, with the potential for a wider shared strategic housing function in the future also.

Ongoing investment in the housing stock as part of the 30-Year HRA Business Plan necessitates the authority procuring a new partner to deliver some elements of the maintenance service, including gas servicing and some of the planned maintenance programme.

External Factors

Factors outside of the direct control of the authority continue to impact strategic decision making, with judgements having to be made about the likely direction of travel for many of these.

Inflation Rates

Inflation rates, as measured by the Consumer Price Index (CPI), have shown a marked reduction over the past 5 years, with rates as recorded each month, showing an average over the past 12 months of 0.3%, with a recorded rate of -0.1% in September 2015. Rates as measured by the Retail Price Index (RPI) are recorded at an average of 1.2% over the past 12 months. This continues to be conversely true in respect of the building industry, 'all in tender price inflation' cost indices, which is still on an upward trajectory, with the forecast for the annual increase up to quarter 3, 2015, being 5.4%.

The work undertaken in 2015, culminating in approval of the HRA Mid-Year Financial Review in September / October 2015, assumed a recovery to the level of the government's long term view of CPI, with 2% incorporated into financial plans for 2016/17 and beyond.

Taking into consideration the government's long-term view for CPI, balanced with the predictions of the Office of Budgetary Responsibilities that recovery to 2% will take place over the next 5 years, future projections have been retained at 2% for prudency. The assumption that the BCIS indices rises at 3% above CPI for the medium-term has also been retained.

Interest Rates on Lending

The HRA continues to benefit from the claw back of interest, from the General Fund, representing the average interest that the authority will have earned on any revenue or unapplied capital cash balances that are held at any point within the financial year.

The level of interest that the authority is able to earn remains low, with an average rate of 0.73% earned during 2014/15. Although still anticipated to be slow, some recovery in the rates available is still predicted in the longer term, with the latest interest rate assumptions detailed in Appendix A.

In light of recent changes in national housing policy, there is expected to be far less opportunity to set-aside resource for the repayment of housing debt than previously assumed.

Interest Rates on Borrowing

The Housing Revenue Account continues to support an external debt portfolio of £213,572,000, consisting of 20 Public Works Loans Board (PWLB) maturity loans, with redemption dates of between 26 and 45 years from 2012 when they were taken out, at interest rates ranging between 3.46% and 3.53%.

Although the authority still has borrowing headroom, the financial impact of the recent changes in national housing policy mean that it is unlikely that the authority will opt to take out any additional borrowing in the short to medium term, as there is currently limited ability to repay the existing borrowing, and there is a risk that any new homes which additional borrowing may be used to build, will be subject to the compulsion to sell.

For financial planning purposes, although any additional borrowing that were to take place would be likely to be internally borrowed from the General Fund, the assumptions of the rates chargeable to the HRA continue to be made in line with lending rates available externally from the PWLB for prudency.

The authority is still eligible for a certainty rate with the Public Works Loans Board, which is renewed on an annual basis, with the current agreement confirmed until 31st October 2016. This allows the authority access to a 20 basis point reduction against the standard PWLB rates in respect of any new borrowing.

The rates available for shorter-term borrowing are lower than those available for borrowing of a longer-term nature, with the standard rate for maturity loans at October 2015, ranging from 2.43% over 5 years, up to 3.76% over 30 years, reducing marginally to 3.63% over 50 years. If the certainty rate is still available at the point at which the HRA is required to borrow, all published rates would be reduced by 0.2%.

Based upon the relative stability in the rates over the past 12 months, it is proposed to maintain the long-term cost of borrowing assumption in the HRA financial forecasts at 4% for prudency, as detailed in Appendix A.

Section 3
Housing Revenue Account Resources

Rent

Rent Arrears, Bad Debt Provision and Void Levels

Rent collection performance locally has been consistently good, with approximately 99% of the value of rent due, collected in 2015/16.

The year-end position in respect of rent debt is summarised in the table below:

Financial Year End	Value of Year End Arrears in Accounts (Current Tenants)	Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2011	£582,400	1.88%	£746,852
31/3/2012	£655,177	1.98%	£863,677
31/3/2013	£661,246	1.86%	£862,042
31/3/2014	£619,986	1.68%	£967,755
31/3/2015	£637,735	1.67%	£763,491

Performance in the collection of current tenant debt was maintained during 2014/15, and in first half of 2015/16, has been marginally improved, when compared with the profile at this point in previous years. Although an increased number of dedicated staff continue to work proactively with tenants affected by benefit changes, the position is anticipated to become more challenging with the phased introduction of direct payment, which begins locally in February 2016, and the additional benefit reductions proposed as part of the Welfare Reform and Work Bill 2015.

A particular focus remains on actively pursuing, or proactively writing off, former tenant debt during 2015/16. At the beginning of November 2015, former tenant debt had been reduced to £733,708, compared with the £763,491 that was evident at the end of March 2015.

The Housing Revenue Account continues to maintain a provision for bad and doubtful debt, with the value of the provision reviewed annually, taking into consideration both the age and value of outstanding debt at the time. At 31 March 2015, the provision for bad debt stood at £1,203,043 (including an element for credit balances which were written back in 2015/16), representing 85.9% of the total debt outstanding.

The value of rent not collected as a direct result of void dwellings in 2014/15 was £320,237, representing a void loss of 0.88%, Void levels remain relatively low in 2015/16 to date, with void loss up to the end of October 2015 at 1.02%. The level is anticipated to have increased slightly due to the number of new build homes being made available for letting during 2015/16.

On an ongoing basis, a base assumption of 1% voids in general housing is still considered appropriate for the longer-term. The proposed requirement to sell high value void properties in the future will impact this assumption in future iterations of the business plan.

A Voids Working Group has reviewed internal processes, with a view to reducing standard void times, in an attempt to both minimise void loss and make housing available for new tenants as quickly as possible. From May / June 2016, when a replacement choice based lettings IT system is implemented to manage the housing register and allocation process, weekly advertising will be made available in place of the current two weekly bidding cycle, which should assist in reducing void time.

Rent Restructuring

Although property specific target social rents under the rent restructuring regime still apply, the requirement to reduce all rents in social housing by 1% for the next 4 years, will mean that the target rents will also reduce in line with this.

The basic formula for the calculation of target rents remains unchanged, with 30% of a property's rent based upon historic relative property values and 70% based upon historic relative local earnings, combined with a factor for the number of bedrooms in the property. The result of the calculation is then limited by an overall rent cap for each size of property.

Although the national assumption is that local authority rents have reached target levels, the local picture is quite different, with actual rents that are still well below target levels. The ability to move rents up to the new lower target levels is only available to local authorities when a property is re-let to a new tenant.

The average target rent at the start of 2015/16 across the housing stock was £105.98, with the average actual rent charged being £101.04, both recorded on a 52 week basis. The average actual rent was therefore representative of 95.3% of the average target rent. At the time of writing this report, approximately 16% of the housing stock was being charged at either target, or new affordable rent levels.

Rent Policy

The local rent setting policy was amended following approval of the 2015/16 HRA MFR to reflect the decision to increase the rent for all void properties directly to target rent, and not just those with high energy efficiency ratings.

The policy will be amended to reflect the requirement to reduce rents for the next 4 years, once formal confirmation is received by the authority, following the Welfare Reform and Work Bill receiving Royal Assent.

The policy will need to be reviewed again in the coming months, when the detail around the requirement to charge up to market rent levels for higher income households, becomes clear.

Rent Setting

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

From April 2016, the previous government guidance for setting rents at a local level has been replaced by a requirement, introduced through the Welfare Reform and Work Bill, to reduce rents by 1% each year for four years. The authority therefore has no option but to approve this change in rent levels, to be effective from Monday 4th April 2016.

The assumption is still being made, in respect of longer-term financial forecasts, that the authority will be able to revert to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, from April 2020.

Service Charges

Service charges continue to be levied for services that are not pure landlord functions, and are provided to some tenants and not others, depending upon the type, nature and location of the property. Some of these services are eligible for housing benefit, depending upon the nature of the service.

The majority of services provided to tenants of Cambridge City Council are now separately identified, with the exception of communal electricity, grounds maintenance and estate services to non-sheltered flatted accommodation, where there is currently not considered to be any specific benefit to identifying these charges separately.

Building cleaning and window cleaning services are subject to a phased implementation of the full costs, following a competitive selection process to externalise the service from June 2015. Phase 2 of the increase will be applied from April 2016, with full cost recovery achieved from April 2017.

The approach to setting service charge levels for 2016/17 is detailed at Appendix B.

Other Sources of Income

Garages

The Housing Revenue Account currently owns 1,759 residential garages, and manages a further 23 on behalf of the General Fund. 58 of these garages are currently identified for demolition as part of the affordable housing development programme sites with scheme specific approval to date.

The HRA has a variable charging structure for garages and parking spaces, with charges reviewed annually as part of the budget process. The proposed garage charging structure for 2016/17 is as follows:

Category	Rent £ per rent week	VAT £ per rent week	Total Charge £ per rent week	Percentage Increase on previous year
Parking Spaces (tenants only)	7.58	0.00	7.58	2%
Tenant of City Homes (for storing a motorised vehicle)	9.74	0.00	9.74	2%
Other Resident with Garage within ½ mile of address (for storing a motorised vehicle)	9.74	1.95	11.69	2%
Other Resident (Within Cambridge City) with Garage over ½ mile of address (for storing a motorised vehicle)	11.82	2.36	14.18	2%
Public Body/Charity	16.27	3.25	19.52	2%

(for storing a motorised vehicle)				
Non Cambridge City resident or Business / Commercial / General Storage Use	18.35	3.67	22.02	2%
Tenant of City Homes (For general storage)	18.35	3.67	22.02	2%
City Homes Use	18.35	0.00	18.35	2%

Of the garages available for letting, approximately 25% are currently void, with a corresponding level of void loss to the end of October 2015. In addition to the 58 garages identified for demolition as part of the current new build programme, a number of other garage blocks are undergoing feasibility work as part of the 2015/16 garage sites identified in the 3 year rolling affordable housing programme.

Commercial Property

Rental income from commercial property continues to fluctuate due to the timing of lease renewals for the small portfolio of shops and other business premises that are owned by the HRA.

In 2015/16 the income generated by the commercial property portfolio is anticipated to be in the region of £420,000, increasing to £425,000 from 2016/17.

Some small businesses continue to experience difficulties in terms of financial viability for their operation, and as a direct result, the HRA is still having difficulty in letting some of its commercial portfolio. Investment in the commercial property portfolio, versus any alternative options for the future of some sites, will need to be considered during 2016/17.

Interest / Investment Income

The Housing Revenue Account receives interest on general or ear-marked revenue balances, any funds set-aside in the major repairs reserve or the revenue debt repayment reserve and any unapplied capital balances.

The interest rates available to the Council remain low, and recovery is still anticipated to be slow.

Other External Funding

In addition to income direct from service users, the Housing Revenue Account anticipates receiving external funding in the following forms:

- Homes and Communities Agency (HCA) Grant – The authority received grant of £1,748,240 towards the cost of building 95 homes as part of the 2011-15 programme, and has recently been notified that a bid for grant as part of the 2015-18 programme has been successful, with £500,000 awarded for Aylesborough Close, £350,000 for Water Lane and £1,275,000 for the re-development and reconfiguration of Ditchburn Place.

- Support Funding – The level of funding via the Supporting People Programme has reduced over the last 10 years, to a point where the authority now only receives £180,000 per annum for support provided to older people across the city.

Earmarked & Specific Funds

Earmarked Funds – Revenue Reserves

In addition to General Reserves, the Housing Revenue Account still maintains a number of earmarked or specific funds. Appendix C details the current level of funding in the reserves which were retained following a review of all reserves as part of the 2015/16 budget process.

Repairs & Renewals

This reserve is maintained to fund major repairs of Council-owned administrative premises and periodic replacement of assets such as vehicles, plant, equipment and furniture. Annual contributions are based on estimated replacement costs, spread over the anticipated life of the assets. Some of the costs associated with relocating housing staff into a single housing area office will be met from this fund in 2016/17.

Major Repairs Reserve

This statutory reserve receives a sum, transferred from the revenue account, equivalent to the depreciation in respect of the housing stock each year. Any resource available in the Major Repairs Reserve can then be utilised as a source of funding in the Housing Capital Investment Plan, to meet the capital cost of works to HRA assets, or alternatively to repay housing debt. From April 2017, the transitional measures that allow the authority to limit the depreciation charged in respect of dwellings to the value of the old Major Repairs Allowance will cease, after which the full depreciation value will need to be transferred into the reserve each year, irrespective on whether the asset base requires the higher level of investment.

Tenants Survey

The Tenants Survey reserve allows the spread of costs for the STAR Tenants and Leaseholder Survey evenly across financial years, despite the survey only being undertaken formally every two years. This does not detract from the possibility that an element of annual activity may take place to gauge changes in opinion by small survey sampling, i.e. focus groups.

HRA Aerial Monies

Mobile telephone aerials are installed on the roofs of two groups of flat blocks, with the HRA leasing the roof space to the telecoms provider for an annual lease premium / rental fee. This income has historically been appropriated into an ear-marked reserve, and partially offset by an element of expenditure specific to the area in which the mast is installed. The balance remaining has been allowed to accrue until specific projects are identified for its use. From April 2016, it is proposed that the income and expenditure are treated as standard revenue activity each year, with no appropriation of any balance remaining into the fund, and that the sum accrued as at 31st March 2016 is appropriated back into general HRA reserves to meet future HRA expenditure pressures. The reserve will then be deleted.

HRA Set-Aside for Potential Debt Repayment or Future Re-Investment

The ability to set-aside surplus revenue resource to meet 25% of the value of the self-financing debt as loans mature, has been significantly impacted by the recent changes in national housing policy. The HRA Mid-Year Financial Review in September 2015 highlighted the ability to set-aside only 12.3% of the value of the debt. This means the authority will have no alternative but to re-finance a greater proportion of the loan portfolio as each loan matures than previously planned, and reduces the flexibility to opt to reinvest the surpluses in the delivery of new homes as an alternative use of the anticipated resource.

The continued approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision (VRP), will allow the HRA to retain flexibility over the use of the limited resource that is available for set aside in the future.

Earmarked Funds – Capital Receipts

Right to Buy Attributable Debt Ear-Marked Capital Receipt

The HRA retains an element from all right to buy receipts over and above those assumed in the initial self-financing settlement, in recognition of the debt which the authority holds in respect of the asset. The sums retained are held in a separate ear-marked capital balance, allowing them to be utilised to repay debt should the authority so choose, or alternatively reinvest as deemed appropriate.

Right to Buy Retained one-for-one Ear-Marked Capital Receipt

The Right to Buy Receipt Retention Agreement remains in force. To ensure that these resources are separately identified for re-investment, and if necessary, repayment purposes, an ear-marked balance exists to record the balance at the end of each reporting period.

Section 4
Housing Revenue Account Budget

Post-HRA MFR 2015/16 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 September / 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 however capital implications to take into account in reviewing the final budget proposals in relation to the authority entering into unconditional contract for existing HRA new build and re-development schemes, and including any new schemes which may be presented in the January committee cycle. The schemes where the overall financial implications will need to be materially amended / included are:

- Fulbourn Road (Garage Site)

There is also the need to recognise that the authority has been successful in securing Homes and Communities Agency Grant in respect of the following new build and re-development schemes:

- Water Lane
- Aylesborough Close
- Ditchburn Place

A bid for grant at Clay Farm has also been submitted, but at the time of writing this report, had not been confirmed as successful, and therefore has not been incorporated into financial projections at this stage.

It should be noted that there are various stages to setting the budgets for new build schemes. Initially a budget is approved based on an indicative scheme. This approval in effect, confirms that a scheme is viable and gives permission for the scheme to be developed to submit a planning application. As the design of a scheme is being developed, should the final design and planning considerations result in a change to the cost or funding proposals, the budget will be formally revised in the Mid-Year Financial Review or annual Budget Setting Report whichever is applicable. If there is a significant adverse change in the cost then Executive Councillor re-approval will be required in line with the Council's financial regulations.

Revised Budget 2015/16

The Housing Revenue Account (HRA) revenue budgets for the current year (2015/16) was amended as part of the HRA Mid-Year Financial Review in September 2015. It is not proposed to undertake a further review of current year activity as part of the budget setting process, but instead to report the position at outturn.

The only exception to this, is the need to recognise any impact in revenue terms of the need to revisit funding requirements for the Housing Capital Investment Plan in 2015/16 following some re-phasing of new build schemes and recognition that not all of the planned investment in our housing stock will now take place in year. This will result in an impact in interest anticipated to be earned in 2015/16, with an estimated increase of £19,300, as summarised in the table below.

2015/16 Revised Budget	Original Budget January 2015 £	HRA Mid-Year Review September 2015 £	HRA BSR Proposed Changes £	HRA BSR January 2016 £
Net HRA Use of / (Contribution to) Reserves	990,780	10,454,680		
Savings			0	
Unavoidable Revenue Bids			0	
Non-Cash Limit Adjustments			(19,300)	
Revised Net HRA Use of / (Contribution to) Reserves				**10,435,380**
Variation on previously reported projection				(19,300)

The above figures include carry forward approvals from 2014/15 in the second column, with the net saving identified in the current year, as part of the January 2016 committee cycle, incorporated in the right-hand column. The net increase in income for 2015/16 will result in a lower call on the use of Housing Revenue Account reserves than anticipated.

Overall Budget Position - 2016/17 onwards

Overall Budget Position

The overall revenue budget position for the Housing Revenue Account is summarised in the table below, with detail on an item by item basis for the period to 2019/20 provided in Appendix D (1):

Proposal Type	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Target Included at Present	Year 1 Rent Loss	2%	2%	2%	2%
Reduction required to meet Current Savings Target	1,429,000	1,542,000	1,655,000	1,768,000	1,881,000
HRA MFR Approved Revenue Savings	(1,194,880)	(1,266,440)	(1,316,440)	(1,316,440)	(1,316,440)
HRA MFR Approved Capital Savings	(237,900)	(255,800)	(255,800)	(255,800)	(255,800)
HRA MFR Savings Delivered Early	(39,460)	0	0	0	0
New 2016/17 Budget Items					
Savings	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)
Increased Income	(38,250)	(38,250)	(38,250)	(38,250)	(38,250)
Unavoidable Revenue Bids	144,490	20,100	20,100	20,100	20,100
Net Savings Position above / (below) Savings Requirement	**29,000**	**(32,390)**	**30,610**	**143,610**	**256,610**
Non-Cash Limit Adjustments	101,240	5,240	(23,760)	(23,760)	(23,760)
Net Position for the HRA above / (below) overall assumptions	**130,240**	**(27,150)**	**6,850**	**119,850**	**232,850**

Non-Cash Limit Budgets

Non-Cash Limit items are those that do not relate directly to the cost of service provision, including for example direct revenue funding of capital expenditure (DRF), investment income and depreciation. These items are treated outside of the 2016/17 cash limit, with the implications built into the financial forecasts for the HRA as part of the budget process, informing future budget strategy, savings targets and investment priorities. Full details of these for the period to 2019/20 are given in Appendix D (1).

Performance against Savings Target

As in previous years, a savings target for the HRA as a whole was adopted.

For 2016/17, the majority of savings required were identified as part of the outcome of the Fundamental Review of the Housing Service, and were incorporated into the HRA Mid-Year Financial Review for decision. These savings are identified separately in the table above, alongside any new proposals for 2016/17 which are included for decision as part of the HRA Budget Setting Report. A summary of these savings can be found in Appendix E (1).

Additional savings have been identified in 2016/17, which are partially offset by the HRA reacting to unavoidable revenue pressures, particularly in 2016/17. The net position is an under-achievement against the savings target for 2016/17 of £130,240, moving to an over-achievement of £27,150 for 2017/18. Using a future savings assumption of 2% per annum, the table above demonstrates the need to identify an additional £6,850 in 2018/19, £119,850 in 2019/20 and £232,850 by 2020/21. These are also summarised in Appendix E (1).

The savings target for the years from 2017/18 to 2020/21 has currently been incorporated into financial modelling at the previous level of approximately 2% of general management expenditure. The loss of rental income for three further years from 2017/18 onwards and the compulsion to sell high value homes, has resulted in the deletion of all new build schemes / funding over and above the level of expenditure which is required to appropriately utilise currently retained right to buy receipts, and an inability to set balanced budget from year 15 of the business plan. The need to sustain a 30 year business plan, coupled with any desire to re-introduce investment in new build housing, or to set-aside the previously approved level of resource for debt repayment of 25%, results in the need to significantly increase the savings target included from 2017/18 onwards, as part of the 2016/17 HRA Mid-Year Financial Review.

The result of transformation activity corporately will have a financial impact on the HRA in many cases, but the detail is not always available at the outset of each project. It is difficult 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 transformation activity is complete and resulting changes have been made.

For prudency, any anticipated savings to the HRA are only included once the activity is confirmed corporately as being far enough progressed that some certainty can be given to the incidence of impact between the General Fund and the HRA.

Significant savings were incorporated into the HRA in the 2015/16 budget process, as part of the fundamental change in support service delivery models across the Council. With this piece of work not yet fully complete, there is the potential for the saving that was built into the base budget to need to be revisited once the changes have been concluded.

Priority Policy Fund (PPF)

The Housing Revenue Account PPF has historically made money available for new and expanding service areas, recognising the priorities identified through the Annual Statement and the STAR Tenants and Leaseholder Survey.

The HRA Mid-Year Financial Review of September 2015 removed the funding for HRA PPF Bids in 2016/17 in an attempt to reduce the level of savings that needed to be identified, but re-introduced it at the level of £150,000 per annum for the period from 2017/18 to 2020/21.

As part of the HRA Budget Setting Report, the PPF has been completely removed, instead incorporating funding of £120,000 per annum, effective from April 2016, to allow the authority to invest in service transformation projects and invest to save initiatives, in light of the major changes in national housing policy.

The responsibility for identification and approval of funding for suitable projects for this resource to be invested in, whether one-off, or ongoing in nature, will be delegated to the new role of Strategic Advisor to the Chief Executive. This new role has specific responsibility for transformation of housing services, to ensure that the authority has a housing offer which is fit for purpose in the new national housing arena.

Section 5
Housing Capital Budget

Stock Condition and Decent Homes

Stock condition data is continually updated in respect of the housing stock, improving the information held to inform future decision making.

The authority is expected to maintain decency in its housing stock, with a particular emphasis on ensuring compliance with the Housing Health and Safety Rating System (HHSRS), and the authority is monitored annually against this standard. To be decent, a home be in a reasonable state of repair, must have reasonably modern facilities and services must provide a reasonable degree of thermal comfort.

The housing service reported achievement of decency in the housing stock as at 31 March 2015 at 97.9%, with 144 properties that were considered to be non-decent (in addition to refusals). A further 419 properties were anticipated to become non-decent during 2015/16.

Cambridge City Council previously adopted a higher, 'investment standard' level of investment in its housing stock. However, the desire to maximise new build affordable housing, combined with recent changes in national housing policy, which impact the financial viability of the HRA, has resulted in a need for a significant decrease in the level of investment in our housing stock. Previous reductions in investment levels include extended asset lives for PVCU windows, kitchens, bathrooms, boilers and doors. Other discretionary areas of investment were also removed from the programme as part of the HRA Mid-Year financial Review in September 2015.

During 2016/17, work will be undertaken to quantify the minimum level of investment required to maintain the decency standard, informing future decisions about investment in our existing housing stock.

Discretionary elements of the capital programme will be reviewed in the coming year to deliver the reduction of £100,000 across this area of investment, as approved in principle in the Fundamental Review of the Housing Service.

New Build Affordable Housing

Current New Build Scheme Update

Work continues to deliver the programme of HRA new build housing across the city. At the time of writing this report 96 new homes have been completed since April 2012.

There have been some delays in delivery due to securing vacant possession, planning discussions and some delays during construction. This has not only resulted in the need to re-phase some expenditure between years, but also impacts receipt of the anticipated future revenue streams for each of the sites. There are contract clauses to allow for negotiation of liquidated and ascertained damages, which may indemnify the Council in respect of a proportion of this loss.

There have been some delays at handover in respect of some of the new build sites, but officers continue to work proactively with the developer in each instance, to arrive at a mutually agreeable point, that will allow handover and occupation.

The table below details the new build schemes that have reached completion since April 2012:

Scheme	Date Completed	Approved Social Housing Units	External Funding Source	Latest Funding Approved (Capital Cost net of Grant and Land Transfer and RTB Receipts)	Percentage Social Housing on Site
Jane's Court	November 2013	20	HCA Grant	878,610	59%
Anstey Way	January 2015	1	RTB Receipts	0	50%
Latimer Close	March 2015	12	HCA Grant	1,357,060	60%
Barnwell Road	July 2015	12	HCA Grant	854,960	59%
Campkin Road	Assumed December 2015	20	HCA Grant	2,363,630	63%
Stanesfield Road	March 2015	4	HCA Grant	399,650	50%
Atkins Close	June 2015	8	HCA Grant	446,650	100%
Wadloes Road	October 2015	6	RTB Receipts	450,340	100%
Total		**83**		**6,750,900**	

The table below provides an update on the status of the market acquisitions approved and completed in 2015/16:

Scheme	Date Completed	Approved Social Housing Units	External Funding Source	Latest Funding Approved (Capital Cost net of Grant and Land Transfer and RTB Receipts)	Percentage Social Housing on Site
Colville Road (Acquisitions)	June 2015	6	RTB Receipts	735,950	76%
Atkins Close (Acquisitions)	June 2015	4	RTB Receipts	774,480	100%
Wadloes Road (Acquisitions)	October 2015	3	RTB Receipts	515,550	100%
Total		**13**		**2,025,980**	

The table below summarises new build schemes currently in progress, providing details of the anticipated costs and number of units that will be delivered on each site once complete:

Scheme	Approved Social Housing Units	Approved Shared Ownership Units	External Funding Source	Latest Funding Approved (Capital Cost net of Land Transfer)	HCA Grant and RTB Receipt Funding	Net Funding (Capital Cost net of Grant and Land Transfer and RTB Receipts)
Colville Road	19	0	HCA Grant	1,493,590	(336,737)	1,156,853
Hawkins Road	9	0	RTB Receipts	1,413,720	(424,120)	989,600
Fulbourn Road	8	0	RTB Receipts	1,320,540	(396,160)	924,380
Ekin Road	6	0	RTB Receipts	1,091,740	(327,520)	764,220
Water Lane	14	0	HCA Grant	1,141,460	(350,000)	791,460
Aylesborough Close	20	0	HCA Grant	2,798,000	(500,000)	2,298,000
Clay Farm	78	26	RTB Receipts	16,204,780	(3,576,309)	12,628,467
Homerton	29	10	RTB Receipts	7,007,560	(1,559,759)	5,447,801
Total	**183**	**36**		**32,471,390**	**(7,470,605)**	**25,000,781**

The final scheme budget cannot be confirmed until the build contract for each scheme becomes unconditional. As part of the HRA Budget Setting Report, the latest scheme appraisal costs have been incorporated into the financial models, and therefore the Housing Capital Investment Plan.

The Housing Capital Investment Plan, an updated version of which is attached at Appendix K, incorporates the funding for new build schemes as identified in the tables above. It recognises the need for gross spend on the affordable housing scheme, land values, grant and right to buy receipts to be shown separately, and arriving at the net cash cost to the Council as per the table above. For these purposes the use of retained right to buy receipt is treated as an external funding source, recognising that failure to utilise it as statutorily required, would result in the need to pay the receipt over to Central Government.

New Build – 2015/16 Garage Sites

Resource of £3,000,030 has been included in the Housing Capital Investment Plan to allow for the development of a number of small garage and in-fill sites, which is anticipated to deliver a further 18 new affordable homes for the HRA.

Feasibility work is progressing on the sites at Cadwin Fields, Cameron Road, Wiles Close, Teddar Way, Kendal Way and Uphall Road, with anticipated delivery timescales in 2017/18.

New Build – Anstey Way

In June / July 2015, approval was given for the re-development of Anstey Way, which was anticipated to deliver 34 new homes in place of the 28 existing dwellings. However, the proposed changes in national housing policy announced in the summer budget, have resulted in an inability to fund the scheme as originally intended.

The HRA Mid-Year Financial Review included an amended funding approval for Anstey Way of £1,280,000, to allow the land assembly for the site to continue. This includes the costs to buy back leasehold dwellings and to relocate existing tenants to alternative suitable accommodation.

Any savings in other areas of the Housing Capital Investment Plan are currently being set-aside and ear-marked for the wider re-development of the site, so that when alternative development options for the site are available, there will be an element of funding already available towards meeting the cost. To date, an additional £3,110,000 has been identified over and above the budget approved for land assembly costs.

Whilst the options for the future of the site are being explored, in the context of the current financial climate for the HRA, the building is being utilised for temporary housing purposes in an attempt to mitigate the void loss that would otherwise be incurred.

New Build – Additional Schemes with RTB Funding

Sufficient resource to ensure that the authority could appropriately spend all right to buy receipts held up to the end of June 2015 was retained in the Housing Capital Investment Plan as part of the HRA Mid-Year Financial Review. This has been revised as part of the budget setting process, to ensure that the authority can meet its commitments for receipts retained up to the end of September 2015.

The new build expenditure that is required to meet this obligation has been re-phased as part of this Budget Setting Report, into 2016/17 in line with anticipated ability to spend the resource.

New Build – Akeman Street

One of the additional schemes proposed in order to utilise the retained right to buy receipts, as identified in the above paragraph, is the potential re-development of a site in Akeman Street, where 10 new affordable homes are anticipated in place of the current mixed commercial and residential development, which provides only 2 social rented homes.

A separate report is presented to this cycle of the Housing Scrutiny Committee for approval to proceed with this scheme, and as such the financial implications have been incorporated into the HRA and this Budget Setting Report, transferring budget from the non-scheme specific allocation to a budget for Akeman Street.

New Build – Other

Although the current financial projections for the HRA indicate limited resource being available for investment in new build housing, the authority continues to explore potential development opportunities, considering alternative funding models.

Options for securing additional grant funding, for working with partner organisations and for developing sites with mixed tenure are all being explored fully in an attempt to continue to deliver a new build programme, despite the financial constraints imposed by the national housing policy changes.

Updated expenditure and funding sources, on a cashflow basis, for all new build schemes are detailed at Appendix H.

Asset Acquisitions & Disposals

At present, consideration continues to be given to the strategic acquisition or disposal of assets, in line with the HRA Acquisition and Disposal Policy. The capital receipt generated by a strategic disposal can currently be retained in full by the authority, subject to utilising it to invest in affordable housing. Receipts from individual asset disposals continue to be recognised in the HRA's reserves only at the point of receipt and after all relevant costs have been provided for. However, anticipated receipts are now taken into consideration as part of the quarterly decision as to whether the authority should retain right to buy receipts, pass them to a registered provider, or as a last resort pay them over to central government. There is a risk judgement that needs to be made as part of this quarterly decision making process.

In future, the authority expects to be compelled to sell a proportion of its vacant housing stock as part of the government plan to fund right to buy for housing associations, and the authority's Acquisition and Disposal Policy will need to be reviewed once guidance is available in this regard.

The following HRA assets have recently been, or are being, considered for market acquisition or disposal:

Acquisition / Disposal / Change of Use	Comment	Status
18A Magrath Avenue	Dwelling required significant investment. Disposed of leasehold dwelling and freehold jointly with the neighbour to achieve the benefit of a higher marriage value for the asset as a whole.	Sale Complete
Engineers House	3-bedroomed detached house in a non-estate location. Approval to dispose, with subsequent exploration of letting on a long lease for conservation / preservation of historic value purposes.	Under Investigation
2 Grafton Street	3 bedroom house in a non-estate location which requires significant investment. Approval to dispose given in March 2015.	Under Offer
20 Beche Road	4 bedroom house in a non-estate location which requires significant investment. Approval to dispose given in March 2015.	Under Offer
13 Shelly Row	2 bedroom house in a non-estate location which requires significant investment. Approval to dispose given in March 2015.	Under Offer

The Right to Buy Retention Agreement still allows the strategic acquisition of existing dwellings, as an alternative to building new dwellings. This remains a less attractive proposition than the creation of new dwellings for the city, but it is none the less a viable option to utilise the resource within the HRA, where new build is not possible within a quarterly deadline for the use of retained receipts.

Capital Bids, Savings and Re-Phasing

There are no capital bids incorporated as part of the 2016/17 HRA Budget Setting Report. But there are a number of areas of saving identified in 2015/16 and re-phasing of new build activity into later years.

Detailed changes are presented in Appendix E (2), with the overall financial and presentational impact of the following items being incorporated into the Housing Capital Investment Plan presented at Appendix K.

- One-off capital savings of £810,000 in 2015/16, in respect of boiler replacements, roof structure works, communal areas, garages, asbestos removal and fire safety works, where investment is not anticipated to take place in year, and the resource is not expected to be required in future years.

- Re-phasing of £570,000 from 2015/16 into 2016/17 in respect of roof covering works and bathroom replacements and £102,000 into later years of the programme in respect of sulphate works, where work has been delayed due either to changes in planned maintenance contractor or the incidence of void properties to allow work to be undertaken.

- Ear-marking of the £810,000 saving identified above, and an additional £2,300,000 of available major repairs allowance in 2017/18, towards the costs of any revised scheme that may be brought forward for the Anstey Way site.

- Allocation of non-scheme specific new build funding to a scheme for re-development of a mixed use HRA site at Akeman Street, in line with the report presented as part of this committee cycle.

- Inclusion of a bid to fund the capital costs of relocating staff to a single area office, to be met from repairs and renewals funding.

- Amendments to the approved level of investment for the schemes in the new build programme, as detailed earlier in this section of the report.

- Amendments to the approved funding mix for the schemes in the new build programme, in response to both changes in HCA grant expectations and in costs, as detailed earlier in this section of the report.

- Amendments to the level of resource ear-marked for investment in the acquisition or creation of new social housing, based upon the latest projections of investment required to be in a position to continue to retain and appropriately utilise existing right to buy receipts.

Section 6
HRA Treasury Management

Background

It is a statutory requirement for the Housing Revenue Account Council to set a balanced budget, including recognising the revenue implications that arise from capital financing decisions.

The Housing Capital Investment Plan provides an indication of the borrowing requirement of the HRA in any one year, ensuring that this can be incorporated in the Council's overall borrowing assumptions and Treasury Management Strategy.

Current HRA Borrowing

As at 1 April 2015, the Housing Revenue Account was supporting external borrowing of £213,572,000 in the form of 20 maturity loans of equal value with the Public Works Loans Board (PWLB), with rates ranging between 3.46% and 3.53% depending upon the term of the loan. The loans have varying maturity dates, with the first £10,678,600 due to be repaid on 28th March 2038, and the last on 28th March 2057.

In addition to the external loans attributable to the HRA, there was the sum of £1,176,250 of internal borrowing from the General Fund, where the HRA is required to pay the General Fund the annual interest on the debt as part of the Item 8 Debit to the HRA. The interest rate payable by the HRA can be determined by the authority, but must be deemed reasonable and stand up to external scrutiny from auditors.

Future Borrowing

The Housing Revenue Account is still subject to an overall debt cap of £230,839,000, which allows borrowing headroom of £16,090,750.

The latest financial projections, following incorporation of the impact of anticipated changes in national housing policy, indicate that additional borrowing is unlikely to be called upon in the medium term, as there is little or no ability to repay even the existing debt. The financial forecasts for the HRA suggest that the authority will be forced to utilise this borrowing power by year 15 of the business plan simply to maintain the existing property portfolio in a decent condition, unless assumptions change or savings can be identified across the HRA in the intervening period.

With this borne in mind, the 2016/17 HRA Budget Setting Report does not review the potential sources of lending, types of borrowing, lengths of loans or rates available, for taking out any additional borrowing at this stage.

Debt Repayment / Re-Investment

Set-Aside for Repayment of HRA Debt

The debt repayment strategy approved as part of the 2014/15 HRA Budget Setting Report revised the initial decision to set-aside resource to repay all of the housing debt, and instead approved that the HRA set-aside sufficient resource to redeem 25% of the HRA debt from the point at which the loan portfolio begins to mature, in 2037/38. The HRA Mid-Year Financial Review of September 2015 highlighted an inability to achieve this in light of the changes in housing policy, with only 12.3% of the debt value anticipated to be available for set-aside from revenue surpluses over the life of the business plan, and little or no resource available for re-investment in the delivery of new homes.

To retain flexibility in the debt repayment strategy, any surplus generated since April 2012, and any further resource that can be identified for future debt repayment, will not be formally set-aside, but will instead continue to be held in an ear-marked reserve to allow for either repayment of debt or future re-investment.

Premature Repayment of PWLB Debt

The potential to redeem loans held with the PWLB at an earlier stage than agreed at the outset, still remains. A discount rate is used at the point of redemption to calculate whether the authority should pay a premium, or alternatively receive a discount, for repaying the principal sum early. If the discount rate applicable at the point of redemption is lower than the original loan rate, a premium is payable and if it is higher, a discount is receivable by the authority.

In the current financial climate for the HRA, with limited ability to set-aside revenue resource for the redemption of debt, it is considered unlikely that early redemption of debt will take place at this stage.

Section 7
Summary and Overview

Equality Impact Assessment, Uncertainties and Risk

Equality Impact Assessment

Under current legislation, local authorities continue to have legal duties to pay 'due regard' to the need to eliminate discrimination and promote equality with regard to race, disability, gender, including gender reassignment, age, sexual orientation, pregnancy / maternity, and religion or belief as well as to promote good race relations.

The law requires that this duty be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard'.

As part of this Budget Setting Report, an Equality Impact Assessment has been undertaken in respect of all new 2016/17 HRA Budget proposals, where any impact is anticipated. The assessment identifies the impact a proposal may have, any mitigation available and includes an action plan identifying how negative impact can be addressed. All Equalities Impact Assessments are available on the Council's website. The Equalities Impact Assessment for the HRA budget as a whole, is presented at Appendix L.

Risk Assessment

To ensure that the authority is able to sustain a financially viable Housing Revenue Account, it is imperative that consideration is given to the level of internal and external risks that the housing service is subject to.

Update of the key risks and associated mitigating actions is presented at Appendix F.

HRA Reserves

Housing Revenue Account General Reserves

General 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 needs and, 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 £3m, with a minimum level of reserves of £2m. It is not proposed to make any changes to either the target or minimum levels as part of this report, recognising the need to continue to safeguard the Council against the higher levels of risk and uncertainty in the current financial and operational environment for housing.

Financial Assumptions and Sensitivity

The current financial assumptions, reviewed and used as part of this BSR are detailed in Appendix A, and are derived from information available at the time of preparing this report, utilising both historic trend data and specialist expert advice and opinion, where required.

In making financial assumptions, it is recognised that there will always be a number of alternative values that could have been used. To mitigate the risks associated with this, modelling of key sensitivities is undertaken to provide context to the financial impact that a change in an assumption will make.

Appendix I provides details of the key sensitivities modelled in the preparation of the HRA Budget Setting Report 2016/17.

Options and Conclusions

Overview

The budget for 2016/17 has been constructed in the wider context of the national position for social housing. The authority still seeks to achieve a balance in investment against agreed priorities as follows, although this now proves significantly more challenging:

- Investment in the existing housing stock
- Investment in new affordable housing
- Investment in new initiatives and income generating activities
- Spend on landlord services (i.e. housing management, responsive and void repairs)
- Spend on discretionary services (i.e. support)
- Support for, and potential repayment of a proportion, of housing debt

Continued rent cuts for a further 3 years, and the compulsion to dispose of high value housing stock (or an equivalent proxy for) pose significant financial challenges for the HRA into the future.

As identified in the HRA Mid-Year Financial Review, work will be undertaken during 2016/17 in the following areas, with a view to delivering further significant reductions in spending from 2017/18:

- Review options for greater income generation, to include section 20 notices to ensure full cost recovery from leaseholders
- Review spending in ASB, Disabled Adaptations, etc
- Explore extension of shared services, to include; shared housing services with South Cambridgeshire District Council and shared Strategic Housing Services
- Explore alternative delivery models to protect social housing for existing and future tenants
- Explore alternative delivery models to maintain a new build housing programme

Summary and Conclusions

The work undertaken as part of the 2016/17 budget process to date has resulted in the development of proposals for the base budget of the Housing Revenue Account.

During January 2016 Housing Scrutiny Committee will consider the budget proposals, prior to the Executive Councillor for Housing making decisions and further recommendation for the final HRA Budget for 2015/16 to 2020/21 to Council for consideration and approval.

The HRA Budget Setting Report recommends, in summary:

- Approval of property rents, garage rents and service charges
- Approval of the revised budget proposals
- Approval of the unavoidable revenue bid proposals

- Approval of the general savings proposals
- Approval of increased income proposals
- Approval of the non-cash limit items
- Approval of the capital savings, revised scheme costs and funding mix
- Approval of capital resource re-allocation
- Approval of capital bids

The meeting of Council on 25th February 2016 will consider the final proposed Housing Capital Budget as identified in this report for approval.

A significant proportion of the savings identified in the HRA from 2016/17 were considered and approved as part of the HRA Mid-Year Financial Review in September 2015. These have been incorporated alongside new proposals, to present the position for the HRA as a whole in this Budget Setting Report.

As part of the 2016/17 budget process, additional savings have been identified in the costs of cyclical maintenance to the housing stock and in the operational costs for the Independent Living Service. Marginally higher levels of rent and service charge income are anticipated than predicted at the mid-year point, due to reduced levels of void activity as new build homes are completed and occupied. These savings are partially offset by unavoidable revenue pressures, predominantly due to meeting existing staff costs and statutory overheads and recognising a reduction in commercial property income. A one-off revenue pressure has been incorporated to recognise a realistic delivery timescale for the closure of one of the area housing offices and to meet the costs associated with transferring staff to the remaining location. Cash limit adjustments in respect of depreciation and anticipated interest receipts also increase the net cost of the HRA for 2016/17 and beyond.

A reduction of £19,300 in revenue costs for 2015/16 has been identified as part of this report, which will be returned to reserves, and utilised to offset revenue pressures from 2016/17 onwards.

The overall position for the HRA for 2016/17 (including non-cash limit adjustments) is under-achieved by £130,240, with the need to identify further saving in future years. This report however, presents future years with a savings target at the previous level of only 2% at present, which would only allow a balanced budget to be set for the HRA until year 15, from when an annual deficit would be evident.

It is recognised, however, that as part of the second phase of the review of Housing Services in 2016/17, the authority will need to set a significantly higher savings target for the coming years, in order to be in a position to set a balanced budget for the life of the business plan. Decisions will need to be made as to the level of savings required, considering not only the need to sustain a 30 year business plan, but also in the context of whether additional new build housing is aspired to, and whether the authority wants to set-aside any resource for the redemption of any proportion of the housing debt. The anticipated detail surrounding some of the changes in national housing policy, will be key in confirming the magnitude of this task.

The HRA's approach to long-term financial planning incorporates the assumption that any surplus resource will be set-aside in the first instance, until up to 25% of the loan portfolio can be redeemed at maturity, with any balance to be re-invested in income generating assets, whilst also maintaining reasonable financial assumptions in ongoing investment need in the current housing stock.

The ability to set-aside resource to redeem 25% of the loan portfolio is not possible in the current financial environment, and the authority may need to consider using the Localism Act to revisit the terms of the self-financing debt settlement.

Business Planning Assumptions Appendix A

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2%	General inflation on expenditure included at 2% (Based upon government intention for CPI)	Retained
Capital Inflation	5% for 4 years, then 3% ongoing	Real increase above CPI of 3% for 4 years, then reverting to 1% above CPI from 2020/21.	Retained
Debt Repayment	Set-aside up to 25% to Repay Debt	Assumes surplus is set-aside to allow for up to 25% repayment of debt as loans reach maturity date, with any balance re-invested in income generating assets.	Retained
Capital Investment	Reduced Partial Investment Standard	Assumes a reduced partial investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed again during 2016/17.	Retained
Pay Inflation	1.9% Pay Progression plus 1% pay award from: 2016/17 to 2019/20, then 2.5% ongoing	Assume allowance for increments at 1.9%. Pay inflation for four years from 2016/17 limited to 1% reflecting recent Government guidance, and a return to 2.5% thereafter, reflecting economic recovery. Increased National Insurance contribution rates have been incorporated from April 2016.	Retained
Employee Turnover	3%	Employee budgets assume a turnover saving of 3.0% of gross pay budget for office-based staff.	Retained
Rent Increase Inflation	-1% from 2016/17 for 4 years, then 3%, then 2.5%	Rent decreases of 1% per annum in line with government guidelines from 2016/17 to 2019/20, CPI plus 1% until the end of the 10 year settlement, reverting to CPI plus 0.5% after this. Assume CPI in preceding September is as above.	Retained
Rent Convergence	Voids Only	Ability to move to new lower target rent achieved only through movement of void properties directly to target rent.	Retained
External Lending Interest Rate	1.12%, 1.37%, then 1.62% ongoing	Interest rates based on latest market achievement, including the impact of CCLA investment.	Retained

Key Area	Assumption	Comment	Status
Internal Lending Interest Rate	1.12%, 1.37%, then 1.62% 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.	Retained
External Borrowing Interest Rate	4%	Assumes additional PWLB borrowing at a rate of 4%. Current rate for 30 years is 3.66%. Retain 4% for prudence.	Retained
Internal Borrowing Interest Rate	4%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Retained
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising risks in a Self-Financing environment.	Retained
HRA Target Balances	£3,000,000	Maintain HRA target balance at £3,000,000.	Retained
Right to Buy Sales	50, 45, 40, 35, 30, then 25 sales ongoing	Housing Policy changes expected to sustain a higher level of activity. Assume 50 for 2015/16, reducing by 5 sales per annum, until 25 are assumed ongoing.	Retained
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for one receipts included, but with only those received to date committed to specific new build schemes. Debt repayment proportion contributes to set-aside.	Retained
Void Rates	1%	Assumes 1% per annum from 2016/17 onwards.	Retained
Bad Debts	0.56% for 2015/16, then 1.12%	Bad debt provision increased by 100% to reflect the requirement to collect 100% of rent directly, assuming an extension of the existing payment profile across the entire housing stock when Universal Credit begins implementation in 2016.	Retained
Savings Target	£1,429,000 for 2016/17, then return to 2%	2016/17 target included assuming the need to offset loss of rental income. Similar pressure to reduce spending will exist for the next 4 year, but assumption that savings can be delivered at the higher level not yet built in.	Retained

Key Area	Assumption	Comment	Status
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Policy Space replaced with Transformation / Spend to save Fund	**£120,000 for 5 years from 2016/17**	**Policy space replaced with a new Housing Transformation / Spend to Save Fund to be allocated under delegation to the Strategic Advisor to Housing.**	**Amended**
Service Reviews	On case by case basis	Service review outcomes assumed to deliver to the HRA as indicated in the review business case.	Retained

Service Charges Appendix B

Charge Description	Charges 2015/16	Charge Basis	Charges 2016/17
General Stock			
Caretaking Charge	£3.27 to £4.76	Per Week Over 48 Weeks	A
Building Cleaning	£0.01 to £5.31	Per Week Over 48 Weeks	D
Estate Services Champion	£0.44	Per Week Over 48 Weeks	A
Door Entry	£0.14 to £1.02	Per Week Over 48 Weeks	B
Passenger Lifts	£0.47 to £2.46	Per Week Over 48 Weeks	B
Gas Maintenance / Servicing	£2.15	Per Week Over 48 Weeks	A / B
Digital TV Aerial Charge	£0.35	Per Week Over 48 Weeks	A
Grounds Maintenance	£0.91 to £13.25	Per Week Over 48 Weeks	A
Community Alarm Charge	£4.41	Per Week Over 48 Weeks	C
General Sheltered Schemes			
Premises Charge	£0.50 to £24.32	Per Week Over 48 Weeks	A
Communal Heating / Lighting	£2.23 to £8.51	Per Week Over 48 Weeks	A
Individual Heating / Lighting	£4.65 to £11.04	Per Week Over 48 Weeks	A
Water	£2.33 to £3.57	Per Week Over 48 Weeks	A
Grounds Maintenance	£0.91 to £2.35	Per Week Over 48 Weeks	A
Electrical / Mechanical Maintenance	£2.77 to £5.06	Per Week Over 48 Weeks	B
Sheltered Support Charge	£9.00 to £10.46	Per Week Over 48 Weeks	C
Sheltered Alarm Charge	Approx. £3.00 (In above)	Per Week Over 48 Weeks	E
Ditchburn Place			
Premises Charge	£2.55 to £49.44	Per Week Over 48 Weeks	A
Flat Cleaning / Laundry Charge	£26.65	Per Week Over 48 Weeks	A
Communal Heating / Lighting	£0.63 to £6.26	Per Week Over 48 Weeks	A

Individual Heating / Lighting	£7.25 to £12.53	Per Week Over 48 Weeks	A
Water	£4.36 to £8.08	Per Week Over 48 Weeks	A
Catering	£94.90	Per Week Over 48 Weeks	A
Grounds Maintenance	£1.77	Per Week Over 48 Weeks	A
Electrical / Mechanical Maintenance	£2.61	Per Week Over 48 Weeks	B
Sheltered Support Charge	£10.46	Per Week Over 48 Weeks	C
Extra Care Support Charge	£26.47	Per Week Over 48 Weeks	C
Alarm Charge	Approx. £3.00 (In both above)	Per Week Over 48 Weeks	E
Launderette – Wash / Dry	£6.50	Per Load As Requested	A
Temporary Accommodation			
Premises Charge	£47.87 to £55.78	Per Week Over 48 Weeks	A
Individual Heating / Lighting	£16.37 to £27.83	Per Week Over 48 Weeks	A
Water	£7.59	Per Week Over 48 Weeks	A
Electrical / Mechanical Maintenance	£3.74 to £7.57	Per Week Over 48 Weeks	B
Independent Living Services			
Private Lifelines - In City	£4.65	Per Week Over 52 Weeks	£4.65
Private Lifelines - Out City	£7.53	Per Week Over 52 Weeks	£7.53
Keysafe / Keyholding Charge	£1.88	Per Quarter	£2.68
Warden Agencies	£4.04	Per Week Over 52 Weeks	£4.04
Monitoring Charge	£0.32	Per Week Over 52 Weeks	£0.38
Leasehold Charges for Services			
Solicitors' pre-sale enquiries	£75.00	As Requested	£110.00
Copy of lease	From £20.00	As Requested	£30.00
Re-mortgage Enquiry/Copy of Insurance schedule	£25.00	As Requested	£30.00
Notice of Assignment/Notice of Charge	£75.00	As Requested	£75.00
Deed of Variations	£150.00	As Requested	£150.00

Home Improvements – Administration Only Inclusive of Surveyor Visit	£0.00 £0.00	As Requested AS Required	£30.00 £125.00
Retrospective consent for improvements	£25.00	As Requested	Above +£25.00
Registering sub-let details	£50.00	As Requested	£50.00
Initial Administration Fee/Survey for Application to purchase Loft Space	£150.00	As Requested	£175.00

Key	
A	These charges are currently (or will be - in the case of any new charges), based on recovering the actual cost of service provision and the proposal is to continue to recover the full estimated cost of providing these services in 2016/17.
B	These charges were separated out from pooled rent in 2004/05, and therefore can be increased to recover full cost up to a maximum of inflation at -0.1% (CPI at September 2015 plus 1%) for future years.
C	Charges levied for support activities will be reviewed in line with services being provided following expansion of the support service for older people, where the County Council now commission services across the city as a whole.
D	Charges for building cleaning (communal cleaning and window cleaning are being phased up to full cost recovery in three stages. Stage one (10% increase) was implemented in August 2015, with stage two due from April 2016 (10% increase plus inflation) and the final stage from April 2017 when full costs will be recharged.
E	Charge for alarm provision to be shown as a separate benefit ineligible service charge, reflecting the cessation of funding for this aspect of the support service by the County Council.
	Charges for the optional household contents insurance scheme will continue to be determined by the insurer but notified to tenants by the Council.

HRA Earmarked & Specific Funds Appendix C

(£'000)

Repairs & Renewals	Opening Balance	Contributions	Expenditure to Oct	Current Balance
General Management	(841.5)	(77.3)	0.2	(918.6)
Special Services	(795.3)	(151.6)	38.6	(908.3)
Repairs and Maintenance	(192.3)	(56.4)	0.0	(248.7)
Totals	(1,829.1)	(285.3)	38.8	(2,075.6)

Major Repairs Reserve	Opening Balance	Contributions	Expenditure to Oct	Current Balance
MRR	(2,219.5)	0.0	0.0	(2,219.5)

Tenants Survey	Opening Balance	Contributions	Expenditure to Oct	Current Balance
Tenants Survey	(26.9)	(6.2)	5.7	(27.4)

Aerial – Roof Space Rental *	Opening Balance	Contributions	Expenditure to Oct	Current Balance
Aerial Income	(113.6)	(17.8)	0.6	(130.8)

Debt Set-Aside (Revenue)	Opening Balance	Contributions / Adjustments	Expenditure to Oct	Current Balance
Debt Set-Aside	(1,901.7)	0.0	0.0	(1,901.7)

* The balance in respect of the HRA roof space rental will no longer be contributed to from April 2016 onwards. The sum remaining in the ear-marked reserve will be identified for investment in specific one-off projects as approved by the Executive Councillor for Housing, and once fully utilised, the reserve will be deleted.

2016/17 Budget - HRA - All Revenue Items

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect *& Poverty Ratings*

Savings

Housing - HRA

S3773	**Net reduction in contract costs for cyclical maintenance activity across the housing stock**	0	(26,200)	(26,200)	(26,200)	(26,200)	John Horwood	Nil

An exercise to tender and re-procure a number of cyclical maintenance contracts (mechanical heating, electrical inspections, lift inspections, fire safety inspections, etc) has resulted in the ability to reduce budgets in this area by a net sum of £26,200. *4.4*

S3775	**Reduction in operational costs for the Independent Living Service**	0	(7,800)	(7,800)	(7,800)	(7,800)	Frances Swann	Nil

A review of prior year expenditure has resulted in this proposal to reduce budgets for office running costs and operational overheads. *4.2*

Total Savings in Housing - HRA	**0**	**(34,000)**	**(34,000)**	**(34,000)**	**(34,000)**
Total Savings	**0**	**(34,000)**	**(34,000)**	**(34,000)**	**(34,000)**

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect *& Poverty Ratings*

Increased Income

Housing - HRA

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect & Poverty Ratings
II3811	**Increase in service charge income for the HRA**	0	(34,000)	(34,000)	(34,000)	(34,000)	Julia Hovells	Nil
Increase in service charge income for the HRA due to an increase in Temporary Accommodation units and a reduction in void activity.								*9*
II3812	**Increase in dwelling rent for the HRA**	0	(4,250)	(4,250)	(4,250)	(4,250)	Julia Hovells	Nil
Increase in rental income for the HRA due to a reduction in void levels.								*9*
Total Increased Income in Housing - HRA		**0**	**(38,250)**	**(38,250)**	**(38,250)**	**(38,250)**		
Total Increased Income		**0**	**(38,250)**	**(38,250)**	**(38,250)**	**(38,250)**		

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect & Poverty Ratings

Unavoidable Revenue Pressure

Housing - HRA

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect & Poverty Ratings
URP3774	**Bid to meet the statutory annual subscription to the Housing Ombudsman Service**	0	7,000	7,000	7,000	7,000	Julia Hovells	Nil
Bid to meet the statutory annual subscription to the Housing Ombudsman Service, where costs for years 1 and 2 were met from underspending in other budgets.								*n/a*
URP3776	**Net increase in salary costs based upon staff currently in post**	0	7,300	7,300	7,300	7,300	Julia Hovells	Nil
HRA General, Special and Repairs unavoidabe bid to meet the net increase in salary costs based upon staff currently in post.								*4.2*
URP3810	**Unavoidable bid to meet an anticipated decrease in commercial property rental Income**	0	5,800	5,800	5,800	5,800	Julia Hovells	Nil
This bid is required to meet an anticipated reduction in commercial property rental income due to a degree of difficulty in letting some void units.								*2.1*
URP3838	**Impact of delay in the closure of one area housing office until August 2016**	0	124,390	0	0	0	Robert Hollingsworth	Nil
It is not realistic to assume that the closure of one area housing office can be achieved by 1st April 2016, and this bid therefore recognises the reduction in saving that will be achieved in 2016/17, whilst also building in the cost to deliver the change.								*3*
Total Unavoidable Revenue Pressure in Housing - HRA		**0**	**144,490**	**20,100**	**20,100**	**20,100**		
Total Unavoidable Revenue Pressure		**0**	**144,490**	**20,100**	**20,100**	**20,100**		

2016/17 Budget - HRA - All Revenue Items

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect *& Poverty Ratings*

Non-Cash Limit Items

Housing - HRA

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect & Poverty Ratings
NCL3824	**Increased depreciation charge to the HRA**	0	(430)	(430)	(430)	(430)	Julia Hovells	Nil

An increase in asset valuations and the impact of new build housing result in an anticipated increase in depreciation to be charged to the HRA from 2016/17. *n/a*

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect & Poverty Ratings
NCL3839	**Net increase in interest receivable by the HRA**	0	(23,330)	(23,330)	(23,330)	(23,330)	n/a	Nil

A net incresae in interest due to the HRA is anticipated in 2016/17 due to an increase in balances held as a result of delays in delivering the new build programme. *5.4*

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect & Poverty Ratings
NCL3849	**Office Accommodation Strategy - revenue including set-up**	0	125,000	29,000	0	0	Dave Prinsep	+M

The Office Accommodation Strategy rationalises and improves the use of property, creating revenue savings and aims to generate capital receipts. This will be combined with more flexible working practices so staff can work where they are best located. Investment in retained buildings should create a modern working environment and improve facilities for staff. Significant expenditure of circa £3.5m is anticipated. (Linked to budget proposals NCL3764 and NCL3848).

	2015/16	2016/17	2017/18	2018/19	2019/20
Total Non-Cash Limit Items in Housing - HRA	**0**	**101,240**	**5,240**	**(23,760)**	**(23,760)**
Total Non-Cash Limit Items	**0**	**101,240**	**5,240**	**(23,760)**	**(23,760)**
Report Total	**0**	**173,480**	**(46,910)**	**(75,910)**	**(75,910)**

2016/17 Budget - HRA - All Capital Items

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect *& Poverty Ratings*

Capital Bids

Housing - HRA

Reference	Item Description	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £	Contact	Climate Effect & Poverty Ratings
C3840	**Capital cost of relocating staff to a single area housing office**	0	13,200	0	0	0	Robert Hollingsworth	+M

This bid will allow for the purchase of suitably sized furniture to accommodate more staff in the remaining area housing office. The cost will be met from existing HRA repairs and renewals funds.

	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	2018/19 Budget £	2019/20 Budget £
Total Capital Bids in Housing - HRA	**0**	**13,200**	**0**	**0**	**0**
Total Capital Bids	**0**	**13,200**	**0**	**0**	**0**
Report Total	**0**	**13,200**	**0**	**0**	**0**

HRA Budget Summary

Appendix E (1)

Area of Income / Expenditure	Description	(Saving Proposal or Increased Income) in 2016/17 Budget (£)	(Saving Proposal or Increased Income) in 2017/18 Budget (£)	(Saving Proposal or Increased Income) in 2018/19 Budget (£)	Comment
HRA 2016/17 Savings Target					
HRA Savings Target - 2016/17	Savings target set to mitigate impact of the 1% rent cut required from April 2016.	1,429,000	1,429,000	1,429,000	Ongoing
HRA Savings Target - 2017/18 and 2018/19	Savings target set at the previous level of 2%	0	113,000	226,000	Ongoing
Total HRA 2016/17 Savings Target		**1,429,000**	**1,542,000**	**1,655,000**	
HRA MFR Revenue Savings Already Approved for 2016/17					
Planned Maintenance	Reduction in planned maintenance (PTR) programme	(400,000)	(400,000)	(400,000)	Ongoing
Responsive and Void Repairs	Reduction in the use of sub-contractors for responsive repair and void works	(200,000)	(200,000)	(200,000)	Ongoing
Responsive and Void Repairs	Increase income generation through in-house responsive and void repairs team, or reduction in costs if this can't be achieved	(100,000)	(150,000)	(200,000)	Increasing by 50,000 in 2017/18 and 2018/19
Responsive Repairs	Removal of response repairs pre-inspection activity	(79,510)	(79,510)	(79,510)	Ongoing
Resident Involvement	Reduction in staffing numbers from 3 to 2 in respect of resident involvement activity, coupled with a reduction of 50% in other spending in this area	(53,780)	(53,780)	(53,780)	Ongoing

City Homes and Area Office Costs	Reduction to only one area office, with resulting reduction in both premises and staffing requirements, coupled with the need to sub-let the south area office in the medium term	(200,490)	(200,490)	(200,490)	Ongoing
Under-Occupation Scheme	Reduction in funding for the Under Occupation Incentive Scheme, with residual budget held to be returned to that originally approved	(40,000)	(40,000)	(40,000)	Ongoing
City Homes	Cessation of quarterly rent statements, recognising that routine arrears activity will continue for those in rent arrears	(12,360)	(12,360)	(12,360)	Ongoing
Strategic Housing	Transfer of one Housing Head of Service to the new Housing Development Agency	(43,120)	(43,120)	(43,120)	Ongoing and delivered in full in 2016/17
IT Costs	Reduction of budget for Orchard Housing Management System, recognising that not all modules previously held are still required	(15,000)	(15,000)	(15,000)	Ongoing
HRA Overheads	Cessation of annual Housemark subscription, with the intention to benchmark ourselves with other comparable authorities	(8,000)	(8,000)	(8,000)	Ongoing
HRA General	Removal of additions to pay budgets in all office based areas	(11,730)	(11,730)	(11,730)	Ongoing
HRA General	50% cut in professional training budgets across the HRA as a whole	(6,600)	(6,600)	(6,600)	Ongoing
HRA General	Remove recruitment costs budgets	(5,950)	(5,950)	(5,950)	Ongoing
Housing Options	Reduction in staffing in the Housing Options Team	(18,720)	(18,720)	(18,720)	Ongoing
Debt Management Costs	Recognising that there will be no need to obtain external borrowing advice in the current financial climate, the provision for additional debt management costs will be removed	(21,180)	(21,180)	(21,180)	Ongoing
Total HRA MFR Revenue Savings Already Approved for 2016/17		**(1,216,440)**	**(1,266,440)**	**(1,316,440)**	
HRA MFR Capital Savings Already Approved for 2016/17					

Capitalised Staff Fees	Reduction in staffing input into the HRA capital investment programme, recognising a reduced level of activity in the future	(35,800)	(35,800)	(35,800)	Ongoing and delivered in full in 2016/17
Estate Investment	Removal of discretionary budget for demand led investment in the wider housing estate	(200,000)	(200,000)	(200,000)	Ongoing
Long Term Vacants	Removal of allocation for bringing back long-term vacant homes in the private sector into use	(20,000)	(20,000)	(20,000)	Ongoing
Total HRA MFR Capital Savings Already Approved for 2016/17		**(255,800)**	**(255,800)**	**(255,800)**	
New Savings Proposals for 2016/17 BSR					
Cyclical Maintenance	Net savings in annual inspection and maintenance contracts following re-procurement of services	(26,200)	(26,200)	(26,200)	Ongoing
Independent Living Services	Reduction in operational budgets for the Independent Living Service based upon prior year activity	(7,800)	(7,800)	(7,800)	Ongoing
Total New Savings Proposals for 2016/17 BSR		**(34,000)**	**(34,000)**	**(34,000)**	
New Increased Income Proposals for 2016/17 BSR					
Dwelling Rent	Increased rental income due to a reduction in the level of void activity	(4,250)	(4,250)	(4,250)	Ongoing
Service Charges	Increase in service charge income due to an increase in temporary accommodation supply	(34,000)	(34,000)	(34,000)	Ongoing
Total New Savings Proposals for 2016/17 BSR		**(38,250)**	**(38,250)**	**(38,250)**	
New Unavoidable Revenue Pressure Proposals for 2016/17 BSR					
HRA General, Special and Repairs	Net increase in salary costs based upon staff currently in post	7,300	7,300	7,300	Ongoing
HRA Overheads	Need to meet statutory annual subscription to the Housing Ombudsman Service, where costs for years 1 and 2 were met from underspending in other budgets	7,000	7,000	7,000	Ongoing

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Commercial Property	Reduction in commercial property income due to hard to let void units	5,800	5,800	5,800	Ongoing
City Homes and Area Office Costs	One-off cost of the impact of the decision to close one area office not being realised until August 2016, to also include the one-off cost of change	124,390	0	0	One-Off
Total Unavoidable Revenue Pressure Proposals for 2016/17 BSR		**144,490**	**20,100**	**20,100**	
Cash Limit Adjustments for 2016/17 BSR					
Depreciation	Increase in depreciation due to revised asset values and delivery of new build housing.	(430)	(430)	(430)	Ongoing
Interest Paid and Received	Increase in service charge income due to an increase in temporary accommodation supply	(23,330)	(23,330)	(23,330)	Ongoing
Office Accommodation Strategy	The HRA will bear a share of the revenue set up costs relating to the administrative building changes proposed as part of the Office Accommodation Strategy	125,000	29,000	0	One-Off Costs
Total Cash Limit Adjustments 2016/17 BSR		**101,240**	**5,240**	**(23,760)**	
Total Net Position for the HRA for 2016/17		**(1,298,760)**	**(1,569,150)**	**(1,648,150)**	
Under /(Over) Achievement against HRA Savings Target in 2016/17 and Ongoing		**130,240**	**(27,150)**	**6,850**	

HRA BSR Note

The table above identifies savings that have already been approved as part of the HRA MFR, and any subsequent savings, unavoidable revenue pressures and bids that have been identified by cost centre managers at this stage in the budget preparation process. Any cash limit adjustments have also been incorporated.

Appendix E (2)

2016/17 Capital Budget Amendments Summary

Area of Expenditure and Change	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Housing Capital Plan Expenditure pre HRA MFR	**43,560**	**30,948**	**13,081**	**9,212**	**13,121**
Decent Homes and Other HRA Stock Investment					
Reduction in budget for central heating / boiler replacements	-300	0	0	0	0
Reduction in budget for roof structure works	-100	0	0	0	0
Reduction in budget for communal area investment	-100	0	0	0	0
Reduction in budget for garage improvements	-90	0	0	0	0
Reduction in budget for asbestos removal	-100	0	0	0	0
Reduction in budget for fire safety works	-120	0	0	0	0
Re-profiling of budget for roof covering works	-320	320	0	0	0
Re-profiling of budget for bathroom replacements	-250	250	0	0	0
Re-profiling of budget for sulphate works	-102	0	0	0	0
Change in planned maintenance contractor overheads	0	63	0	0	0
Change in budget for decent homes works to new build dwellings	-50	-97	7	6	7
New Build					
2011-15 Programme savings at unconditional contract stage	-78	0	0	0	0
Re-phasing of spend for Homerton	-645	645	0	0	0
Re-phasing of 2015/16 Garage Site investment	-650	650	0	0	0
Ear-marking additional resource for Anstey Way development	0	810	2,300	0	0
Transfer of unallocated new build resource to fund scheme for Akeman Street re-development	0	132	1,844	0	0
Re-phasing of, and addition of budget for, new build required to utilise retained RTB receipts	-3,781	3,423	1,605	0	0
Other HRA Capital Spend					
Incorporation of scheme for relocation of staff to a single area housing office	0	14	0	0	0
Inflation Allowance					
Adjustment in inflation allowed as spend changes	0	113	363	37	72
Total Housing Capital Plan Expenditure per HRA BSR	**36,874**	**37,271**	**19,200**	**9,255**	**13,200**

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified	• Effective, regular, review processes are in place for the HRA to ensure that implications are identified and raised at an early stage
Funding is not identified to meet the costs associated with changes in statutory requirements	• Additional / specific funding enhancements for new services can be identified through the financial planning and budget processes, to allow effective implementation
HRA Debt Settlement could be re-opened (or not re-opened when required) by Government	• The Council has processes in place to manage the demands of local and national housing agendas, ensuring early engagement in any consultation and collective representation through national housing bodies
Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible. • Remedial action is taken at an early stage to mitigate any negative financial impact for the HRA
Housing Portfolio & Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	• Council has adopted medium (5 year) and long-term modelling (up to 30 years) for HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications • The Business Plan includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications • Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures

Risk Area & Issue arising	Controls / Mitigation Action
Financial planning lacks appropriate levels of prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA Failure to deliver Major Housing / Development Projects, i.e. return on capital, project on time etc.	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework • A business cases is required for all strategic acquisitions, disposals and one-off areas of significant investment • Performance and contractor management procedures are robust and contracts are enforceable • Organisational development and workforce planning activity is ongoing and reflects the needs of the HRA • The Council's accounts are audited on an annual basis, with assurance given that the authority is delivering economy, efficiency and effectiveness in its use of resources

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation and the provision of information to negotiation bodies such as LGA and CIH
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes to the right to buy rules and pooling regulations result in a continued high level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity
Volatility and competition in the property market impacts the ability to fund capital pressures from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt

Appendix G

Retained 1-4-1 Right to Buy Receipts

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
30/09/2012	305,694.44	305,694.44	1,018,981.47	30/09/2015	6,015,816.06	1,804,744.82	0.00	0.00
31/12/2012	1,052,927.43	1,358,621.87	4,528,739.57	31/12/2015			0.00	0.00
31/03/2013	721,056.95	2,079,678.82	6,932,262.73	31/03/2016			274,934.00	916,446.67
30/06/2013	558,506.21	2,638,185.03	8,793,950.10	30/06/2016			833,440.21	2,778,134.04
30/09/2013	649,210.49	3,287,395.52	10,957,985.07	30/09/2016			1,482,650.70	4,942,169.01
31/12/2013	939,637.07	4,227,032.59	14,090,108.63	31/12/2016			2,422,287.77	8,074,292.57
31/03/2014	1,556,452.02	5,783,484.61	19,278,282.03	31/03/2017			3,978,739.79	13,262,465.97
30/06/2014	1,053,196.82	6,836,681.43	22,788,938.10	30/06/2017			5,031,936.61	16,773,122.04
30/09/2014	517,057.26	7,353,738.69	24,512,462.30	30/09/2017			5,548,993.87	18,496,646.24
31/12/2014	1,004,106.23	8,357,844.92	27,859,483.07	31/12/2017			6,553,100.10	21,843,667.01
31/03/2015	831,750.78	9,189,595.70	30,631,985.67	31/03/2018			7,384,850.88	24,616,169.61
30/06/2015	595,447.59	9,785,043.29	32,616,810.97	30/06/2018			7,980,298.47	26,600,994.91
30/09/2015	902,092.08	10,687,135.37	35,623,784.57	30/09/2018			8,882,390.55	29,607,968.51

New Build Investment Cashflow

Appendix H

New Build / Re-Development Scheme	Prior Year Actuals	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
	£'0	£'0	£'0	£'0	£'0	£'0	£'0
New Build / Re-Development Cash Expenditure (Net of Developer's Cross Subsidy / Notional Land Value)							
Jane's Court	1,244,619	0	0	0	0	0	0
Latimer Close	1,598,289	0	0	0	0	0	0
Barnwell Road	682,040	385,000	0	0	0	0	0
Campkin Road (Phase 1)	1,832,571	884,330	0	0	0	0	0
Colville Road (Phase 1)	572,138	921,450	0	0	0	0	0
Water Lane	413,140	728,320	0	0	0	0	0
Aylesborough Close	1,161,408	1,636,590	0	0	0	0	0
Stanesfield Road	574,133	0	0	0	0	0	0
Wadloes Road	21,006	749,000	0	0	0	0	0
Atkins Close (Garage Site)	355,145	233,000	0	0	0	0	0
Hawkins Road (Garage Site)	5,253	1,408,470	0	0	0	0	0
Fulbourn Road (Garage Site)	4,899	1,315,640	0	0	0	0	0
Ekin Road (Garage Site)	4,116	1,087,630	0	0	0	0	0
Market Housing on Re-Development Sites	1,939,500	954,750	0	0	0	0	0
Market Acquisitions	0	435,000	0	0	0	0	0
Anstey Way Prototype	68,860	0	0	0	0	0	0
Clay Farm	13,966	2,315,290	11,495,470	2,380,050	0	0	0
Homerton	0	4,260,600	2,746,960	0	0	0	0
Garage Sites 2015/16	0	100,000	2,900,030	0	0	0	0

New Build / Re-Development Scheme	Prior Year Actuals	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
	£'0	£'0	£'0	£'0	£'0	£'0	£'0
Anstey Way (Land Assembly Only)	0	426,670	853,330	0	0	0	0
Anstey Way (Ear-Marked Funds)	0	0	810,000	2,300,000	0	0	0
Akeman Street	0	0	131,430	1,844,270	0	0	0
New Build – + RTB Receipts	0	0	3,967,130	1,605,070	0	0	0
New Build – HRA Surpluses	0	0	0	0	0	0	0
New Build / Re-Development Expenditure equivalent to Notional Land Value							
Spend Equivalent to Land Value	7,392,839	3,193,656	0	0	0	0	0
Total New Build/ Re-Development Expenditure	**17,883,922**	**21,035,396**	**22,904,350**	**8,129,390**	**0**	**0**	**0**
New Build / Re-Development Grant and Area Committee Funding							
Jane's Court	(354,460)	0	0	0	0	0	0
Latimer Close	(212,676)	0	0	0	0	0	0
Barnwell Road	(106,340)	(106,338)	0	0	0	0	0
Campkin Road (Phase 1)	(265,845)	(88,610)	0	0	0	0	0
Colville Road (Phase 1)	(168,369)	(168,370)	0	0	0	0	0
Stanesfield Road (Incl. 100k Area Committee Grant)	(170,892)	0	0	0	0	0	0
Atkins Close (Garage Site)	(106,338)	(35,450)	0	0	0	0	0
Water Lane	0	(175,000)	(175,000)	0	0	0	0
Aylesborough Close	0	(500,000)	0	0	0	0	0
Total New Build / Re-Development Funding	**(1,384,920)**	**(1,073,768)**	**(175,000)**	**0**	**0**	**0**	**0**

New Build / Re-Development Scheme	Prior Year Actuals	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
	£'0	£'0	£'0	£'0	£'0	£'0	£'0
Retained Right to Buy Funding							
Wadloes Road	(54,160)	(265,630)	0	0	0	0	0
Atkins Close (Garage Site)	0	0	0	0	0	0	0
Hawkins Road (Garage Site)	(1,580)	(422,540)	0	0	0	0	0
Fulbourn Road (Garage Site)	(1,470)	(394,690)	0	0	0	0	0
Ekin Road (Garage Site)	(1,230)	(326,290)	0	0	0	0	0
Market Housing on Re-Development Sites	(581,850)	(286,500)	0	0	0	0	0
Market Acquisitions	(68,280)	(118,030)	0	0	0	0	0
Anstey Way Prototype	(20,660)	0	0	0	0	0	0
Clay Farm	(3,140)	(511,410)	(2,539,180)	(525,720)	0	0	0
Homerton	0	(948,330)	(611,430)	0	0	0	0
Garage Sites 2015/16	0	(30,000)	(870,010)	0	0	0	0
Akeman Street	0	0	(31,540)	(442,630)	0	0	0
New Build – With RTB Receipts	0	0	(1,190,140)	(481,520)	0	0	0
Total Retained Right to Buy Funding	**(732,370)**	**(3,303,420)**	**(5,242,300)**	**(1,449,870)**	**0**	**0**	**0**
Total to be funded from HRA Resources (DRF & MRR) and Non-RTB Capital Receipts	**15,766,632**	**16,658,208**	**17,487,050**	**6,679,520**	**0**	**0**	**0**
Total HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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Key Sensitivity Analysis

Appendix I

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
General Inflation	General Inflation using CPI at 2% for expenditure	Volatility in the economy could lead to an increase in external costs. 1% increase in general inflation for expenditure only for the life of the plan.	Inability to set an HRA budget from 2025/26 and current plans are therefore not fully deliverable.
Rents Inflation	Reduction in real terms of 1% per annum for 4 years, then return to CPI plus 1%	Assumption that government policy only allows for a return to rent increases at CPI from 2020/21, and not CPI plus 1%.	Inability to set a balanced HRA budget from 2025/26 and current plans are therefore not fully deliverable.
Capital Investment Real Increase Inflation	Capital Investment Inflation at 3% above CPI for 4 years	A real increase of 3% is allowed for building inflation. Assume that real inflationary increase required is 5% for remaining 4 years from 2017/18 as the building industry in Cambridge is buoyant.	Inability to set a balanced HRA budget from 2019/20 and current plans are therefore not fully deliverable.
Investment Income	Interest on balances increasing to 1.62% long-term	Rates may recover more than anticipated, or long-term lending options may prove viable. Assume ongoing rate of 3% from 2017/18.	£3.6 million additional resource whilst the HRA is still a financially viable business.
Housing Rent Collection and Welfare Reforms	Costs based on historic activity, with an increase in transactional collection costs	Universal Credit results in 100% of rent being collected directly from tenants. Assume, in addition to the increase in transactional costs, an ongoing increase in bad debt of an additional 1% per annum from 2016/17.	Inability to set a balanced HRA budget from 2029/30 and current plans are therefore not fully deliverable.

HRA Summary 2015/16 to 2020/21

Appendix J

Description	2015/16 £0	2016/17 £0	2017/18 £0	2018/19 £0	2019/20 £0	2020/21 £0
Income						
Rental Income (Dwellings)	(37,185,810)	(36,900,310)	(36,598,970)	(35,944,760)	(34,951,650)	(35,284,730)
Rental Income (Other)	(1,096,480)	(1,112,620)	(1,134,870)	(1,157,570)	(1,180,720)	(1,204,340)
Service Charges	(2,447,980)	(2,573,880)	(2,643,340)	(2,691,860)	(2,741,350)	(2,791,840)
Contribution towards Expenditure	(3,210)	(3,270)	(3,340)	(3,400)	(3,470)	(3,540)
Other Income	(455,090)	(443,400)	(431,060)	(418,060)	(426,420)	(434,950)
Total Income	**(41,188,570)**	**(41,033,480)**	**(40,811,580)**	**(40,215,650)**	**(39,303,610)**	**(39,719,400)**
Expenditure						
Supervision & Management - General	3,370,810	3,571,980	3,749,010	3,908,420	4,163,070	4,491,560
Supervision & Management - Special	2,507,580	2,566,540	2,625,630	2,686,120	2,748,050	2,825,550
Repairs & Maintenance	6,855,150	6,287,430	6,474,600	6,665,520	6,865,290	7,112,120
Depreciation – t/f to Major Repairs Res.	11,444,060	11,626,690	12,010,710	12,364,440	12,735,790	13,126,750
Debt Management Expenditure	21,180	0	0	0	0	0
Other Expenditure	3,304,280	3,400,820	3,464,320	3,525,210	3,583,820	3,658,920
Total Expenditure	**27,503,060**	**27,453,460**	**28,324,270**	**29,149,710**	**30,096,020**	**31,214,900**
Net Cost of HRA Services	**(13,685,510)**	**(13,580,020)**	**(12,487,310)**	**(11,065,940)**	**(9,207,590)**	**(8,504,500)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account						
Interest Receivable	(326,410)	(296,050)	(362,320)	(449,150)	(479,940)	(440,950)
HRA (Surplus) / Deficit for the Year	**(14,011,920)**	**(13,876,070)**	**(12,849,630)**	**(11,515,090)**	**(9,687,530)**	**(8,945,450)**
Items not in the HRA Income and Expenditure Account but in the movement on HRA balance						
Loan Interest	7,541,290	7,541,290	7,541,290	7,541,290	7,541,290	7,541,290
Housing Set Aside	0	0	5,344,770	3,961,180	2,129,710	1,336,160

Appropriation form Ear-Marked Reserve	0	(13,200)	0	0	0	0
Depreciation Adjustment	(3,285,420)	(3,177,620)	0	0	0	0
Direct Revenue Financing of Capital	20,191,440	11,238,900	32,070	0	0	0
(Surplus) / Deficit for Year	**10,435,390**	**1,713,300**	**68,500**	**(12,620)**	**(16,530)**	**(68,000)**
Balance b/f	(15,164,833)	(4,729,443)	(3,016,143)	(2,947,643)	(2,960,263)	(2,976,793)
Total Balance c/f	**(4,729,443)**	**(3,016,143)**	**(2,947,643)**	**(2,960,263)**	**(2,976,793)**	**(3,044,793)**

Housing Capital Investment Plan

Appendix K

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend						
Disabled Facilities Grants	550	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195	195
Choice Based Letting IT System	30	0	0	0	0	0
Total General Fund Housing Capital Spend	**775**	**745**	**745**	**745**	**745**	**745**
HRA Capital Spend						
Decent Homes						
Kitchens	898	236	206	190	655	640
Bathrooms	475	541	225	255	201	986
Central Heating / Boilers	1,786	1,105	1,660	544	2,586	3,536
Insulation / Energy Efficiency	100	100	100	100	100	100
External Doors	435	128	109	54	52	291
PVCU Windows	0	0	0	0	0	6
Wall Structure	220	119	142	140	134	254
Wall Finishes	349	227	202	174	383	74
Wall Insulation	100	100	100	100	100	100
External Painting	0	0	0	0	0	300
Roof Structure	700	322	300	300	300	300
Roof Covering	716	662	334	334	334	334
Chimneys	2	13	1	0	1	0
Electrical / Wiring	243	497	561	293	555	932
Smoke Detectors	109	116	116	116	116	116

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Sulphate Attacks	0	102	102	102	102	102
Major Voids / Major Works	108	0	0	0	0	0
HHSRS Contingency	150	100	100	100	100	100
Other Health and Safety Works	150	50	50	50	50	50
Other External Works	5	0	0	0	0	0
Capitalised Officer Fees - Decent Homes	341	323	305	305	305	305
External Professional Fees	17	17	17	17	17	17
Decent Homes Backlog	0	0	0	0	0	0
Decent Homes Planned Maintenance Contractor Overheads	680	486	474	314	635	904
Decent Homes New Build Allocation	19	106	217	221	226	230
Total Decent Homes	**7,603**	**5,350**	**5,321**	**3,709**	**6,952**	**9,677**
Other Spend on HRA Stock						
Garage Improvements	698	788	100	100	100	100
Asbestos Removal	100	100	50	50	50	50
Disabled Adaptations	878	878	878	878	878	878
Tenants Incentive Scheme	21	0	0	0	0	0
Communal Areas Uplift	19	396	346	346	346	346
Fire Prevention / Fire Safety Works	310	100	100	100	100	100
Hard surfacing on HRA Land - Health and Safety Works	380	250	250	250	250	250
Hard surfacing on HRA Land - Recycling	0	142	0	0	0	0
Communal Areas Floor Coverings	100	100	100	100	100	100
Lifts and Door Entry Systems	176	13	13	13	13	13
Fencing	327	200	200	200	200	200

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Reduction in Discretionary Investment	0	-100	-100	-100	-100	-100
Capitalised Officer Fees - Other HRA Stock Spend	114	114	114	114	114	114
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	330	315	213	213	213	213
Total Other Spend on HRA stock	**3,453**	**3,296**	**2,264**	**2,264**	**2,264**	**2,264**
HRA New Build / Re-Development / Acquisition						
Roman Court	14	0	0	0	0	0
3 Year Affordable Housing Programme	9,349	0	0	0	0	0
3 Year Affordable Housing Programme (Notional Spend - Land Value)	3,194	0	0	0	0	0
Market Housing on HRA Sites	955	0	0	0	0	0
New Build - Clay Farm	2,315	11,496	2,380	0	0	0
New Build - Homerton	4,260	2,747	0	0	0	0
Re-Development - Anstey Way (Land Assembly Only)	427	853	0	0	0	0
Anstey Way - Earmarked Resource towards Re-Development	0	810	2,300	0	0	0
2015/16 Garage Sites	100	2,900	0	0	0	0
Akeman Street	0	132	1,844	0	0	0
New Build or Acquisition - Unallocated Retained RTB Receipt Investment	0	3,967	1,605	0	0	0
Right of First Refusal Buy Back	435	0	0	0	0	0
New Build - Investment of HRA Surpluses	0	0	0	0	0	0
Total HRA New Build / Acquisition	**21,049**	**22,905**	**8,129**	**0**	**0**	**0**

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
City Homes Estate Improvement Programme						
City Homes Estate Improvement Programme	250	0	0	0	0	0
Total City Homes Estate Improvement Programme	**250**	**0**	**0**	**0**	**0**	**0**
Sheltered Housing Capital Investment						
Ditchburn Place	1,900	2,408	0	0	0	0
Total Sheltered Housing Capital Investment	**1,900**	**2,408**	**0**	**0**	**0**	**0**
Other HRA Capital Spend						
Orchard Upgrade / Mobile Working	39	0	0	0	0	0
Cambridge Public Sector Network	29	0	0	0	0	0
Air Cooling Systems in Area Offices	11	0	0	0	0	0
Shared Ownership Repurchase	300	300	300	300	300	300
Commercial and Administrative Property	190	44	30	30	30	30
Total Other HRA Capital Spend	**569**	**344**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**34,824**	**34,303**	**16,044**	**6,303**	**9,546**	**12,271**
Total Housing Capital Spend at Base Year Prices	**35,599**	**35,048**	**16,789**	**7,048**	**10,291**	**13,016**
Inflation Allowance and Stock Reduction Adjustment for Future Years	1,275	2,223	2,411	2,207	2,909	3,440
Total Inflated Housing Capital Spend	**36,874**	**37,271**	**19,200**	**9,255**	**13,200**	**16,456**
Housing Capital Resources						

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Right to Buy Receipts	(516)	(522)	(527)	(532)	(537)	(543)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0	0
Notional Land Receipts (New Build Schemes)	(3,194)	0	0	0	0	0
Major Repairs Reserve	(7,694)	(10,292)	(12,853)	(8,152)	(12,092)	(15,342)
Direct Revenue Financing of Capital	(20,191)	(11,239)	(32)	0	0	0
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(1,673)	(2,484)	(2,653)	(300)	(300)	(300)
Retained Right to Buy Receipts	(3,303)	(5,242)	(1,450)	0	0	0
Disabled Facilities Grant	(303)	(271)	(271)	(271)	(271)	(271)
Prudential Borrowing	0	0	0	0	0	0
Total Housing Capital Resources	**(36,874)**	**(30,050)**	**(17,786)**	**(9,255)**	**(13,200)**	**(16,456)**
Net (Surplus) / Deficit of Resources	(0)	7,221	1,414	0	0	0
Capital Balances b/f	**(8,634)**	**(8,634)**	**(1,414)**	**0**	**0**	**0**
Use of / (Contribution to) Balances in Year	(0)	7,221	1,414	0	0	0
Capital Balances c/f	**(8,634)**	**(1,414)**	**0**	**0**	**0**	**0**
The inflationary element of the decent homes spend for 2015/16 was held for allocation against the decent homes elements of the planned maintenance programme once task orders with the new planned maintenance contract were issued. If not required in full at year end, the resource will be set-aside with other savings in 2015/16 towards the resource required to re-develop the Anstey Way site.						

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Other Capital Balances (Opening Balance 1/4/2015)						
Major Repairs Reserve	(2,220)					
Retained 1-4-1 Right to Buy Receipts	(8,457)					
Right to Buy Receipts for Debt Redemption	(3,999)					
Total Other Capital Balances	**(14,676)**					

Appendix L

Cambridge City Council Equality Impact Assessment

1. Title of strategy, policy, plan, project, contract or major change to your service:
Budget Setting Report 2016/17 (HRA)

2. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?
The HRA Budget Setting Report enables the City Council to set a balanced budget for 2016/17 that reflects the Council's vision statements and takes into account councillor's priorities in its proposals for achieving the savings required. This EQIA assesses the equality impacts of the Housing Revenue Account (HRA) element of the City Council's budget; a separate EQIA has been completed for the General Fund (GF) element of the Council's budget. Equality Impact Assessments (EqIAs) are completed for budget proposals that will result in significant service changes. The majority of these changes were identified in the September 2015 Mid-Term Financial Review, and subsequently addressed via the HRA MFR EqIA. The 2016/17 BSR EqIA therefore focusses only on those unavoidable revenue pressures and savings identified in the Report.

3. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)
X Residents Visitors X Staff
A specific client group or groups (please state): This is a composite EqIA for all 2016 -2017 HRA budget bids and it covers all Council housing revenue account services.

4. What type of strategy, policy, plan, project, contract or major change to your service is this? (Please tick)

X New

X Revised

X Existing

5. Responsible directorate and service

Directorate: This report involves cross organisation responsibility and is managed by a team from different departments in the Council – Corporate Strategy and Finance have coordinated the document, with input from City Homes, Strategic Housing and Estates and Facilities in particular.

6. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service?

0 No

X Yes (please give details):

This is an assessment of the Council's HRA budget and therefore covers all HRA services. In particular the EqIA considers the equalities impacts of proposals submitted by City Homes, Strategic Housing, Estates and Facilities, ICT and Legal. The budget also affects some of our partnership working, notably with South Cambridgeshire District Council and Huntingdonshire District Council, and has the ability to impact the County Council in respect of the delivery of support activity and housing plus services.

7. Potential impact

Please list and explain how this strategy, policy, plan, project, contract or major change to your service could **positively** or **negatively** affect individuals from the following equalities groups.

- No individual public consultation is proposed with service users (tenants and leaseholders) in respect of the new proposals made in the HRA Budget Setting Report, because no significant change in service delivery is anticipated. Consultation with tenant and leaseholder representatives is however undertaken through the formal committee process and through specific tenant led representative groups, such as the Housing Regulation Panel. Specific resident consultation will take place in respect of some of the changes approved in the HRA Mid-Year Financial Review, such as the closure of an area housing office.

(a) Age (any group of people of a particular age, including younger and older people – in particular, please consider any safeguarding issues for children and vulnerable adults)
Reduction in operational budgets for the Independent Living Service – has the potential to negatively impact on the vulnerable older tenants and residents who rely on the ILS service, but as the nature of saving is budget reductions in office costs, no negative impact is anticipated. The ILS Team will monitor the level of support that they provide going forward, and ensure that inadvertent exclusion does not occur following the savings. **One-off cost for a delay to the closure of City Homes South Office** – has the potential to both positively and negatively impact older and younger service users: ***Positive impact*** – the South office remains open for longer, continuing to provide a drop-in service in the south area of the city, which will positively impact older tenants living in the south of the City who will find it easier to travel to the site than the town centre or North office. ***Negative impact*** – the charge for keeping the office open for longer is £102,830. Finding the required funds means other services that provide for older and younger tenants and who would benefit from the extra funding, or have to find savings to cover the charge, could be negatively affected.

(b) Disability (including people with a physical impairment, sensory impairment, learning disability, mental health problem or other condition which has an impact on their daily life)
Reduction in operational budgets for the Independent Living Service – has the potential to negatively impact on the vulnerable disabled tenants and residents who rely on the ILS service, but as the nature of saving is budget reductions in office costs, no negative impact is anticipated. The ILS Team will monitor the level of support that they provide going forward, and ensure that inadvertent exclusion does not occur following the savings. **One-off cost for a delay to the closure of City Homes South Office** – has the potential to both positively and negatively impact disabled service users: ***Positive impact*** – the South office remains open for longer, continuing to provide a drop-in service in the south area of the city, which will positively impact tenants with a disability living in the south of the City who will find it easier to travel to the site than the town centre or North office. ***Negative impact*** – **One-off cost for a delay to the closure of City Homes South Office** – The closure of the City Homes South Office has been EqIA'd as a separate issue due the significant impact it is likely to have on the tenants and leaseholders living in the area. Delaying the closure of the office requires extra resource that would otherwise be either reinvested into the overall service, or offered as a saving, which protects other services to vulnerable tenants from also having to make savings.

(c) Gender
No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

(d) Pregnancy and maternity
No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

(e) Transgender (including gender re-assignment)
No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

(f) Marriage and Civil Partnership
No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

(g) Race or Ethnicity
No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

(h) Religion or Belief
No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

(i) Sexual Orientation
No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

(j) Other factors that may lead to inequality – in particular – please consider the impact of any changes on low income groups or those experiencing the impacts of poverty (please state):
Building cleaning and window cleaning services - Phase 2 of the increase – following a retendering process, the above element of the service charge for flatted accommodation to tenants and leaseholders has increased. Although the increased costs have been staggered to minimise the impact on tenants, phase 2 of the increase will be put in place from April 2016, with full cost expected to be recovered by April 2017. Although there is the potential for significant negative impact on those who are on low or no income living in flatted accommodation as the charge for services is a mandatory payment that is not always covered by Housing Benefit, this element of the charge is. Payment of these extra charges for some, a reduction in rent of 1% for all and the rolling-out of Universal Credit in Cambridge in February 2016 will likely require the City Homes Teams to provide support to many more tenants struggling to make sense of, and pay, their bills. **Separate benefit ineligible charge for alarm services in sheltered and dispersed community alarm accommodation –** the cessation of funding for alarms by the County Council from April 2016 means that in order to continue to provide this service all receiving residents will be required to pay for the service, irrespective of whether or not they are in receipt of housing benefit. This has the potential to negatively impact those who currently have the service paid for on their behalf by the County Council. The Independent Living Team will provide advice and support to those impacted. **One-off cost for a delay to the closure of City Homes South Office** – The closure of the City Homes South Office has had an EqIA completed separately due the significant impact it is likely to have on the tenants and leaseholders living in the area. Delaying the closure of the office requires extra resource that would otherwise be either reinvested into the overall service, or offered as a saving; this protects other services to vulnerable tenants from also having to make savings. The impact of the decision to keep the office open for longer than anticipated will need to be monitored to ensure those other services that provide support and advice to tenants on low/no income are not adversely affected. The mitigating fact that the office remains open for longer means that officers are physically present and available to tenants in the south of the city to provide this very support where required.

8. If you have any additional comments please add them here

9. Conclusions and Next Steps

- If you have not identified any negative impacts, please sign off this form.
- If you have identified potential negative actions, you must complete the action plan at the end of this document to set out how you propose to mitigate the impact. If you do not feel that the potential negative impact can be mitigated, you must complete question 8 to explain why that is the case.
- If there is insufficient evidence to say whether or not there is likely to be a negative impact, please complete the action plan setting out what additional information you need to gather to complete the assessment.

10. Sign off

Name and job title of assessment lead officer: Catherine Buckle

Names and job titles of other assessment team members and people consulted:
Julia Hovells – Business Manager/Principal Accountant

Date of completion: November 2015

Date of next review of the assessment: December 2016

Action Plan

Equality Impact Assessment title: Budget 2016/17 (HRA) EqIA

Date of completion: November 2015

Equality Group	**Age**
Details of possible disadvantage or negative impact	**Reduction in operational budgets for the Independent Living Service** – has the potential to negatively impact on the vulnerable older tenants and residents who rely on the service for support.
Action to be taken to address the disadvantage or negative impact	Team to monitor the level of support that they provide going forward, and ensure that inadvertent exclusion does not occur following the savings.
Officer responsible for progressing the action	Frances Swann
Date action to be completed by	September 2016.

Equality Group	**Age**
Details of possible disadvantage or negative impact	**One-off cost for a delay to the closure of City Homes South Office** – has the potential to both positively and negatively impact older and younger service users:
Action to be taken to address the disadvantage or negative impact	The impact of the decision to keep the office open for longer than anticipated will need to be monitored to ensure other services for older or younger tenants are not adversely impacted by the subsequent need to find savings to cover the costs of the South Office.
Officer responsible for progressing the action	Robert Hollingsworth
Date action to be completed by	June 2016.

Equality Group	Disability
Details of possible disadvantage or negative impact	**Reduction in operational budgets for the Independent Living Service** – has the potential to negatively impact on disabled tenants and residents who rely on the service for support.
Action to be taken to address the disadvantage or negative impact	Team to monitor the level of support that they provide going forward, and ensure that inadvertent exclusion does not occur following the savings.
Officer responsible for progressing the action	Frances Swann
Date action to be completed by	September 2016.

Equality Group	Disability
Details of possible disadvantage or negative impact	**One-off cost for a delay to the closure of City Homes South Office** – has the potential to both positively and negatively impact disabled service users.
Action to be taken to address the disadvantage or negative impact	The impact of the decision to keep the office open for longer than anticipated needs to be monitored to ensure other services for disabled tenants are not adversely impacted by the subsequent need to find savings to cover the costs of the South Office.
Officer responsible for progressing the action	Robert Hollingsworth
Date action to be completed by	June 2016.

Other factors that may lead to inequality – <u>in particular</u> – please consider the impact of any changes on low income groups or those experiencing the impacts of poverty (please state):	
Details of possible disadvantage or negative impact	**Building cleaning and window cleaning services - Phase 2 of the increase** – There is the potential for significant negative impact on those who are on low or no income living in flatted accommodation. **Separate benefit ineligible charge for alarm services in sheltered and dispersed community alarm accommodation –** Negative financial impact for housing benefit recipients in older persons housing, of cessation of funding for alarms by the County Council
Action to be taken to address the disadvantage or negative impact	City Homes to monitor arrears in relation to rents, service charges and Universal Credit and continue to provide focussed advice and support to those struggling to pay their bills. Independent Living Team to advise and support affected residents, signposting to financial advice and support agencies where appropriate.
Officer responsible for progressing the action	Robert Hollingsworth
Date action to be completed by	On-going

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Cambridge City Council **Item**

To:	Executive Councillor for Housing: Councillor Kevin Price
Report by:	Alan Carter – Head of Strategic Housing
Relevant scrutiny committee:	Housing Scrutiny Committee — 13 January 2016
Wards affected:	Arbury
EQIA Undertaken	Yes

Council New Build Redevelopment 74-82 Akeman Street - Scheme Approval

Key Decision

1. Executive summary

This report provides details of the proposal to redevelop the shops and flats at 74-82 Akeman Street to provide 10 new homes. The area currently consists of 5 No. commercial units with flats above and associated land to the rear. Of the five commercial units, 3 No. are occupied with expired leases and all are holding over on these leases; 1 No. unit is void (previously occupied by a bakery) and 1 No. units is used as a community facility by the Community Development team.

Two of the flats are managed by City Homes for council tenants, the remaining 3 flats are included in the lease with the shop unit beneath.

The proposed redevelopment has indicative plans to deliver a minimum of 10 No. new homes on the existing site, providing 2, 3 and 4 bedroom accommodation. There will be ongoing work to decide whether it is viable to replace any of the commercial units. It is proposed to temporarily replace the community facility should the redevelopment proceed and to consider how, in longer term, the communities needs are met as part of a wider review of community facilities.

The report requests approval to a capital budget for the scheme based on the outlined appraisal assuming the mix stated above.

The appraisal suggests that all of the new properties can be delivered as part of the Council's social rent housing programme.

2. Recommendations

The Executive Councillor is recommended to:

- Note the indicative mix of the proposed scheme.
- Approve the scheme capital budget of £2,085,510 detailed in the report to cover the construction cost of the scheme and professional fees and other costs, also noting that a final scheme will be brought back to committee for scrutiny and approval.
- Approve that delegated authority be given to the Director of Customer and Community Services following consultation with the Head of Legal Services to seal a contract with the chosen contractor following procurement in accordance with Council regulations.

3. Background

The scheme in this report is the redevelopment of shops units with flats above and rear garden area on Akeman Street.

The potential to redevelop this site was first highlighted by colleagues in Property Services who noted that the leases for the occupied commercial units had expired and negotiations would be required if new leases were considered. As one of the units was already void and with significant works required to the block and the garden areas it is deemed more economic to redevelop the site to increase the housing provision in the area. The parade of shops suffers from a lack of footfall and there has been difficulties letting vacant shops in the past. There have also been ongoing issues with managing the gardens and store areas at the rear of the shops. There is currently an access route to the perimeter that provides access to an electricity sub-station and therefore any proposals will need to consider this in the design and layout.

Further discussions have taken place with housing officers and local Members who confirmed that the area did experience some anti-social behaviour issues and that a redevelopment of the site would enhance the environment locally. There was some concern regarding the community facility that is well used by local groups throughout the week.

In conclusion, it is deemed that both the commercial units and the flats are no longer fit for purpose and would be costly to bring up to a suitable standard for future letting.

The indicative scheme shows the following property type mix – all are houses;

7 No. 2 bed 4 person @ 79m^2
2 No. 3 bed 5 person @93m^2
1 No. 4 bed 1 person @120m^2

Appendix 1 shows the indicative layout of the scheme.

Further research into the long term viability of re-providing commercial units on the site will be undertaken before a final scheme is concluded. Also, the community rooms will be re-provided should the scheme proceed and longer term provision considered as part of a wider review of community facilities.

4. Implications

(a) **Financial Implications**

The capital budget required for the scheme is £1,985,510

The scheme can be funded by

RTB Receipts	£ 476,522
HRA Reserves	£ 1,508,988

The financial appraisal shows a pay-back period of 29 years (the benchmark is for schemes to pay-back up to 35 year).

The rents used in the financial appraisal are;

2 bed @ LHA	£140.74
3 bed @ LHA	£168.45
4 bed @ LHA	£218.16

Further details of the financial implications of the scheme are shown in Appendix 2.

As the scheme is still at the outline stage and will be subject to planning, the costs are indicative.

The Housing Revenue Account (HRA) Business Plan already allows for the spending of Right to Buy Receipts and match funding from reserves, therefore this scheme be funded despite the current major national housing policy and legislative and changes.

As with all new build schemes as schemes are finalised they will only proceed if they can be funded within borrowing and capital funding parameters in the HRA 30 Business Plan. If a final scheme cannot be delivered within the budget requested then a revised approval will need to brought back to Committee for scrutiny.

(b) **Staffing Implications**

The project will be managed by the Housing Development Agency on behalf of Cambridge City Council. Liaison will be made with Property Services; City Homes; the Estates and Facilities Service and the Legal Services Team.

There are no other significant staff implications.

(c) **Equal Opportunities Implications**

A series of EQIAs have been undertaken for the Council's new build programme , the Housing Development Service and for individual schemes. The EQIAs mainly highlight the benefits of the Council retaining direct control of new housing development itself to ensure a focus on the delivery of housing that meets a diverse range of housing needs. Part of the assessment underlines the need for social housing to help those most likely to suffer poverty as well as ways in which new social housing will directly save money for tenants, such as energy saving measures.

An EQIA for this scheme is available for Members of the Committee on request. It is a confidential document as it is possible to identify individual residents due to the small numbers involved.

(d) **Environmental Implications**

The social housing will be built to an equivalent of Level 4 of the Code for Sustainable Homes, or other agreed sustainability standard as is determined by Cambridge City Council.

(e) **Procurement**

The development of this scheme will require a new procurement as the current framework agreement with Keepmoat expires in March 2016.

(f) Consultation and communication

The Council's housing service is developing a Community Charter which will lay out new principles for how we approach redevelopment sites to ensure that residents and communities benefit from redevelopment and can be fully involved in the process.

The 3 commercial tenants have been informed of the proposal by the Property Services scetion. The 2 flat tenants have been contacted and on the process by colleagues at City Homes to discuss the proposals and provide indicative timescales and detail the support available. Initial feedback from the residential and commercial tenant will be provided at the meeting.

Under the Council's Home Loss policy any residents required to move will be given priority to return to suitable alternative accommodation on the redeveloped scheme provided there is sufficient new accommodation of the type required available.

With regards the commercial tenants, there will be compensation payable that is governed by the Landlord and Tenant Act, and is determined on the length of tenancy and current lease terms.

(g) Community Safety

There are no particular Community Safety implications as a consequence of this scheme.

5. Background papers

None

6. Appendices

Appendix 1 Indicative Scheme Layout
Appendix 2 - Project Appraisal Akeman Street Scheme

7. Inspection of papers

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

Author's Name: Alan Carter – Head of Strategic Housing
Author's Phone Number: 01223 – 457948
Author's Email: Alan.carter@cambridge.gov.uk

Home Loss Redevelopment of 74-82 Akeman Street including shops, flats and rear garden areas.

Project Appraisal

1. Summary

The area currently consists of 5 No. commercial units with flats above and associated land to the rear. Of the five commercial units, 3 No. are occupied with expired leases and all are holding over on these leases on their current terms and conditions, including rent; 1 No. unit is void (previously occupied by a bakery) and 1 No. unit is used as a community facility by the Community Development team.

Two of the flats are managed by City Homes for council tenants, the remaining 3 flats are included in the lease with the shop unit beneath.

2. Reason for Investigation:

The potential to redevelop this site was first highlighted by colleagues in Property Services who noted that the leases for the occupied commercial units had expired and negotiations would be required if new leases were considered. The parade of shops suffers from a lack of footfall and there has been difficulties letting vacant shops in the past. As one of the units was already void and with significant works required to the block and the garden areas it is deemed more economic to redevelop the site to increase the housing provision in the area. There have also been issues with managing the gardens and store areas at the rear of the shops.

Property Services have considered the longer term options for the site in respect of the commercial units and have noted the following specific to this location:

- There has been a lack of footfall to this area
- Historically, these commercial units have the lowest rent levels (£/sq.ft.) in the City Council portfolio

- There has been difficulty in attracting new tenants to vacant units, as currently demonstrated by No.78 that has remained unlet since the bakery vacated.
- There are some maintenance and repair issues with the structure and fabric of the building itself that has impacted on the commercial units (previously experienced flooding which has led to damp and rotten floors)
- Difficulty in finding tenants that will bring business to the area that suits the location.
- Proximity of these commercial units in relation to larger stores located on Histon Road and Victoria Road.

Further research will be undertaken to assess the viability of re-providing commercial units as part of the new development.

Further discussions have taken place with housing officers and local Members who confirmed that the area did experience some anti-social behaviour issues and that a redevelopment of the site would enhance the environment locally. There was some concern regarding the community facility that is well used by local groups throughout the week. This would need to be considered in terms of a temporary provision during any redevelopment, as well as the potential for reprovision within the scheme, or elsewhere locally upon completion. This is currently subject to a longer term project reviewing and auditing the City Council's facilities and provision for community services the outcome of which should be known in July 2016. At the current time, due to local knowledge it should be anticipated that reprovision will be required.

3. Engagement with Existing Residents and Tenants

Due to the relatively small number of tenancies affected by the proposals, more personal and individual consultation are proposed with both the commercial tenants and the flat tenants rather than more public and open consultation.

Property Services have contacted all commercial tenants to discuss the proposals and confirm that due to the intended redevelopment the Council will not be renewing leases within the block. Where possible and feasible, consideration will be given to supporting these tenants in finding suitable alternative commercial accommodation within the Council commercial portfolio.

City Homes staff has consulted with the 2 tenants affected by the proposals and clarified indicative timescales for the work and what support is available to assist them with relocating to suitable property.

An EQIA has been appended to this report.

4. Feasibility:

The Site

The below plan shows the location of the site in Arbury ward. The block is located on a long established estate of pre-war housing, typically semi-detached houses, that are a mix of Council owned and private owner-occupiers.

The table below shows the details of the current leases on the site:

Address	Current Use	Lease	Approx. Area of commercial space
74	Take Away with flat above	Expired – holding over	660 sq ft
76	Shop lease only	Expired –	475 sq ft

	First Floor Flat	holding over City Homes tenant	
78	Shop and flat above	Shop Vacant	795 sq ft
80	Shop lease only First Floor Flat	Expired – holding over City Homes tenant	690 sq ft
82	Community centre to ground and first floor	Facility managed by CCC	386 sq ft (GF) 461 sq ft (1st F)

Local Housing Need

The table below shows figures taken from the Home-Link Register in December 2015, indicating the demand in Arbury from eligible applicants.

	1bed	2 bed	3 bed	4+ bed
Arbury	261	179	37	8

5. Proposed scheme

An indicative redevelopment scheme has been produced for the site as follows:

- 7 No. 2 bed 4 person houses 79m^2
- 2 No. 3 bed 5 person houses 93m^2
- 1 No. 4 bed 7 person house 120m^2

Although the Housing Needs Register identifies a need for 1 bed properties, it is considered that family accommodation would be better suited to this location due to the existing mix of family housing locally as well as the proximity to facilities.

All units will meet Lifetime Homes Standard.
All units will achieve a minimum of Level 4 of the Code for Sustainable Housing or equivalent as adopted by the Council.

6. Costs, Funding and Viability

Using the recent build costs at Ekin Road and Hawkins Road as a benchmark a 10 unit redevelopment at Akeman Street could cost approximately £2m, inclusive of all fees and on-costs.

Capital Costs

Construction Costs	£ 1,718,000
Home Loss Costs (residential)	£ 25,000
Commercial tenant compensation	£ 23,150
Re-provision Community Rooms	£ 10,000
Quantity Surveyor (1.5%)	£ 25,770
Internal Development Fee (3%)	£ 51,540
Architect, Planning Fees etc.	£ 132,050
Total	**£ 1,985,510**

Funding

RTB Receipts	£ 476,522
HRA Reserves	£ 1,508,988

It is assumed no grant funding on this development.
It should be noted that the use of RTB receipts has been included to ensure the Council can achieve the required spend within the designated timescales and to avoid losing this funding stream. This can only be attributed to the additional units gained on this development, i.e. 8 homes. There is also an allowance in the HRA budget to match fund the 30% RTB receipts with 70% funding from HRA reserves.

Viability – A benchmark used by Registered Providers whether a new scheme is viable is when the scheme breaks even in revenue terms (typically 12 years) and when the total capital used is paid back (typically 30 years). This benchmark relates particularly to vacant sites. There is no ‘industry’ benchmark for sites where existing housing is required to be redeveloped. The viability against the benchmark is shown below inclusive of Home Loss costs.

Pay-back period – 29 years
Break-even – Year 2

Rent Levels (net of Service Charge) –
2 bed @ LHA - £140.74 per week
3 bed @ LHA - £168.45 per week
4 bed @ LHA - £218.16 per week

VAT implications

VAT is not payable on new build construction costs. However, advice will be sought from the Council's VAT specialist to ensure that there are no adverse VAT issues affecting the project.

The Procurement

To follow

Key Risks

- Entering into contract will be conditional on the Director of Customer and Community Services confirming that the Council has the finance in place to fund the scheme. Therefore a key consideration is developing a finance package that is acceptable to the Director of Customer and Community Services.

- A planning application will need to be developed, submitted and approved.

- Subject to the approval of the Committee of the scheme presented, an agreed method of procurement will need to be undertaken to appoint a contractor before entering into contract for the works.

- There is still some unknown risk surrounding the Government announcement requiring the sale of high value void stock. It is possible that new build properties would fall into this definition. An additional report will be presented to HSC once further detail is known on this matter.

- Residents living at the Akeman Street flats will need to secure alternative housing. The Council is discussing the redevelopment of the flats with both tenants where the Home Loss Policy will apply.

Other implications

An Employers Agent/Quantity Surveyor will be appointed as part of the Delivery Team to support the Housing Development Agency.

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Legend
2 bed / 4 person House
2-storey, min 79m²
7 No.
3 bed / 5 person House
2-storey, min 93m²
2 No.
4 bed / 7 person house
2.5 / 3 storey, min 120m²
1 No.
10 No. TOTAL
AKEMAN STREET
70
98
1
2
3
4
5
6
7
8
9
10
Substation

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Cambridge City Council **Item**

To:	Executive Councillor for Housing: Councillor Kevin Price
Report by:	Alan Carter
Relevant scrutiny committee:	Housing Scrutiny Committee 13/1/2015
Wards affected:	All

HOUSING COMPANY – Lettings and Rent Policy

Not a Key Decision

1. Executive summary

As the Housing Scrutiny Committee is the Council's main committee that scrutinises housing services, the Committee is requested to comment on the proposed Lettings and Rent Policy for the Council's new 'pilot' Housing Company.

2. Recommendations

The Executive Councillor is recommended:

- Note the comments of the Housing Scrutiny Committee on the proposed Lettings and Rent Policy for the new 'pilot' Housing Company.

3. Background

The Annual Statement 2015/16 includes as a priority for the Council "to use General Fund reserves left lying dormant previously to invest in new intermediate homes at affordable sub-market rents for those with low priority for social rent homes, and generate revenue to protect services."

A report to the Housing Committee in September 2014 detailed the growing issues in the intermediate housing market. The Executive Councillor for Housing agreed to endorse the need to address a range of intermediate housing needs amongst people who cannot afford to buy or rent good quality housing on the open market but who also do not have priority for social housing for rent.

A subsequent report to Strategy and Resources Committee on 13 July 2015 resulted in the Executive Councillor for Finance and Resources agreeing to a pilot project to set up a Housing Company and to use General Fund monies to purchase the market housing that is available on the Council housing development schemes in Water Lane and Aylesborough Close and to let them at rents that are below market levels.

The market housing on these schemes is made up as follows;

Water Lane (Total properties - 9)
2 one bedroom flats
4 two bedroom flats
3 three bedroom houses

Aylesborough Close (Total properties – 14)
1 one bedroom flats
8 two bedroom flats (including one wheelchair accessible)
5 three bedroom houses

Most of the market housing is due to be completed by the end of March 2016.

Delegated authority has been given to the Director of Customer and Community Services to set up the Housing Company and a number of workstreams are underway to;

- Complete a legal process to form the company
- Agree governance arrangements ie agree Board membership
- Draft a business plan including a budget for its first year of operation
- Secure legal and tax advice in respect of this specific proposal
- Produce a risk assessment and mitigations
- Consider letting, management and maintenance arrangements

As the Housing Scrutiny Committee is the Council's main committee that scrutinises housing services, the Committee is requested to comment on and endorse the proposed Lettings and Rent Policy shown as Appendix 1 and 2 respectively. The properties are to be let as three year assured shorthold tenancies.

It is proposed that Town Hall Lettings manage the Housing Companies properties. Town Hall Lettings is the subject of a separate report to the Housing Scrutiny Committee. It is also proposed that Estates and Facilities repair and maintain the properties.

4. Implications

(a) **Financial Implications**

There are no financial implications relating to this report which focuses on policy and process matters.

(b) **Staffing Implications**

There are no staffing implications relating to this report which focuses on policy and process matters.

(c) **Equality and Poverty Implications**

The Executive Councillor for Housing approved revisions to the Council's social lettings policy in September 2015. The EQIA prepared in relation to that policy review provides the context for this report. By restricting eligibility for the new Housing Company lets in relation to incomes and within common understanding of the affordability of housing costs the Rent Policy mitigates and addresses poverty implications.

(d) **Environmental Implications**

All of the homes acquired will be constructed to Level 4 of the Code for Sustainable Homes.

(e) **Procurement**

There are no procurement implications relating to this report which focuses on policy and process matters.

(f) **Consultation and communication**

There are no consultation implications relating to this report which focuses on policy and process matters.

(g) **Community Safety**

There are no community safety implications relating to this report which focuses on policy and process matters.

5. Background papers

Appendix 5 to Agenda Item 15 – Housing Scrutiny Committee – 24 September 2015.

6. Appendices

Appendix 1 - Lettings Policy

Appendix 2 - Rent Policy

7. Inspection of papers

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Appendix 1 – Housing Company Lettings Policy

1. Objectives

Cambridge is at the centre of an area of growth. Households in the greatest housing need are given priority for social housing in the city. Those who have the financial resource can access market housing. However, the open housing market is unaffordable for a large number of households who work in the city or have long established connections with the city. The objective of the Housing Company is to meet housing need and generate a financial return for the Council on this and any other property related activity.

2. Terminology

The Housing Company will aim to provide rent at less than market levels and typically at 80% of market rent. For the purposes of this document, this will be referred to as intermediate rented housing. In establishing a Lettings Policy for intermediate rented housing, although this will be a separate policy, it will adhere to many of the principles set out in the Council's Lettings Policy for social housing and Affordable Rented through the choice based lettings system.

3. Eligibility Criteria

a. To be eligible to apply for accommodation owned by the Housing Company households should first be registered on the Council's choice-based letting system, Home-Link. (New applicants will receive information on the difference between a social letting and a letting with the new Housing Company).

b. To be registered the household will need to satisfy the Council's core eligibility and qualification criteria as set out in chapter 3 of the Council's Lettings Policy for social and affordable housing.

c. The accommodation must be affordable to households applying. The Strategic Housing Market Assessment definition of what is an affordable amount to pay for housing is no more than 33% of gross household income. If an applicant has an income that demonstrates that the Housing Company rent would consume less than 25% of gross household income then it will be assumed that the household can solve its own housing need. Based on the proposed 2015 market rent levels the following gross household earned income figure ranges would be considered for each bedroom category:

1 bedroom - £24,000 to £34,000

2 bedroom - £33,000 to £44,000
3 bedroom - £38,000 to £50,000

The Council's Lettings Policy for social and Affordable Rented housing currently has the scope to place households, who have sufficient income or capital to find alternative housing solutions, in a low priority band.

Under section 4.13.1 of the Council's Lettings Policy for social and Affordable Rented housing "all qualifying applicants are entitled to apply for housing regardless of income levels. However if an applicant is assessed as having income and/or capital, which will enable them to resolve their own housing need they will not receive any preference for social housing and, when bidding, will appear on the shortlist after all other applicants that do not have the resources to resolve their own need.

When a property becomes available for letting through the Housing Company, applicants registered on Home-link who have incomes that would qualify them for housing by the new Housing Company will be invited to opt for this housing rather than social housing.

This assessment will be based on the following;

a) The total income of the applicant/partner
b) Any capital available to the applicant/partner
c) Average property prices and rents in the area for the type of accommodation needed by the household
d) The ability of the applicant/partner to rent a property in the private sector based on a realistic assessment of their financial position and commitments.
e) The ability of the applicant/partner to acquire a mortgage and maintain required repayments based on a realistic assessment of their financial position and commitments."

If there is no suitable household registered on Home-Link the property will be advertised locally and the same eligibility criteria will apply.

4. Prioritisation of households for allocation of intermediate Rented housing

Once a household has met the eligibility criteria as outlined above priority will be given to households in the following order:

- Households to whom the Council has accepted a homelessness duty

- Households that free up a public sector home i.e. existing council or Registered Provider tenant who are residing in Cambridge City
- Other households registered on Home-Link who are residing in Cambridge City, with preference given to continuous residence of 12 months or over
- Other households registered on Home-Link

Banding and priority dates - Priority within each of the four categories above will be determined firstly by the band the household has been allocated on Home-Link and secondly by their priority date (the date the household moved into that band)

Household size – households will be able to be considered for properties that match their bedroom eligibility as set out in the Council's Lettings Policy for social and Affordable Rented housing or allows them to under-occupy by one bedroom under the same bedroom eligibility criteria.

Once the accommodation is offered to an applicant it will be subject to a satisfactory credit check and a month's rental deposit in advance

Appendix 2

Rent Policy

1 Purpose

The purpose of this policy is to explain how the Housing Company will set the rents of its properties.

2 Objectives of the Housing Company

Cambridge is at the centre of an area of growth. Households in the greatest housing need are given priority for social housing in the city. Those who have the financial resource can access market housing. However, the open housing market is unaffordable for a large number of households who work in the city or have long established connections with the city. The objective of the Housing Company is to meet housing need and generate a financial return for the Council on this and any other property related activity

Social Housing rents are generally set at levels up to 60% of market rents and the Council's Tenancy Strategy guides the rents set for those most in housing need. To meet its objectives the Housing Company will set its rents at 80% of market rents. At October 2015 this means they will generally be affordable for households with incomes of £24,000 to 50,000 per annum or more.

3 Implementation

All new tenancies will have a rent set at 80% of the upper quartile market rent. This will be assessed based on the most recent data available supplied by Hometrack or in the event of Hometrack no longer supplying data any other independent source of property market information.

In line with the terms and conditions of the tenancy, rents will be reviewed annually and will be reset at 80% of the upper quartile market rent, again assessed based on the most recent data available supplied by Hometrack. Tenants will be given one month's written notice of any change in rent. When reviewing rents the Housing Company will have regard to their affordability balanced with the Companies objective to deliver a financial return to the Council.

4 Service Charges for Communal Parts of the Building, Garages and Parking Spaces (if applicable)

Service Charges will be assessed and reviewed annually at the same time as rent reviews.

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Cambridge City Council **Item**

To:	Executive Councillor for Housing: Councillor Kevin Price
Report by:	Alan Carter
Relevant scrutiny committee:	Housing Scrutiny Committee 13/1/2016
Wards affected:	All

SOCIAL LETTINGS AGENCY UPDATE

Not a Key Decision

1. Executive summary

The Council has been piloting a social lettings (*Town Hall Lettings*) agency for two years. This report builds on the report presented to Housing Scrutiny Committee in March 2015 and aims to inform Members of the proposed direction of travel for *Town Hall Lettings* beyond April 2016. This report details the outcomes delivered by the social lettings agency to date, covers the proposed role for THL in managing the intermediate market and outlines the business plan moving forward.

2. Recommendations

The Executive Councillor is recommended to note:

1) The proposed role for *Town Hall Lettings* in managing the 'intermediate market' properties as set out in this paper and appendix 1
2) The 5 year business plan for *Town Hall Lettings* as detailed in appendix 1

3. Background

3.1 *Town Hall Lettings* (THL) was established in January 2014 and forms part of the Council's wider single homelessness service (SHS). The introduction of the SHS was founded on government funding for single homelessness prevention, launched in 2012. The funding enabled the Council to work with other local authority partners to deliver a service for the sub-region. The remaining funding is insufficient to sustain THL and the SHS beyond 1st April 2016 but a combination of partner funding from South Cambridgeshire District Council and a successful bid to via the Sharing Prosperity Fund has allowed the Council to extend the pilot throughout 2016-17.

3.2 THL makes a strong contribution to helping the Council achieve its stated aims, as embodied in the Annual Statement for 2015-16, *Building a Fairer Cambridge Together.* In particular, it covers the following key areas outlined in the statement:

- investment in new intermediate homes at affordable sub-market rents for those with low priority for social rent homes;
- improving conditions for private sector tenants;
- exploring the feasibility of a social letting agency;
- tackling the problem of empty homes in the City; and
- supporting vulnerable people to sustain independent lifestyles in their own homes and local communities.

3.3 Accommodation outcomes delivered by the single homelessness service have been delivered in a variety of ways since its inception in October 2014. These are shared houses secured at a guaranteed monthly rate from private landlords, rent deposit guarantee arrangements, supported lodgings, properties secured directly from Registered Providers, placements in an 'adult foyer' in Cambridge (focusing on education, training and employment) and other private rented sector placements.

3.4 Appendix 1 to this report is a version of a project brief and appraisal paper that went to the Programme Board and Senior Leadership Team (SLT) last year. It represents a summary of the objectives, outcomes and business model for THL and the SHS. The outcomes detailed in that paper can be updated as at 30th November and are as follows:

- The service has engaged with 543 single homeless people (of which 363 were from Cambridge)
- The service has directly placed 201 people into permanent accommodation (of which 147 were from Cambridge)
- It has assisted 59 people to find their own accommodation (of which 35 were from Cambridge)
- It has established long term management agreements with landlords for 9 properties (providing 29 bed spaces at its peak)

3.5 The report to committee in March 2015 noted that the weakest part of the THL operation had been rent collection levels which, at the time, stood at 46%. However, collection rates have significantly improved so that these now stand at 89% for this financial year to the end of October.

3.6 THL will be expanding its operations in two key areas in the forthcoming year. Firstly, it will be managing a new supply of accommodation targeted at the intermediate market and, secondly, managing properties realised through the Council's empty homes strategy.

3.7 The Council has set up a housing company to improve housing supply and primarily serve the needs of people in Cambridge on middle incomes by supplying intermediate housing at around 80% of market rent. The establishment of a housing company and proposals to purchase 24 properties (since reduced to 23) from the developer, Keepmoat, at Water Lane and Aylesborough Close, using resources from the General Fund, were approved at Strategy and Resources Committee in July 2015. THL has been identified as the preferred option for managing this accommodation due to its experience of managing private rented sector tenancies.

3.8 The report at appendix 1outlines the financial operating model for this scheme including management fees paid by the Housing Company to THL and the tenant fees and tenancy deposit arrangements. The management fees are £750 per property and the set-up fees to tenants are £150 for a sole tenancy and £200 for a joint tenancy. Tenants will also be required to provide a tenancy deposit equating to one and a half months' rent.

3.9 Where the Council is able to identify empty properties and bring them back into use, an option for securing their usage into the longer term is for the Council to engage THL as a managing agent and offset any costs the Council has incurred for bringing the property back into use against the income paid to the owner. The Council's empty homes policy sits within the Council's overall Housing Strategy.

3.10 Under the Housing Act 2004, the Council can make Management Orders in respect of both empty properties and Houses in Multiple Occupation. They are used to ensure the health, safety and welfare of persons occupying and neighbouring the property. While an order is in place, the Council effectively take on all duties, powers, obligations and liabilities of the landlord and THL would provide an effective solution to undertaking this duty. During the operation of the Order the rents are received directly to the Council and the Order is a local land charge.

4. Implications

(a) **Financial Implications**

The financial implications of the proposed expansion of THL are contained at appendix 1. The scheme will require subsidy, as outlined in the appendix, but is projected to make a small surplus in year one, due to additional sources of funding, and break even from year 7 onwards. The projected business plan is just for information: there are no funding considerations for the committee at this stage.

(b) **Staffing Implications** (if not covered in Consultations Section)

Expansion of the service would require the addition of a part time post detailed as Letting Agency Coordinator in appendix 1. This would be a fixed term position until the funding position beyond 2016-17 is determined.

(c) **Equality and Poverty Implications**

The project represents an expansion of existing services supporting those in housing need, so an equalities impact assessment has not been deemed to be necessary at this point.

(d) **Environmental Implications**

The environmental impact assessment has identified a minor environmental gain from the project and no adverse environmental effects.

(e) **Procurement**

There are no procurement implications.

(f) **Consultation and communication**

Legal services, environmental health, business transformation and finance have been consulted internally. Additional legal advice has been sought and received from an external source.

(g) **Community Safety**

There are no community safety implications.

5. Background papers

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

None

6. Appendices

Appendix 1 – *Town Hall Lettings* – Project Brief and Appraisal.

7. Inspection of papers

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

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Cambridge City Council

PART A: Project Brief – Town Hall Lettings

Project Title	Town Hall Lettings – Service Area Development
Estimated Start Date	April 2016
Target Completion Date	Set-up project completed March 2016 for formal start of expanded THL in April 2016
Project Manager	David Greening
Project Sponsor	Liz Bisset
Commissioning Body	

A1. Project Brief - Purpose

The purpose of this project is to help meet Annual Statement commitments, in particular commitments to:

- invest in new intermediate homes at affordable sub-market rents for those with low priority for social rent homes;
- improve conditions for private sector tenants;
- explore the feasibility of a social letting agency;
- tackle the problem of empty homes in the City; and
- support vulnerable people to sustain independent lifestyles in their own homes and local communities.

As detailed below, Town Hall lettings (THL) and the single homelessness service (SHS) have each assisted the achievement of some of these commitments. But if THL and the SHS are to continue to deliver existing successful work after April 2016, and also help further deliver annual statement commitments, the Council will need to commit to their continued funding. The amount and duration of this funding is detailed in Part B1 of this document.

A2. Project Background

THL is the Council's in-house social lettings agency. It was established in January 2014 with a primary brief to procure and manage properties to support the SHS. (The SHS is a sub-regional initiative established in October 2013 to assist single homeless people at a very early stage in their homelessness, so preventing them developing the range of negative behaviours which usually accompanies long term homelessness).

As of November 2015 the SHS and THL between them have:

- engaged with 479 single homeless people (of which 327 were Cambridge people);
- directly placed in permanent accommodation 184 people (of which 132 were Cambridge people);
- assisted 52 people to find their own accommodation (of which 33 were Cambridge people); and
- procured nine properties for single people sharing (providing at its peak 29 bed spaces).

Funding: The SHS has been wholly funded by a grant made to the sub-region by central government. This money runs out in April 2016. THL, although largely funded by the Council, has also depended on the government grant in part as supplementary funding but largely because the SHS and THL are operationally co-dependent.

A recent successful application to the sharing prosperity fund (SPF) will ensure that much of the single homelessness work done by THL and the SHS can continue until April 2017. However, THL is in line to take on two additional strands of work in the final quarter of this financial year. The first of these is the management of 23 properties purchased on the open market by the Council's newly-established housing company and let on assured tenancies to middle-income households. The second strand is the management of properties realised through the Council's revivified empty property strategy.

Taking on these further duties will require funding for an additional part-time member of staff from 2016-17. Taking the service (as a whole) forward after April 2017 will also require funding to substitute for the SPF money when this comes to an end.

This proposal requests a commitment to funding from the general fund for two years from April 2017, as set out in Tables 1 and 2, allowing a full three-year pilot Should this funding be refused a further bid to the SPF is contemplated, but an annual grant is far less desirable. Stable funding will allow a proper evaluation of the new strands of work and of THL's contribution. (N.B. Tables 1 and 2 set out a *five* year plan in order to better illustrate the progressive reduction of subsidy required under different expansion assumptions).

A3. Objectives

The project has the following shorter-term objectives:

- To ensure that the successful work of THL and the SHS can continue beyond April 2017.
- To establish THL as the management arm of choice for PRS homes acquired under the development programme and the empty homes strategy.

The project has the following longer-term objectives:

- To develop THL as a fully-functioning social letting agency dedicated to providing accommodation for Cambridge households the market is not able to provide for.
- To reduce costs to tenants by charging lower and fewer management fees.
- To offer private tenants enhanced security of tenure.
- To provide good-quality accommodation and influence standards of accommodation in the wider market.

If the project does not go ahead the consequences will be:

1. There will be a significant reduction in accommodation outcomes described in A2 above

for the single homeless of Cambridge.
2. From 2017 Town Hall Lettings will end existing management contracts with landlords as contracts expire. This would likely result in the loss of up to 29 local low-cost units of accommodation.
3. The social lettings agency objective in the annual statement will need to be reconsidered in the light of the effective termination of THL.
4. Options will need to be reconsidered for managing any PRS homes delivered through the development programme or the empty property strategy.

A4. Benefits

The project will:

- deliver annual statement objectives;
- make a strong contribution toward the Council vision of tackling the housing crisis and sharing the City's prosperity; and
- make a strong contribution to the Council's housing vision.

A5. Deliverables

Please see Part B.

A6. Scope

The scope of the work is described in Section A3 'Objectives'.

A7. Out of Scope

An arrangement has been agreed with South Cambridgeshire District Council where THL will continue to assist during 2016-17 in return for a fee. (See Table 1). This aside, THL will not procure or manage accommodation for another local authority except by special arrangement. Any such special arrangement will be at no cost the Council and fees may be charged the client authority in suitable cases.

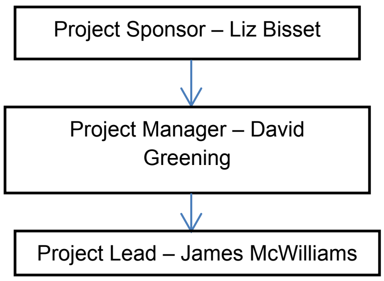
A8. Constraints

Potential constraints are considered at Part B9: Risk.

A9. Resources Requirements

If the project is approved, funding will be required from April 2016. This is detailed in Part B1.

A10. Proposed Project Organisation



A11. Project Brief Sign Off	Date Agreed
Project Manager	
Project Sponsor	

PART B: Project Appraisal

B1 Estimate the Project Costs

THL's business model anticipates four strands of income:

1. Fee income from the housing company. (Fees from this source are expected to come on stream from Quarter 1 2016-17 as THL takes over management of 23 PRS homes presently under development in Aylesborough Close and Water Lane).
2. Fee income for managing PRS homes realised under the empty property strategy and other environmental health initiatives.
3. Fee income from South Cambridgeshire DC (2016-17 only).
4. Fee income from private landlords.

The tables below summarise the anticipated 5 year plan for THL, with Table 1 assuming that the GF Housing Company does not expand its housing assets beyond the 23 dwellings initially acquired. Table 2 assumes an increase in stock holding by the company of 5 units per annum.

The assumption made in both tables, is that the THL Team (the Council), provide a full management service to the company for a fixed fee of £750 per property per annum initially. This assumes that the Council incurs all day to day expenditure, and recharges the company by invoice. The costs involved with management of the properties will need to be reviewed at the end of year 1, to determine whether the fee structure needs revision. The company will only pay fixed overheads (audit, accountancy, insurance, etc) directly.

An alternative option would be for the Council to incur and pass on only the staffing and associated costs of the THL Team, and for the company to make payment for all other costs directly. This option, however, is considered more complex whilst the company is in a pilot phase.

Table 1: 5 year plan for THL with initial GF management responsibilities

Town Hall Lettings - Income / Expenditure / Subsidy 2016/17 - 2020/21					
Expenditure	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Single Homelessness Service Coordinator / Letting Officer (Band 5)	£37,138	£37,881	£38,638	£39,411	£40,199
Letting Agency Coordinator / Finance Officer (Band 4 - 25 hours)	£20,168	£20,571	£20,983	£21,402	£21,830
Direct operating costs, office running costs, overheads	£8,625	£8,798	£8,973	£9,153	£9,336
Total expenditure	£65,931	£67,250	£68,595	£69,967	£71,366
Income					
Management Fee Income (Cambridge Property Company)	£17,250	£17,595	£17,947	£18,306	£18,672
Set-Up Fee (Tenants)	£4,600	£1,000	£1,000	£2,300	£1,000
Management Fee Income (Empty Homes Initiative and Private Landlords)	£0	£4,224	£8,617	£13,184	£17,930
South Cambridgeshire DC	£12,434	£0	£0	£0	£0
APS Fund	£36,360	£0	£0	£0	£0
Total income	£70,644	£22,819	£27,564	£33,790	£37,602
Total estimated subsidy requirement	-£4,713	£44,431	£41,031	£36,177	£33,764

Table 2: 5 year plan for expanded THL

Town Hall Lettings - Income / Expenditure / Subsidy 2016/17 - 2020/21					
Expenditure	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Single Homelessness Service Coordinator / Letting Officer (Band 5)	£37,138	£37,881	£38,638	£39,411	£40,199
Letting Agency Coordinator / Finance Officer (Band 4 - 25 hours)	£20,168	£20,571	£20,983	£21,402	£21,830
Direct operating costs, office running costs, overheads	£8,625	£8,798	£8,973	£9,153	£9,336
Total expenditure	£65,931	£67,250	£68,595	£69,967	£71,366
Income					
Management Fee Income (Cambridge Property Company)	£17,250	£21,345	£25,522	£29,782	£34,128
Set-Up Fee (Tenants)	£4,600	£1,000	£1,000	£3,300	£1,000
Management Fee Income (Empty Homes Initiative and Private Landlords)	£0	£4,224	£8,617	£13,184	£17,930
South Cambridgeshire DC	£12,434	£0	£0	£0	£0
APS Fund	£36,360	£0	£0	£0	£0
Total income	£70,644	£26,569	£35,139	£46,266	£53,058
Total estimated subsidy requirement	-£4,713	£40,681	£33,456	£23,700	£18,308

Tables 1 and 2 make the following assumptions:

1. In Year 1 (2016-17) THL takes on the management of 23 housing company properties attracting a management fee per property of £750 per annum.
2. That THL charges a tenant set-up fee of £150 for a first tenant and £50 for a second tenant and that all properties are let to two-tenant households.
3. That half the properties have a change of tenant in the first three years, attracting further set-up fees (shown here in nominal terms as all accruing in Year 4).
4. From Year 2 THL acquires 4 properties per year to manage for private landlords either directly or through the empty property initiative resulting in 16 such properties by Year 5.
5. That management fee income per private property is £1,056 per property per annum based on 8 percent of a £1,200 rental and an allowance of one-twelfth voids.
6. That all fees and salaries, except the tenant set up fee, increase at a rate of 2 percent gross per annum.

Table 2 makes the following additional assumption:

7. THL takes on the management of a further 5 properties a year from the property company from Year 2, resulting in a housing portfolio of 43 units from this source by Year 5.

If the assumptions informing Table 1 hold, THL will manage 39 fee-earning units by Year 5, achieving break-even in Year 13. If the assumptions informing Table 2 hold, THL will manage 59 fee-earning properties by Year 5, achieving break-even at the end of Year 7.

B2. Procurement Strategy
We are advised there are no procurement issues arising from this project.

B3. Estimate the staffing resources required to deliver the project
Please see B1 above

B4. Wider Staff Implications

The existing landlord liaison officer will continue in his role as de facto manager of THL.

In addition to the officers mentioned at B3 (above), the housing advice service manager (the project manager) and the housing advice partnerships manager (the project lead) will need to spend time to do the following:

- Consult with officers and members;
- Shape the project in response to such consultation;
- Prepare a report for housing scrutiny committee seeking consent to the project;
- If consent is given, integrate the project into the wider work of the housing advice service and other Council activities connected with the project;
- Work with existing officers to develop a comprehensive suite of policies and procedures; and
- Recruit suitable staff.

The housing advice partnerships manager will work with environmental health colleagues to develop a working agreement to manage empty properties and properties which may be acquired through housing management orders. Work is ongoing with legal services to establish a sound legal framework for THL and the housing management operation.

B5. Outline Your Approach to Consultation

As has been noted, several key elements of this project have been determined by elected members.

Internally, we have consulted with legal services and environmental health, business transformation and finance.

Externally, we have sought independent legal advice.

B6. Equalities Impact
The project represents an expansion of existing services supporting those in housing need so an equalities impact assessment has not been deemed to be necessary at this point.

B7. Environmental Impact

The environmental impact assessment has identified a minor environmental gain from the project and no adverse environmental effects.

B8. Further Impact

No additional impacts have been identified.

B9. Risk Assessment

1. State aid rules.

Risk: That the letting activities of THL will run counter to state aid rules.

Mitigation: As a part of the Council, THL is advancing the Council's legitimate housing objectives. With regard to competing with letting agencies for private landlord business, the Council will be working within recognised industry fee percentages. State aid rules will not apply to this work as the sums involved are below the trigger level.

2. THL as managing agent for housing company properties.

Risk: Is THL the best agency to manage property realised through the development programme?

Mitigation: There are three possible alternatives to THL: an existing letting agent, City Homes or a registered provider. Looking at these in turn:

1. **Letting agent**.

   From a risk perspective there would be considerable difficulties in seeking to use a private letting agent, as follows:

   - There is uncertainty whether a private letting agency would be interested in the business.
   - If commercial letting agents were to take on management it is likely that they would require higher management fees relative to an in-house alternative. The proposed management fee for tenancies created from the development programme is £750 per property per annum, equating to around 3 percent gross on a typical rental.
   - Private letting agencies normally charge between 10 and 12 percent.
   - Commercial agents make money from tenants as well as landlords. Assuming the Council would wish its PRS homes to be let to tenants free of all charges except

rent and set-up fee, it would need to compensate the management agent for this loss of income, resulting in even higher percentage fees.

- It is not clear how the Council would fund this difference between commercial and in-house fees.
- It is likely the Council or the housing company would need to run a procurement exercise to select the commercial agent.
- Relative to an in-house provider, there would need to be a much more comprehensive and intensively-managed service level agreement between client and contractor.

2. **City Homes.** City Homes is a good alternative contender for the work. It has highly-trained staff, a strong public-service ethic and long housing management experience. However, it is uncertain whether City Homes can take on the work within its current staffing capacity. Additionally, City Homes does not have experience of managing PRS homes let on assured tenancies.

3. **Registered provider**. A registered provider would offer the same advantages as City Homes but also some of the disadvantages associated with a private letting agent in terms of needing to set up a procurement exercise, the likely level of management fees required, and the need to more closely monitor the service level agreement.

THL offers the following advantages over other providers:

- Good and growing experience in the management of assured tenancies, including enforcement action through the courts.
- Experience of dealing directly with private owners.
- Economies of scale and opportunities for the development of further expertise to be realised from bringing together within one team and under one brand all the Council's private letting activities.
- These economies of scale will include THL being able to continue its successful contribution to the single homelessness service.
- As an in-house social letting agency, THL fulfils an outcome members have committed to give consideration to in the Annual Strategy.

A further mitigation is that this project is proposed as a pilot with annual reviews.

3. THL's business plan assumptions may prove to be over-ambitious.

Risk: Tables 1 and 2 (above) model the most likely of a number of financial and staffing options for THL. This model shows the level of Council subsidy progressively declining as the number of fee-paying properties in THL's portfolio increases. These assumptions may not be realised, requiring a higher level of subsidy from the Authority than is predicted here.

Mitigation: THL's business plan is based on stretching, but realistic objectives. Staffing is overwhelmingly the main item of expenditure. A cautious approach to expansion will be taken. Additionally, the project will proceed as a pilot, subject to annual review.

B10. Anticipated Approach and Timetable		
The following approach and timetable is anticipated:		
Stage	**Outcome / Deliverable**	**Date of Completion**
Consideration by Programme Board	Scrutiny of proposal	27 October 2015
Consideration by SLT	Scrutiny of proposal	16 November 2015
Consideration by Housing Scrutiny Committee	Scrutiny of proposal / Approval	2016
Work with housing company on developing allocation policy and management agreement for Water Lane properties.	Letting policy and procedure and service level requirements agreed	January – February 2016
Take charge of Water Lane properties		January – March 2016
Work with EH to develop acquisition and letting strategy for properties acquired under empty homes strategy.	Letting policy and procedure and service level requirements agreed	January – March 2016
Revivify THL marketing in anticipation of expanded structure from April 2016		January – March 2016
Recruit additional staff member		January – March 2016

B11. Outline the scope of any pilot study required

The project is envisaged as a three-year pilot beginning April 2016. Annual reviews by officers will be presented to the Executive Councillor. A full review will be brought to Housing Scrutiny Committee at the end of the three-year term.

B12. Financial Case Summary

Please see costing projection at Table 1. A key point to emerge from the costing analysis and the attached risk assessment is that in the medium term (8+ years) the cost of not entering into this project may be greater than the cost of expanding.

B13. Project Approval Sign Off	Date Agreed
Project Manager	
Project Sponsor	
Summarise comments from Commissioning Body to be incorporated in the project plan and implementation	

PART C: Project Management Plan

C1. Project Tasks

Task	Success criteria
Consideration by SLT	Approval
Consideration by Housing Scrutiny Committee	Approval
Work with housing company on developing allocation policy and management agreement for Water Lane properties.	Allocation policy agreed Management agreement with housing company in place (to include details of reporting, accountability, governance and performance standards).
Take charge of Water Lane properties to include: • interview and select tenants • prepare all documentation • arrange rent collection processes • arrange internal accountancy processes • agree independent audit processes. • complete internal procedure documents	Documentation agreed and completed
Work with EH to develop acquisition and letting strategy for properties acquired under empty homes strategy.	Arrangements agreed to maximise rented accommodation solutions from empty property strategy.
Revivify THL marketing in anticipation of expanded structure from April 2016	Marketing strategy agreed and implemented. Increased interest from private landlords of THL as fee-earning letting agent.

Recruitment of one additional THL staff member	Staff recruited.

C2. Project Plan

For the project timetable, please see B.10 (above).

Management of Water Lane properties – a major element of this project - will depend critically on the following:

- The timely creation of the Council's arm's length property company.
- The purchase by the property company of the Water Lane properties.
- The (already indicated) willingness of the property company to choose THL as its property management partner.

C3. Risk Management

The risks identified at B9 (above) will form part of the annual review and will form part of the cycle of monthly reporting detailed at C6 below.

C4. Communications Plan

Internal communication through targeted staff briefings, website, bulletin board, Management Matters and Insight.

External communication by press release, Open Door and Cambridge Matters.

Target private landlords through landlord forums, mail-shots to known landlords and attendance at the Cambridge Business and Enterprise Forum.

C5. Project Governance

Operational Governance:

James McWilliams (Housing Advice Partnerships Manager)

David Greening (Housing Advice Service (HAS) Manager)

These officers will manage the day-to-day operation of THL in its expanded role. They will

ensure that officers delivering the service have clear operational guidelines, policies and procedures. They will set and monitor performance indicators for the service and advise on any operational issues. They will advance any issues that involve questions of strategy to the strategic governance panel.

Strategic Governance:

As above plus the HAS Manager's line manager.

These officers will be responsible for the strategic governance of the project, in particular matters arising from the management of properties created from the development programme and managed by THL. This governance group will consider whether THL is providing a value-for-money service relative to alternative delivery models. It will also decide on matters like the further expansion of THL and other questions which might arise from local and national political developments. It will consult with the executive governance group on key decisions.

Housing Company / THL Governance

Housing Company lead officer and James McWilliams

This governance group will be responsible for monitoring the service level agreement between THL as managing agent and the housing company set up to purchase properties for private let.

Executive Governance

Cllr Kevin Price (Executive Councillor for Housing)

Liz Bisset (Director of Customer and Community Services)

This governance group will control the broad direction of the project. Its consent will be required should there be any need to change key aspects of the project, in particular any change to the objectives the project was set up to achieve or changes affecting the financial plan. Significant changes to the project will be brought to Housing Scrutiny Committee.

C6. Monitoring Arrangements

The project lead (Housing Advice Partnerships Manager) will report monthly to the HAS manager.

The HAS manager will report monthly to the Head of Strategic Housing.

The strategic and executive governance groups will meet as required.

The HAS manager will present a report to members in January 2015.

THL officers will present a monthly report to the project lead detailing, among other matters:

- rent collection rates by accommodation type;
- tenancy changes and voids by accommodation type;
- new property acquisitions relative to the project plan.

From the inception of the proposed expanded THL service (in April 2016) the project lead will prepare a quarterly report contrasting progress against the financial and business plans and proposing the action which should be taken in the event of significant variation.

The project is envisaged as a three-year pilot renewed annually. An annual report will be presented to the Executive Councillor and a full report presented to the Housing Scrutiny Committee at the end of the three-year term.

C7. Document Control

Should the project plan be approved by the project board, the HAS manager will present a report to the Housing Scrutiny Committee meeting on 13 January. This report will be accompanied by a document setting out in full the project plan.

This document will then become the basis for further reviews at annual intervals.

Document Control

Document Title	Project Control Document
Document ID/version/revision	2.0
Status	Draft
Date	20 October 2015
Author	James McWilliams
Authorised by	David Greening