Version 4
Council

Housing Revenue Account Mid-Year Business Plan Update

October 2012

2012/13 to 2041/42

Cambridge City Council

CAMBRIDGE
CITY COUNCIL

Version Control

	Version	for :	Anticipated Content
	1	Draft	Draft content for consultation
	2	Housing Management Board 18 September 2012	Member Scrutiny and Tenant and Leaseholder Input
	3	Community Services Scrutiny Committee 11 October 2012	Member Scrutiny
Current	4	Council Meeting 25 October 2012	The Executive Councillor for Housing's recommended budget strategy
	5	FINAL	Final version for publication following Council

Cambridge City Council

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2012/13 to 2041/42

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Section 1
Introduction

Background

In November 2011, the Localism Act introduced a new 'self-financing' system for local authority social housing, effective from April 2012.

Self-financing saw Cambridge City Council receive a one-off share, £213,572,000, of the national housing debt in return for retaining all rental streams in respect of the housing stock. This allows local decision making to drive the level of investment in the housing stock, agreeing spending priorities in line with local demand.

Decisions are now made, and require regular review, at a local level in terms of priorities for investment, to deliver a balance between:

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

"To effectively manage the housing business into the future, it is imperative that the housing service couples an in depth knowledge of the condition of the housing stock it is managing, with a clear understanding of the direction in which it would like to see housing services travel."

To achieve this key objective it is important that the organisation regularly reviews the HRA 30-Year Business Plan and Asset Management Plan to incorporate both changes in external factors and local priorities.

Purpose

Self-Financing for the Housing Revenue Account has driven the need to produce an independent 30-year Business Plan for our landlord services. It is necessary to regularly review both the assumptions made and decisions recommended on the strength of the plan, taking account of both external economic factors and changes in internal operation. The mid-year review of the HRA Business Plan will form a key part of the Council's annual planning and decision-making process, to be considered alongside the Council's Medium Term Strategy (MTS) for the General Fund. The purpose of the document is to review the Council's vision for housing in the city and to set out priority actions for landlord services following feedback form the 2012 Tenants and Leaseholder Survey,

In the context of the vision for housing, local priorities and the wider national picture, the document then outlines the Council's overall financial position for the Housing Revenue Account, recommends any changes to the financial strategy for the medium term, details proposals for the development of revenue and capital budgets for 2013/14 and provides an indication of the impact of this over the 30-year period of the Business Plan.

This is a key part of ensuring an effective process moving from:

The Council has a long-standing commitment to strong medium-term financial planning which serves to ensure that the financial consequences of its actions are sustainable.

A key feature of the Business Plan update is a review of the risk assessment included in the original document.

The financial modelling undertaken for the HRA Business Plan Update is based on the following periods:

For the …	Period	Purpose / Use
Business Plan Update & Budget	5 years	Detailed budget & rent setting
Longer-Term Financial Planning	30 years	Demonstrate long-term effects & thus sustainability

The Business Plan Update includes a review of the current year budget position, a detailed projection for the following year and forward projections for the following five years, to demonstrate the full-year effects of spending proposals and decisions.

The full 30-year business model for the HRA, incorporating both revenue and capital spending, is fundamental in determining the long-term sustainability of the financial planning; particularly in terms of the effects of changes in external economic factors.

Process

In bringing together all of the information required to review the financial strategy it is essential that effective consultation with all key stakeholders is undertaken.

A key part of the budget and mid-year review process is the identification of:

- Items which for exceptional reasons, require immediate action or approval (which may include net changes to existing budgets).
- Items which provide context for decisions on the strategy or process, which may influence:
    - Any 'unavoidable' items of expenditure or new income opportunities, such as specific grants.
    - The level at which any Priority Policy Fund (PPF) is set.
    - The level at which the overall HRA cash limit is set.
    - The level at which the HRA savings target is set.

The work on the 2012 HRA Business Plan Update takes as its starting point the key medium and long-term parameters identified and agreed as part of the 2012 Budget-Setting Report and the Housing Revenue Account 30-Year Business Plan of February 2012. These are:

- A financial model that anticipates set-aside of resource to allow debt repayment from the point at which the first of 20 loans reaches maturity.
- A financial model assuming use of the borrowing headroom, in order to increase the supply of affordable housing.
- Rent increases in line with government rent guidelines.
- Housing stock that is maintained at an investment standard by the end of an initial 10-year period.
- The delivery, subject to viability of 250 new and re-provided homes in the initial 5 year period.
- No initial savings target, with a clear commitment to re-introduce a target from 2013/14 in response to financial pressures and to create policy fund space.
- No priority policy fund in 2012/13, with an indication that this would be re-introduced in 2013/14, with the financial impact met from savings required.
- A minimum working balance for reserves of £2m.

All of the items identified in consultation with service managers and Members will be considered and the implications incorporated, as appropriate, as part of the construction of the 2012 HRA Business Plan Update.

Timetable

The financial planning and budget preparation timetable is shown in detail in Appendix A. The key member decision-making dates are as follows:

Date	Task
2012	
18 September	Executive Councillor for Housing considers HRA Business Plan Update and incorporates HMB, including Tenant and Leaseholder Representative, views in recommendations to Council
11 October	Community Services consider HRA Business Plan Update
25 October	Council considers HRA Business Plan Update 2012/13 to 2041/42
2013	
8 January	Executive Councillor for Housing approves rent levels and considers HMB, including Tenant and Leaseholder Representative, views, before making recommendations to Council
17 January	Community Services consider HRA Budget Setting Report
21 January	Strategy & Resources Scrutiny Committee considers HRA Budget-Setting Report
8 February	Special Strategy & Resources Scrutiny Committee considers any budget amendment proposals
21 February	Council approves HRA Budget Setting Report

Housing and Leasehold Stock

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 1/4/2012	Estimated Stock Numbers as at 1/4/2013
General Housing	6,646	6,596
Sheltered Housing	525	519
Supported Housing	28	28
Temporary Housing (Individual Units)	41	43
Temporary Housing (HMO's)	17	17
Miscellaneous Leased Dwellings	23	19
Shared Ownership Dwellings	87	87
Total Dwellings	7,367	7,309

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 1/4/2012
Bedsits	112
1 Bed Flat / Maisonette	1,638
2 Bed Flat / Maisonette	1,267
3 Bed Flat / Maisonette	41
1 Bed House / Bungalow	188
2 Bed House / Bungalow	1,136
3 Bed House	2,269
4 Bed House	95
5 Bed House	7
6 Bed House	2
Sheltered Housing	525
Total Dwellings	7,280

The current composition of the Council's sheltered and extra care housing stock is as follows:

Stock Category	Actual Stock Numbers as at 1/4/2012	Estimated Stock Numbers as at 1/4/2013
Modern or Refurbished Schemes		
1 Bed Flat	370	398
2 Bed Flat	49	51
1 Bed Bungalow	3	3
2 Bed Bungalow	2	2
Schemes Undergoing / Awaiting Modernisation		
Bedsit	36	2
1 Bed Flat	51	49
Schemes Undergoing / Awaiting Re-Development as Housing for Older People		
Bedsit	12	12
1 Bed Flat	2	2
Total Sheltered Dwellings	525	519

Leasehold Stock

The Housing Revenue Account also maintains the freehold in respect of a number 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 2012, the Council retained the freehold and managed the leases for 1,077 leasehold flats.

Section 2
Local Policy Context and Priorities

Council Vision

The Council has a clear vision for the future of our city, a vision that we share with Cambridge citizens and with partner organisations.

Cambridge – where people matter

- A city which celebrates its diversity, unites in its priority for the disadvantaged and strives for shared community wellbeing.
- A city whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives.
- A city where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all.

Cambridge – a good place to live, learn and work

- A city which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities.
- A city which draws inspiration from its iconic historic centre and achieves a sense of place in all of its parts with generous urban open spaces and well-designed buildings.
- A city with a thriving local economy that benefits the whole community and builds on its global pre-eminence in learning and discovery.
- A city where getting around is primarily by public transport, bike and on foot.

Cambridge – caring for the planet

- A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution.

Portfolio Plan

The Council's Vision is translated, from a housing perspective, into 5 strategic objectives for 2012/13, as detailed in the Housing Portfolio Plan.

These are:

- Maximise the delivery of new housing in a range of sizes, types and tenures
- Make the best use of existing homes.
- Implement the first year of the HRA Business Plan following the introduction of greater financial freedom for the Council to manage the financing of its housing.
- Foster good quality housing and housing related advice.
- Increase energy efficiency of existing homes; promote sustainable design and construction methods; promote high standards of environmental sustainability of new homes and communities, including water management.

Our Vision

The vision for Housing Services picks up the following themes and prioritises:

- Improving housing standards: Maintaining and refurbishing council housing, and supporting the development of new affordable housing, in the public and private sector, that achieves high environmental standards of energy efficiency, minimal carbon emission, and maximum waste recycling.

- Delivering high quality services: Enabling tenants and residents to have influence over the way we manage services and set priorities. Understanding the diverse needs of our customers. Being open and accountable to service users. Providing services through partnerships or other providers where this is the best option.

- Safe and secure neighbourhoods: Creating and maintaining estates in which our tenants and other residents feel safe and secure. Working in neighbourhoods with partners to effectively address issues that reduce the quality of life.

- Affordable housing plus: Promoting the successful delivery of new affordable housing that meets the needs of the city, and that creates good places to live for all residents regardless of tenure.

Underlying this vision are themes that underpin all our work:

- Embracing diversity and equality in our customers and staff.
- Maintaining an ethos that consistently focuses on the customer needs.
- Achieving value for money through economy, efficiency and effectiveness of service delivery.
- Valuing and respecting our staff through our commitment to providing opportunities for development of their skills, knowledge and competencies.

Tenant and Leaseholder Consultation

Star Survey – Satisfaction Levels

Until recently there has been a requirement for all local authority landlords to undertake a tenant satisfaction survey on a regular basis. This allowed the responses to a number of standard satisfaction questions to be collated nationally and compared across the country. The last survey undertaken on this basis was in 2008. The formal requirement for this survey was subsequently abolished.

In 2011, Housemark introduced a replacement for the previous tenants survey, known as the Star Survey, which the authority has opted to use. Three separate surveys were sent out in early 2012 to a representation of general needs tenants, sheltered scheme residents and leaseholders, with the results for each group available separately.

The basis on which the results from the Star Survey are reported is slightly different to that of the previous satisfaction surveys, in that Housemark report the net satisfaction rating against each criteria, as opposed to the gross satisfaction rating.

Very Satisfied % + Fairly Satisfied % - Fairly Dissatisfied % – Very Dissatisfied % = Net Satisfaction Rating

Comparisons of the feedback received in the surveys of 2006, 2008 and 2012 are provided below, with all data converted into both methodologies to allow accurate comparison:

NET SATISFACTION RATING	Status Survey (Net Satisfaction Rating)		Star Survey (Net Satisfaction Rating)				
	2006	2008	2012				
			Weighted Average (GN & HFOP)		General Needs	Housing for Older People	Leasehold
	%	%	%		%	%	%
Overall satisfaction with landlord / with services provided by landlord	68	72	76	▲	72	91	19
Overall satisfaction with services provided by the Council	67	70					
Ability of staff to deal with problems	55	60	66	▲	63	76	-
Satisfaction with repairs and maintenance	56	64	75	▲	70	94	18
Overall satisfaction with how the Council deals with repairs and maintenance	54	61					
The overall quality of the home	68	67	74	▲	69	92	62
Satisfaction with the neighbourhood	63	60	75	▲	70	94	34
Satisfaction with estate services	-	-	68		61	91	-
Advice and Support	-	-	74		72	80	-
Value for money for rent	-	59	71	▲	66	89	-
Value for money for service charge	-	-	41		41	-	-21
Making views known	-	-	64		59	83	-
Satisfaction that the landlord listens to views and acts upon them	-	53	47	▼	40	70	-
Satisfaction that tenant views are being taken into account by the Council	-	44					
Percentage of tenants who have made a complaint in the last year	-	-	24		26	19	-
Overall satisfaction with how the complaint was handled	-	-	-1		-10	33	-

GROSS SATISFACTION RATING	Status Survey (Gross Satisfaction Rating)		Star Survey (Gross Satisfaction Rating)				
	2006	2008	2012				
			Weighted Average (GN & HFOP)		General Needs	Housing for Older People	Leasehold
	%	%	%		%	%	%
Overall satisfaction with landlord / with services provided by landlord	78	82	83	▲	80	93	49
Overall satisfaction with services provided by the Council	77	79					
Ability of staff to deal with problems	73	76	75	▼	73	80	-
Satisfaction with repairs and maintenance	73	79	85	▲	82	96	50
Overall satisfaction with how the Council deals with repairs and maintenance	70	76					
The overall quality of the home	80	80	84	▲	81	95	76
Satisfaction with the neighbourhood	75	76	84	▲	81	95	59
Satisfaction with estate services	-	-	76		72	92	-
Advice and Support	-	-	78		76	83	-
Value for money for rent	-	73	80	▲	77	91	-
Value for money for service charge	-	-	58		58	-	30
Making views known	-	-	72		68	86	-
Satisfaction that the landlord listens to views and acts upon them	-	65	60	▼	55	76	-
Satisfaction that tenant views are being taken into account by the Council	-	55					
Percentage of tenants who have made a complaint in the last year	-	-	24		26	19	-
Overall satisfaction with how the complaint was handled	-	-	43		39	57	-

Star Survey – Identification of Tenant Investment Priorities

The Star Survey also provided the opportunity to confirm tenant priorities for investment, the results of which will assist the Council in directing future investment appropriately, thus meeting tenant expectations.

All respondents were asked to rank a number of areas of potential investment in their order of priority, with the results in the table below.

HOUSING SERVICE PRIORITY (ALPHABETICAL ORDER)	PERCENTAGE OF RESPONDENTS RANKING SERVICE AS A TOP PRIORITY		
	Weighted Average	General Needs	Housing for Older People
Advice and Support for those seeking a home	8	8	9
Building new council housing	23 (1)	23 (1)	23 (2)
Cleaning of communal areas	5	4	7
Dealing with enquires and providing support to tenants	12 (4)	11	15 (3)
Grounds maintenance	1	1	2
Having your say on how housing in the city is managed	2	2	2
Improving the look and feel of your neighbourhood	3	3	1
Providing sheltered accommodation for elderly	15 (3)	12	26 (1)
Repairing your home	18 (2)	22 (2)	5
Staff members to manage your tenancy	1	0.5	3
Tackling antisocial behaviour	11 (5)	13 (3)	6

From this, we can arrive at a top 5 investment priority list, taking into account the views of both general needs tenants and those in sheltered housing, as follows:

1. Building new council housing
2. Repairing your home
3. Providing sheltered accommodation for older people
4. Dealing with enquiries and providing support to tenants
5. Tackling anti-social behaviour

Insurances

The Council insures its housing stock assets by combining external insurance with the operation of an internal insurance fund. A number of years ago, the Housing Revenue Account took a policy decision to partly 'self-insure' the housing stock, taking an insurance policy with a stop loss of £250,000 per annum. This arrangement requires the authority to meet the first £250,000 of insurance losses in any one insurance year, but serves to significantly reduce the level of annual insurance premium that would otherwise be payable.

The financial risk that this poses requires both the inclusion of an annual budget of approximately £59,000 to meet the costs associated with what would otherwise have been routine insurance claims met by the insurer, coupled with a requirement to maintain HRA balances at such a level that meeting the first £250,000 of any large claim in any one insurance year would not cause irreparable damage to the business.

This arrangement is kept under ongoing review, providing the opportunity to fully insure at any point, should this be deemed appropriate in both business risk and financial terms.

Partnership Working

The organisation and the Housing Service recognise the benefits, and therefore promote, partnership working wherever possible.

From a strategic housing perspective, the City Council work with a group of senior housing officers from neighbouring local authorities and housing associations (Cambridge Sub-Regional Housing Board) that continues to meet regularly to ensure that there is a coherent approach to housing strategy across the sub-region that centres on Cambridge.

The Housing Service explores opportunities to work in partnership with South Cambridgeshire District Council at all opportunities, sharing procurement opportunities wherever possible. A recent example of this is a joint procurement for the external financial advice relating to the Housing Revenue Account's preparations for the implementation of self-financing. A joint project team also worked to ensure that both authorities were best placed to respond to the changes.

The gas maintenance contract, for the servicing and maintenance of all Housing Revenue Account dwelling stock was also jointly procured with South Cambridgeshire District Council, to ensure that best value is delivered for tenants in procurement terms.

From July 2011, a new 5-year partnership arrangement was entered into with two planned maintenance contractors, to deliver the investment required in relation to the housing stock, both in terms of capital investment (including decent homes) and planned / cyclical revenue expenditure.

Cambridge City Council are also party to a Framework Agreement with five partners; a housebuilder (KeepMoat) and four Registered Providers (RP's), for the development of land owned by the Council to provide high quality and sustainable market and affordable housing. The Council and these partners are working together to design housing schemes, carry out consultations, submit planning applications and build new housing once planning permission has been granted. Where the Council works with the housebuilder, the resulting affordable housing dwellings will be owned and managed by the Council. If the Council works with an RP then the RP will own and manage the newly built affordable housing.

Generally, the Council will work with either the housebuilder or one of the RP's to develop a site, however there is the opportunity for the Council to work with both the housebuilder and an RP on larger and / or more complex sites. It is likely that there will continue to be an element of market housing on each site that will cross subsidise the delivery of the affordable housing.

Shared Services

The Housing Options and Advice Team manage the Council's housing register as a part of a sub-regional partnership called '*Home-Link*' - a primarily web-based choice-based lettings (CBL) scheme offering more choice to housing register applicants in Cambridge and the six neighbouring authorities. It offers greater transparency, flexibility and feedback for applicants, allowing them to see the availability of social housing across all seven local authority areas and therefore make realistic decisions about their housing options. The team assesses housing need and allocates social housing within Cambridge City district boundaries as well as providing advice and support to both new housing applicants and current tenants on using the system.

With effect from April 2012 a shared Home Improvement Agency with South Cambridgeshire District Council and Huntingdonshire District Council was created, is co-located at the South Cambridgeshire offices in Cambourne, but is managed by Cambridge City Council. Although only work to properties in the private sector is delivered by the new shared service for Cambridge city, residents, there is still future potential scope to expand this service to also manage works in Council homes, as this is already undertaken on behalf of Huntingdonshire District Council residents.

Section 3
The National Policy Context and External Factors

External Factors

The Housing Revenue Account Business Plan continues to be impacted upon by a number of external factors, all of which are outside of the direct control of the organisation, with little or no ability for the organisation to influence them. In making financial projections for the future operation of the business, judgements are made about the likely direction of travel for many of the factors. To do this, we rely heavily on historic data, using previous trends to inform our financial forecasting.

Using historical trend data, financial plans and forecasts will continue to be regularly reviewed at key points throughout each year to inform updated assumptions and to support decision making.

Inflation Rates - Annual Inflation

Year	RPI % Annual Inflation	RPI(X) % Annual Inflation	CPI % Annual Inflation	CPI(Y)% Annual Inflation	BCIS
2002	1.7	2.1	1.0	No data	7.1
2 003	2.8	2.8	1.4	No data	7.7
2004	3.1	1.9	1.1	1.0	2.0
2005	2.7	2.5	2.5	2.6	10.5
2006	3.6	3.2	2.4	2.6	3.2
2007	3.9	2.8	1.8	1.7	4.8
2008	5.0	5.5	5.2	5.4	4.2
2009	-1.4	1.3	1.1	2.2	-10.4
2010	4.6	4.6	3.1	1.5	-6.3
2011	5.6	5.7	5.2	3.7	4.8

Inflation Rates - Last 12 Months Inflation

The table below shows the movement in each of the main measures of inflation over the last 12 months:

Year	RPI % Monthly Inflation	RPI(X) % Monthly Inflation	CPI % Monthly Inflation	CPI(Y)% Monthly Inflation
August 2011	5.2	5.3	4.5	3.0
September 2011	5.6	5.7	5.2	3.7
October 2011	5.4	5.6	5.0	3.5
November 2011	5.2	5.3	4.8	3.4
December 2011	4.8	5.0	4.2	2.8
January 2012	3.9	4.0	3.6	3.6
February 2012	3.7	3.8	3.4	3.5
March 2012	3.6	3.7	3.5	3.5
April 2012	3.5	3.5	3.0	3.0
May 2012	3.1	3.1	2.8	2.7
June 2012	2.8	2.8	2.4	2.4
July 2012	3.2	3.2	2.6	2.5
August 2012	TBC	TBC	TBC	TBC

Although the July 2012 figures show an increase over the previous month, this is being attributed to 'unusual seasonal effects' including annual increases in transport costs. Housing costs also contributed to the increase.

In respect of the BCIS all in tender price inflation, the indices are published quarterly, with the compound impact of the quarterly change reported annually. Current forecasts indicate a downturn in this index for the building industry for the 12 month period from quarter 1 2012, with a slow recovery during 2013. The index is anticipated to recover to the point that it outstrips general inflation again by the end of 2014.

Interest Rates on Lending

The Council lend externally, on a short-term basis, any cash balances that are held at any point within the financial year. If the balances held relate in any way to the Housing Revenue

Account, the General Fund pays the interest earned to the Housing Revenue Account. The financial transaction between funds takes place at each year-end, based upon the average cash balance throughout the year, at the average rate of external interest received by the organisation as a whole.

It is clear from the table below that the level of interest receivable on Housing Revenue Account balances has significantly reduced in the last 3 years. Although recovery in the economy is anticipated, the time frame over which this is likely to happen is difficult to predict.

Year	Interest Rate Earned on Balances
2003/04	3.65%
2004/05	4.64%
2005/06	4.68%
2006/07	4.79%
2007/08	5.84%
2008/09	5.35%
2009/10	1.36%
2010/11	0.57%
2011/12	0.72%

Interest Rates on Borrowing

On 28 March 2012, the Council borrowed £213,572,000 to allow the Housing Revenue Account to meet its debt settlement obligations to the Department for Communities and Local Government under HRA Self-Financing.

Following extensive research and detailed consideration of a number of borrowing routes and loan portfolio options, the decision made by Council in February 2012, was to borrow in 20 equal annual tranches from the Public Works Loans Board. 20 maturity loans of £10,678,600 were secured, with repayment dates one year apart, commencing on 28 March 2038, the point at which the base business model assumes that the entire could be redeemed if the authority so chose.

The rates secured on 28 March 2012 were of a preferential nature, but some increase borrowing cost was experienced compared with the assumptions in the HRA Business Plan, due to rate fluctuations between January and March 2012.

The loan rates applicable to the opening HRA debt are as follows:

Loan Value(£)	Loan Rate(%)	Loan Term (Years)	Maturity Date
10,678,600	3.46%	26	28/03/2038
10,678,600	3.47%	27	28/03/2039
10,678,600	3.48%	28	28/03/2040
10,678,600	3.49%	29	28/03/2041
10,678,600	3.50%	30	28/03/2042
10,678,600	3.51%	31	28/03/2043
10,678,600	3.52%	32	28/03/2044
10,678,600	3.52%	33	28/03/2045
10,678,600	3.52%	34	28/03/2046
10,678,600	3.52%	35	28/03/2047
10,678,600	3.53%	36	28/03/2048
10,678,600	3.53%	37	28/03/2049
10,678,600	3.53%	38	28/03/2050
10,678,600	3.53%	39	28/03/2051
10,678,600	3.52%	40	28/03/2052
10,678,600	3.52%	41	28/03/2053
10,678,600	3.51%	42	28/03/2054
10,678,600	3.51%	43	28/03/2055
10,678,600	3.51%	44	28/03/2056
10,678,600	3.50%	45	28/03/2057

Right To Buy

The right to buy legislation allows existing tenants to purchase their council home at a discounted purchase price. Since the introduction of the scheme in the 1980's, the rules surrounding the level of discounts available have changed significantly. In the 1990's and early 2000's, the discount levels available were high and the economy was in a strong position, seeing the Council lose over 100 properties each year as a result of this scheme.

In 1999, the level of discount available was capped at £34,000, and this, coupled with the recession, resulted in far fewer properties being purchased by existing tenants in the last five years. An increase in the level of discount to £75,000 from April 2012 is expected to reinvigorate the scheme and result in a marked increase in right to buy sales from 2012/13 onwards.

Early indications are that this may be the case, with an increase from 13 right to buy applications (RTB 1's) received in the first quarter of 2011/12 to 36 received in the first quarter of 2012/13. Not all of these applications are likely to progress to completion, but an increase of 177% in initial interest over the corresponding period compared to last year is indicative of the direction of travel.

Year	Right to Buy (RTB)			Rent to Mortgage (RTM)			Total
	House	Flat	Bedsit	House	Flat	Bedsit	
2002/03	63	38	1	7	2	0	111
2003/04	69	45	1	5	1	0	121
2004/05	59	47	0	3	0	0	109
2005/06	37	38	0	4	2	0	81
2006/07	41	29	2	0	0	0	72
2007/08	23	19	1	0	0	0	43
2008/09	2	4	0	0	0	0	6
2009/10	11	2	0	0	0	0	13
2010/11	12	5	0	0	0	0	17
2011/12	7	5	0	0	0	0	12

The consultation surrounding changes to right to buy also considered a variety of options for the treatment of the residual capital receipt from right to buy sales after the revised discount is applied.

As a result, legislation came into force from April 2012, to allowing local authorities to opt to retain additional right to buy receipts, once the number of sales assumed in the self-financing business plan has been achieved each year. For the right to buy receipts assumed in the government's business plan, the authority retains a sum equal to the debt that was attributed to those dwellings from the outset of self-financing, with the residual sum being shared as [previously, 75% being poolable and 25% retainable by the local authority. The local authority, subject to signing an agreement with CLG to guarantee that the resources will be used to deliver new affordable housing, can retain any additional receipts above those built into the plan. A maximum of 30% of a new dwelling can be funded using the capital receipt, with the balance to be met from the Council's own resources or through borrowing.

Cambridge City Council entered into an agreement with CLG in June 2012, to be effective retrospectively from 1 April 2012.

The resulting impact of the change in legislation and the commitment, into which the authority has entered, needs to be carefully considered in all financial modelling undertaken in the future.

The Localism Act

Main measures

The Localism Bill gained Royal Assent on 15 November 2011, becoming the Localism Act 2011. The Government's aim is that the key provisions of the Act will result in a radical shift in power from central government to local government, but also to neighbourhoods, communities and individuals. The Act includes a wide range of different measures that are intended to bring about decentralisation, some of which came into force in November 2011, and others which will come into effect during the course of 2012.

The main measures of the Bill have been described as falling into four headings:

- New freedoms and flexibilities for local government
- New rights and powers for communities and individuals
- Reform to make the planning system more democratic and more effective, and
- Reform to ensure decisions about housing are taken locally

The key measures in The Act that may have significant financial implications for the Housing Revenue Account include:

General power of competence

The 'general power of competence' will give local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited by other laws. This power is intended to give councils more freedom to innovate and work together with others in new ways to drive down costs. The power will not remove any duties from local authorities but The

Act does give the Secretary of State power to remove unnecessary restrictions and limitations where there is a good case to do so.

New rights and powers for communities

The Localism Act includes a number of new rights and powers for communities. The '*Community Right to Challenge*', which came into force on 27 June, allows voluntary and community bodies and groups of local authority employees to express an interest in running a local authority service. The Council is required to consider and respond to all expressions of interest. If it accepts an expression of interest (EOI), it must run an open procurement exercise, which the challenging body can participate in, alongside other organisations, including private companies. This procurement exercise must comply with existing legislation and requirements regarding procurement and any decision needs to be consistent with the Duty to achieve Best Value.

Depending on the number of EOIs that the Council receives, the Right to Challenge could result in significant administrative costs for the Council. A significant amount of staff time could also be devoted to processing and assessing EOIs. If any EOIs are accepted, they would trigger procurement exercises that the Council may otherwise not have run.

The '*Community Right to Bid*', which is expected to come into force in Autumn 2012, allows local community and voluntary bodies to nominate land and buildings for inclusion on a list of assets of community value. Should any of these assets come up for sale or change of ownership, community groups will be given a period of up to six months to develop a bid and raise money to buy the asset. However, once this period has passed, the owner of the asset is free to sell it on the open market and is not required to sell it to the community group.

The Council is responsibility for administering the Right to Bid process, including maintaining and publishing the list of assets of community value, and managing appeals and compensation claims from the owners of assets included on the list. The Government has recognised that this will place a significant financial burden on local authorities and is committed to meeting these costs, although it is not clear at this stage what this means in practice.

Financial implications of The Localism Bill

It can be seen from the above summaries, highlighting the main content of the Localism Bill that may affect the HRA, that many of the proposals are 'enabling' and until enacted it is difficult to assess in many areas what the impact will be on the Council's financial and staffing resources. The requirements to respond to and support greater local involvement in the planning and provision of local services and neighbourhoods is likely to lead to pressure on existing service budgets and lead to bids for additional funding as part of the main budget setting process.

National Housing Policy

The Coalition Government published its national housing policy "Laying the Foundations" in November 2011. Many of the Policies Housing Reforms have been enacted through the 2011 Localism Act.

The key measures in The Act that have significant financial implications for a housing authority include:

- Local authority tenancy strategies, affecting allocation of all social housing - Local housing authorities are required to publish a Local Tenancy Strategy within twelve months from the date of the Localism Act providing guidance to housing providers on the inter-action between different rents; different lengths of tenancy; and meeting local need.
- Tenure reform - the introduction of flexible tenancies their regulatory powers absorbed into the HCA.
- Self-financing for all local authority social housing – implemented on 1st April 2012
- Abolition of the Tenant Services Authority, with
- Regulatory reform - provision of stronger tools that tenants can use to hold their landlords to account, abolition of the Tenant Services Authority (with transfer of remaining regulatory functions to the Homes & Communities Agency), a cross-sector housing ombudsman scheme and complaints and tenant panels.
- Local housing authorities are given greater freedom to manage their waiting lists particularly in the areas of how they manage transfers and who has a local connection with the area.
- Local housing authorities are able to discharge their homelessness duty by facilitating a move to housing in the private rented sector. This may be of marginal benefit in Cambridge because of the high demand already for privately rented housing.

The Coalition has reduced capital funding available to build new Affordable Housing through the Homes and Communities Agency (HCA) from April 2011 to March 2015 to about 35% of that available over the previous three years. The new national housing policy signalled a switch from a capital based funding system to a revenue based one with the introduction of Affordable Rents on the new homes set at up to 80% of local market rents, with the Housing Benefit system to bear the strain. In Cambridge, because of high local rental values the Council has been able to argue that Affordable Rents should be no more than Local Housing Allowance levels. This equates to approximately 65% of local market rents.

Coupled with the introduction of Affordable Rents is the new notion of 'flexible tenancies'. Housing associations that receive grant from the HCA are required to offer the new homes under 'flexible tenancies' that, in effect, are fixed term tenancies for at least five years (minimum two years in exceptional circumstances). The principle is that if the tenant no longer needs the home at the end of the fixed term period, the housing association can require the tenant to move so that the property can be let to a household in housing need. Housing associations who receive grant from the HCA can also re-let a number of existing homes as Affordable Rents when they become empty. Housing associations as independent sector agencies have been able to offer flexible tenancies from April 2011. Local authorities will also be able to offer flexible tenancies under changes introduced in the Localism Bill.

Tenancy Strategy and Tenure Reform

The Council approved its first Tenancy Strategy in June 2012. The Tenancy Strategy is a requirement of the Localism Act and guides housing associations on the level of Affordable Rent that are considered 'affordable' to the Council and the minimum length of tenancy that is deemed reasonable. Housing associations and including the Council as a social housing provider are required by regulation to publish a Tenancy Policy that demonstrates how they set their rents in keeping with the local tenancy strategies. All registered providers must have regard for the strategy when determining the type, nature and length of tenancies that they offer.

The Strategy confirms the Council's preference for lifetime tenancies, but recognises the desire of some registered providers to use fixed term tenancies. The strategy confirms that the minimum two year tenancies should be granted as an absolute exception, for example where supported accommodation with move-on is anticipated or in areas of regeneration. Otherwise tenancies should be a minimum of 5 years.

The Council expects tenancies to be renewed at the end of the fixed term, except in certain circumstances:

- The tenant wishes the tenancy to end
- Where a property of 4 or more bedrooms is under-occupied
- Where the property contains specific adaptations that are no longer required by the household
- Where the accommodation was designated as move-on and the occupant is now able to live independently

In the light of the Tenancy Strategy, Housing Management Board approved an initial HRA Tenancy Policy in June 2012, which supports current letting practices, covering introductory tenancies, security of tenure, successions and demotions. The Tenancy Policy identifies the current approach to affordable rents in the housing stock, confirming the application of the 80% of market rent levels in respect of new build properties built with HCA grant funding. Existing homes will continue to be let at social rents.

A commitment has been given to reviewing this policy in the coming 12 months, giving consideration to circumstances where flexible tenancies may be deemed appropriate in the housing stock. This allows for appropriate consultation in relation to any proposed changes, prior to implementation.

The Council launched a review of its Lettings Policy in July 2012, in response to a Government consultation paper that, in turn, interpreted the new national policy give local housing authorities greater freedom to manage their waiting lists particularly in the areas of how to manage transfers and who has local connection with the area. Local housing authorities will be able to discharge their homelessness duty by facilitating a move to housing in the private rented sector. This will be of marginal benefit in Cambridge because of the high demand already for privately rented housing.

Regulatory Reform

Following a consultation in 2011, entitled "Implementing Social Housing Reform: Directions to the Social Housing Regulator", CLG issued a summary of responses, confirming a high level of support for the 'Revised Regulatory Framework for Social Housing' due to take effect from 1 April 2012. The Revised Regulatory Framework set out the regulatory standards and expectations of registered social housing providers following changes to the Housing and Regeneration Act 2008, brought about by the Localism Act 2011.

Subsequently, the Homes and Communities Agency, the Social Housing Regulator, has published 'Regulating the Standards' (25 May 2012) which provides more information about how the Social Housing Regulator will regulate in practice. In summary, this document outlines the regulator's duty to minimise interference in organisations management frameworks, while obtaining the necessary level of assurance in relation to governance, viability and value for money.

To gain this assurance, the Social Housing Regulator has developed eight key questions to provide a consistent basis for evidence gathering and assessment.

These key questions are:

1. Does the organisation have an appropriate strategic business plan?
2. Does the organisation's strategy suggest that it understands its external operating environment and the markets in which it operates?
3. Do the financial plan and the financial position of the organisation support the delivery of its strategic objectives?
4. Does the organisation understand the risks to the delivery of its strategic objectives and get sufficient assurance on them and its systems of internal controls?
5. Does the organisation demonstrate how it achieves value for money in meeting its strategic objectives?
6. Does the organisation's business plan have clear and measurable objectives and does the organisation have a track record of delivering its plans and objectives?
7. Is there evidence that the organisation is transparent and accountable?
8. Is the organisation effectively led and controlled?

Welfare Reforms

The Welfare Reform Act provides for the introduction of "Universal Credit" to replace a range of existing means-tested benefits and tax credits for people of a working age and proposes other significant changes to the benefits system over the next few years.

At present the Local Housing Allowance sets the level of "eligible rent" that can be used in the calculation of Housing Benefit for private sector tenants. In Cambridge rents are high, reflecting the demand for accommodation in the City and the scarcity of supply. The broad market rental area covering Cambridge includes a number of areas with lower rents. This has distorted the level at which the maximum for Housing Benefit was set resulting in a shortfall for many tenants between what they need to pay and what their Housing Benefit will cover. It is a concern that private sector tenants claiming Housing Benefit will be forced to leave Cambridge, despite having local connections, to find cheaper housing.

From April 2013, the Government is introducing financial restrictions to working age Housing Benefit customers who live in accommodation that is deemed to be too large for their households needs. Working age tenants receiving Housing Benefit who have one spare bedroom would be subject to a 14% reduction and those with two or more spare bedrooms will have their housing costs eligible for benefits reduced by 25%. There is no transitional protection or phased approach.

The organisational impact could include increased demand on the Customer Service Centre, Housing Allocations, Homelessness and City Homes, with limited scope to move within the social housing sector as stock is already in full use, prompting increased demand for mutual exchanges.

Also from April 2013, new and existing Housing Benefit claimants in working age households will have their Housing Benefit capped so that their total income no longer exceeds the national standard for average weekly earnings. These caps are £500 per week for families and £350 for single people.

Council Tax Benefit, administered by the Council based on national rules, is being replaced by a localised scheme from April 2013. Pensioners will be protected under new regulations and will continue to receive Council Tax Benefit under existing arrangements. The Council will receive a 10% reduction in Government grant to fund the scheme.

From October 2014 new claims for working age people for Job Seekers Allowance (income based), Income Support, Employment & Support Allowance (income related), Child Tax Credit, Working Tax Credit and Housing Benefit will claim Universal Credit. Customers will be paid directly (unlike existing arrangements where social landlords are paid directly) and will receive one monthly payment, in arrears like a salary, for Universal Credit and it will be administered centrally by the DWP.

Pensioners are also excluded from Universal Credit and it is currently anticipated that pensioners will have their housing costs paid via Pension Credit a year after the introduction of Universal Credit, commencing October 2014.

Universal Credit will be digital by default and customers will claim on-line. There are organisational risks that include the impact on rent arrears and the cost of rent collection as a result of direct payment of Universal Credit to the customer.

The impact of these reforms in respect of our housing business is still unquantifiable at this stage, although it is anticipated that the need to collect 100% of rent directly from tenants as opposed to approximately 49%, will have a significant negative financial impact in terms of our collection costs, recovery rate and the level of rent arrears experienced at a local level, potentially requiring write off in our accounts.

Supporting People

The Supporting People regime was introduced in April 2003, recognising the Government's desire to separately identify and fund the raft of housing-related support services that housing providers either delivered or facilitated across their housing stock.

In Cambridgeshire, local authorities opted to manage the funding, and therefore the procurement of support, at a County level. The County Council act as administering authority, with a commissioning body including representatives from each local authority acting as the decision making body. The commissioning body have historically agreed the strategic priorities for investment in support services across the County.

Since April 2003, the national funding for Supporting People has been the subject of successive annual reductions. Locally, the administering authority has also been working to deliver a more equal pattern of services across the County and to move away from 'buildings-based services' to more 'floating support models' focusing on the specific needs of individuals.

Discussions are currently underway about the future of the commissioning body, and how supporting people funding can be aligned with care and health funding to better support vulnerable.

As a landlord and support provider, Cambridge City Council are currently contracted to deliver support services in sheltered / extra care housing and temporary accommodation across the housing stock.

In the last two years a number of support contracts across our housing stock have been placed with other providers as a result of competitive tendering processes, with a number of Council employees transferring under TUPE arrangements to the new provider. The remaining contracts are due to come to an end between March 2013 and March 2014, with the expectation that a competitive tender process is likely for continued service provision, although at what level this service will be provided is unclear at this stage.

The financial pressure that exists across all County Council services is expected to result in a significantly lower level of funding for support services in the future. When reviewing the investment priorities for the Housing Revenue Account over the medium to long term, consideration will need to be given to the extent to which the Housing Revenue Account wishes to provide enhanced housing management services to plug the gap that the reduction in support funding will create.

Contract	No. of Units	Contract Status	Maximum Estimated Support Income 2012/13 Gross of Voids (£)	Risks / Ongoing Assumptions
Temporary Housing (116 Chesterton Road)	60	Block Gross Contract – Extension Expires 31/3/2014. SP confirm intention to re-tender from April 2014	132,070	Supporting People could seek a reduction in costs for the second year of the extension period
Temporary Housing (New Street)				
Temporary Housing (Dispersed Tenancies)				
Temporary Housing (Shared Houses)				
Brandon Court	30	Block Gross Contract – Extension Expires 31/3/2013 Reduced rate of £9.00 per client per week.	219,630	Expectation of a tender for services from April 2013, which would be within short timescales
Ditchburn Place (Sheltered)	15			
Ditton Court	26			
Greystoke Court	24			
Lichfield / Neville Road	171			
Mansel Court	25			
Rawlyn Court	26			
School Court	29			
Stanton House	33			
Talbot House	21			
Walpole Road	48			
Whitefriars	20			
Community Alarms	47	Anticipated to expire 31/3/2013 in line with sheltered housing contracts.	9,950	Potential to be included with sheltered tender, but equally to be tendered city or county-wide
Ditchburn Place (Extra Care)	36	Block Gross Contract (Part of Care Contract) – Expires 25/1/2014.	45,740	Support is likely to be tendered alongside care from January 2014
Total Maximum Support Income (Gross of Voids)			**407,390**	

Section 4
Housing Services

Housing Management

Service Description

City Homes is responsible for the landlord activity associated with property management of the Council's housing stock, both tenanted and leasehold, across the city. City Homes play a key role in the collection of over £30m in rent and service charge income each year.

Housing Management involves the day-to-day management of homes and tenancies, ensuring that the legal rights of tenants are adhered to and that the standard of accommodation provided is good. Housing Management also includes managing the estates in which tenants live including cleaning, grounds maintenance, and tackling anti-social behaviour.

City Homes has a proactive approach to resident involvement. An independent review of the resident involvement service recommended that funding previously outsourced, should now be utilised to fund a new Resident Involvement Facilitator post, to boost wider resident involvement at estate level. The development of City Homes Residents Involvement means that this service will cover all areas of council estates to ensure that the views of as many tenants and leaseholders as possible are taken into account, influencing decisions affecting their neighbourhood.

Budget Issues

The most pressing issues for City Homes' teams include:

- Ensuring rent-collection levels are high in the face of challenging welfare reforms and socio-economic pressures, with a recent downturn in direction of performance indicating that this area may need additional input

- Keeping arrears levels to a minimum, including former tenant arrears
- Ensuring tenants have the necessary support and advice to help them pay their rent, maintain their tenancy
- Ensuring anti-social behaviour is dealt with
- Offering tenants and leaseholders opportunities to get involved in the housing service and have their say on the issues that affect them as tenants, including developing the role of tenants and leaseholders as co-regulators.

The future delivery of Housing Management Services will need careful consideration, both in terms of the level of service provided and in the method of provision. The future of the area housing offices is a key consideration in the short to medium term, with the expectation that decisions will be made to allow notice to be given in time for the break clause in December 2014, in the south area office lease, should this be required.

Changes arising from the Welfare Benefit Reform legislation may lead to an increase in face-to-face customer service demands, a challenge which will need to be balanced with any efficiency savings required to deliver the 30-year HRA Business Plan. The changes proposed may also lead to demand for a different mix of accommodation due to current under-occupation and restrictions in the housing element of the new universal credit.

The New Build Affordable Homes Programme is also providing challenges for City Homes, both in terms of the project related activity associated with relocating existing tenants to limited available alternative accommodation and the anticipated management of additional affordable housing units when new build schemes are complete. It is imperative that the feasibility for all future new build schemes include the appropriate one-off and ongoing resource to allow services to be provided in these areas.

Customer Services

Service Description

The Customer Service Centre opened in 2008, assisting customers with the majority of council services from June 2010. The Customer Service Centre has robust policies and procedures in place, fully-trained staff, access to self-service facilities, an easily accessible location (extended opening times, full disabled access etc), challenging performance targets and clear service delivery standards.

The Centre's relationship with the range of housing services is strong. Regular meetings are held between senior members of staff to discuss how to improve our services. Customer feedback is presented and solutions are agreed where required. Performance is reviewed and the simplifying of specific areas of service is agreed and implemented. The Customer Service Centre is in the unique position of being able to collate robust, centralised files of data and information on current and future clients, and Housing is keen to take advantage of this data.

The Customer Service Centre team assists customers with general queries regarding housing, such as:

- Providing fully supported assistance with Homelink lettings-applications, from assessing eligibility to registering, banding enquiries and bidding
- Handling rent enquiries, establishing the customer's query, confirming the amount of rent payable, and taking debit or credit card rent-payments
- Liaising with Housing/Council Tax benefit teams to establish the reason for changes in rental liability, and liaising with City Homes housing officers where required
- Advising on how to register for a mutual exchange of homes.
- Providing initial advice on homelessness; booking appointments with housing advisors when required, making referrals to the duty officer in emergency circumstances.

For repairs and maintenance of Council homes, the current services provided by the Customer Service Centre include:

- Establishing the type and urgency of the customer's repair request
- Requesting the repair via the Orchard electronic system

- Agreeing appointment dates with the customer
- Agreeing specific response times where the repair is an emergency
- Arranging for the appropriate tradesperson to attend within prescribed time limits.

Budget Issues

In the next 3-5 years a number of legislative changes and internal Cambridge City Council projects will have an impact on our customers and on Customer Services staff. Additionally the way and frequency with which customers communicate with businesses is predicted to change. These changes and the ever present requirement to reduce costs whilst implementing new initiatives, services and procedures, will continue to be a challenge for the Customer Service team.

From 2013 the changes to council tax benefit and the conversion of housing benefit to universal credit will affect all customers claiming these benefits.

Universal credit will begin to be administered by the DWP from October 2013. Cambridge City Council will need to review the level of staff currently employed in the administration of housing benefit and resource on the new responsibilities.

However, although universal credit is intended to ensure equity to all customers, the changes will, however, be difficult for some to cope with. Historically customers have sought help & advice from their local council, seeing us as their first point of contact, despite direct communications from other relevant government bodies.

Whilst unproven, there is concern that an unwanted outcome of the changes in welfare reform will be an increase in homelessness. From a customer service perspective these contacts from customers will be challenging to manage if the workforce is reduced without a reduction in customer contact.

In addition, a consequence of the new council tax benefit legislation is that some customers will not receive as much assistance as they did previously. This will mean customers may be in financial difficulty in another area, which may have a cumulative affect on collection rates across all sectors of the council, including housing rents.

Customers in financial difficulty have queries that are long in duration and are complex, a combination that is challenging to manage in customer services when demand is high.

In other areas, the improvement plan for housing repairs and the medium term plan to introduce real time repair scheduling will be a great benefit for our customers and customer services.

It is anticipated that call durations will reduce as a consequence of immediate appointments being offered. It is also hoped that the introduction of real time scheduling will reduce repeat contacts in this area due to work only being allocated to available operatives instead of an estimated amount of operatives.

Freeing up staff to implement this initiative, whilst maintaining service standards will be challenging for customer services at a time of major change in other key areas of the council. Customer services continue to explore new avenues and work streams to enhance the services provided.

On a more general theme, recent research by Customer Engagement Network suggests that customer contacts are set to increase, not decrease, even if we are successful with our channel shift programme. Research undertaken externally indicates that customers contact organisations using multiple channels, but about the same query, using facebook, twitter, email and telephone to log their query instead of relying upon one channel. Multiple logging of queries/service requests will mean that even with improvements to on-line reporting, repeat contacts will increase requiring more work effort from customer service staff.

Leasehold Services

Service Description

The leasehold service currently supports the administration of:

- The 1078 leases of flats sold under the Right to Buy
- The Right to Buy process
- 87 Shared Ownership properties.

A main function of the leasehold team is to ensure that the Council recovers any service charges that it reasonably incurs as the Freeholder, and that services provided are of an appropriate standard. The leasehold team also administer or deal with:

- Section 20 Consultation for major planned works, in order to comply with the requirement of relevant legislation
- Pre-sales enquiries in relation to re-sales
- Breaches of lease conditions, including recovery of service charge arrears
- Leaseholder alterations.

Right to Buy sales in Cambridge remained relatively low in 2011/2012, with just 12 sales, culminating from 47 applications. The changes to the maximum discount level from £34,000 to £75,000 in April 2012, has seen a significant increase in applications in the year to date. The activity in the first quarter of 2012/13 is similar to that for the whole of the 2011/12 financial year. The council will have to keep under review the impact on the services, including increased workload, loss of rental income, the impact in capital receipts and the resulting potential for council new build.

The Council have 87 Shared Ownership properties, the majority of which were sold on a 50% share. The leasehold team administer the waiting list and deal with re-sales. There is currently a shortage of waiting list applicants that are able to obtain a mortgage, and this has resulted in properties empty for longer than desired, causing loss of rental income.

Budget Issues

There are particular challenges, in light of an increased capital investment programme from 2012/13, in ensuring that the appropriate leaseholder consultation is undertaken within the required timescales, to allow full recovery of the costs of section 20 major works and improvements from leaseholders.

Sheltered Housing

Service Description

The Housing Revenue Account owns, and City Homes manage, a number of sheltered housing schemes, which provide accommodation suited to older people. Schemes provide varying levels of support to enable residents to live independently in their Council home.

Following a significant programme of investment in the Council's sheltered housing stock, the schemes retained are a mixture of:

Category I schemes, which are clusters of accommodation with their own off-street front doors:
Greystoke Court
Lichfield / Neville Road
Walpole Road

Category II schemes, where tenants' homes have their own front doors onto an internal corridor, with some communal facilities:
Brandon Court
Ditchburn Place (Sheltered)
Ditton Court
Mansel Court
Rawlyn Court
School Court
Stanton House
Talbot House
Whitefriars

Brandon Court is the latest of the schemes to be refurbished, with completion due during 2012/13.

Staff of the Independent Living Service continue to provide support, landlord-related services and premises-services to sheltered scheme residents on a peripatetic basis. This service has changed significantly over the last 15 years. Residents saw a reduction in service, changing from having a designated live-in warden and deputy warden at each scheme, to the current service where one peripatetic Independent Living Facilitator provides services across two, or even three, sheltered schemes.

The Independent Living Service benefits vastly from a small team of volunteers who actively engage with residents to provide social activities which help promote active ageing. Sheltered housing is now both modern and a pleasant place for the City's older people.

Budget Issues

A significant proportion of the funding for the Independent Living Service is received via Supporting People, either in the form of support grant or direct payment from the resident. Further reductions in funding were imposed from April 2012,with the unit cost of support now being reduced to an average of £9.00 per client per week on a 52-week basis.

The existing contract for support with the County Council expires in March 2013, following an extension period of one year. It is anticipated that a tender process will commence by the Autumn of 2012, with the expectation that the funding available for this contract could be further reduced.

Consideration will need to be given, in the 2013/14 budget process as to whether the HRA wishes to maintain an enhanced level of housing management service in place of any reduction in support.

Ditchburn Place Extra Care

Service Description

In addition to sheltered housing, the Council has retained a 36-unit extra-care housing scheme at Ditchburn Place. Unusually for a local authority, the City Council is contracted by the County Council to deliver the care and support in the scheme in addition to being the landlord. A meals service is also provided, which is now a condition of tenancy for these residents.

Budget Issues

The care and support contract is managed on an agency basis, with the financial implications reported in the Council's General Fund. Although the City Council has a contract to provide care and support to January 2014, the contract is managed closely and reviewed regularly to monitor both the financial implications and the risks associated with delivering this service, as it is not a core function for the authority. Change in the City Council pay structures from June 2012 present challenges in ensuring that sufficient staffing levels are maintained to continue to deliver a high standard of service.

During the life of the current care and support contract, consideration of the options for the future of the extra care accommodation itself at Ditchburn Place will be progressed, as significant investment is required in order to bring the scheme up to modern standards, to comply with current regulations and to meet the expectations of prospective residents. An option appraisal is being undertaken for the extra care housing at Ditchburn Place, with a pre-requisite being that any resulting refurbishment will ensure that current housing regulations are met. Consideration is being paid to the way in which the flats are refurbished to ensure that they do not have to be exclusively used for extra care should the demand for this change in the future.

The catering service has recently being outsourced to a specialist contractor, who will take over the associated catering staff. A review of the financial implications of this contract will be incorporated as part of the 2013/14 budget process.

Temporary Housing

Service Description

As part of its statutory duty and responsibility to reduce homelessness, Cambridge City Council owns and manages 60 units of temporary accommodation for vulnerable people who have become homeless due to problems with alcohol and substance abuse, mental ill health, domestic abuse or relationship breakdown. The work of the Temporary Housing team includes both landlord activity and support of the clients to facilitate move on to permanent accommodation, with the ability to sustain the resulting tenancy.

Budget Issues

Support is funded via Supporting People Grant and the County Council has extended the existing contract for Temporary Housing until March 2014, although a request for savings during the extension period is anticipated.

Demand for emergency temporary housing has increased recently, and is set to increase further due to a combination of the anticipated growth in population in the city and the changes in welfare benefit reforms.

Due to the skill set of staff in this area, a recent pilot that utilised two units of HRA accommodation to provide an alternative to Bed and Breakfast, with the staff providing the services required by this client group, has been extended on a more permanent basis.

Supported Housing

Service Description

The Housing Revenue Account manages 28 units of designated accommodation-based supported housing, all of which are situated on the Ditchburn Place site. Following a recent procurement exercise by the County Council Supporting People Team, Metropolitan Housing now meets the support needs of these residents, with City Council staff having transferred to work for this provider. The Temporary Housing Team is now undertaking the Housing Management function in respect of these units.

Budget Issues

Consideration needs to be given to whether the Housing Revenue Account wishes to retain 28 units of designated supported housing in the longer term, or whether there may be options to utilise the accommodation for alternative purposes.

Estate Services

Service Description

City Homes works with partner agencies to oversee grounds maintenance, street cleaning, garage maintenance, caretaking and cleaning of communal areas on Council estates.

Over the past twelve months the Housing Regulation Panel (HRP), made up of 6 residents, have undertaken inspections on the communal cleaning and grounds maintenance service area producing reports highlighting areas of improvement for service delivery.

New recycling points introduced across neighbourhoods have proved successful, as have the roles of Green Inspectors. Green Inspectors are trained resident volunteers who inspect neighbourhoods and provide performance reports on key areas of service, e.g. grounds maintenance, cleaning of communal areas in flats etc. This is then used to provide HRP and management with critical information to make service improvements, introduce new initiatives and priorities for the coming years.

Budget Issues

The communal cleaning service is currently undergoing a procurement exercise to ensure the service provided, meets the service standards agreed by residents, providing a value for money service. Key resident groups e.g. HRP and our Green Inspectors, have all been consulted on the draft specification for this service. Any cost implications will be incorporated as part of the 2013/14 budget process.

Garages

Service Description

The Housing Service manages 1,863 garages and lettable parking spaces using the department's Housing Management Information System. The majority of the garages are Housing Revenue Account owned (except for 17 garages and 6 parking spaces in Bermuda Road and Hooper Street, owned by, and managed for, the General Fund). Just over 50% of the garages are let to Council tenants, with the remainder let predominantly as private garage tenancies to the city's other residents and regular visitors. A small number of garages are utilised as storage for housing management purposes.

A project is underway to review garage investment and garage rent levels across the city, with a view to producing a detailed investment plan and making recommendations for differential charging if appropriate.

The garage stock in many areas of the city is in poor condition, and requires significant investment if it is to be retained as a lettable asset into the future. Increased capital funding of £300,000 per annum for 5 years has been incorporated in the Housing Capital Investment Plan to allow the garage stock to be brought up to a reasonable standard if the demand exists.

Void levels in Council garages remain high and are in fact on the increase, with a 22% void loss realised in 2011/12, compared with 19% for 2010/11. There is a small waiting list for garages: the number of people waiting is far less than the number of garages available, but with many would-be garage tenants requiring a specific geographical location.

Due to difficulties letting garages in some areas of the city, work has been undertaken to investigate the development potential of particular sites, with a number of sites, constituting a total of 163 garages, now featuring on the 3-year affordable housing investment programme.

Miscellaneous Leases

Service Description

The housing service lease a small number of general stock properties to voluntary and not-for profit organisations that provide accommodation and support to vulnerable groups within the city. There are currently 23 such agreements in place. The organisations house clients such as those with mental health issues, care workers active within the community, over-seas nurses, school site staff, a pastor undertaking community work and women and children fleeing domestic violence.

The decision to lease these properties to other organisations involves a number of factors each time, such as:

- The fact that the requesting organisation would be housing vulnerable clients who may otherwise have come to the City Council for housing
- The work of the organisation meets the strategic housing objectives for the authority
- The ‘stand alone’, non-estate or low-demand location of certain properties, makes them less viable as general needs accommodation
- The guaranteed rental income for this low-demand property

Budget Issues

Following a review in 2007, it was agreed to continue with such leases where viable on a property by property basis, with stricter control over the duration and terms of a new 'standardised' lease.

Re-negotiation of historic leases when the opportunity arises, ensures that rent levels are set, and increased throughout the life of a new lease appropriately, to protect the interests of the Housing Revenue Account.

Where possible standard terms are being negotiated to ensure that the internal repairing liability falls with the lessee, rent levels are set at target rents, the lease is of a 5 year duration and is opted out of the 1954 Landlord and Tenant Act, to give greater flexibility to terminate the lease if an alternative use if preferable for the HRA.

Commercial Property Portfolio

Service Description

The Housing Revenue Account also owns a small commercial property portfolio, consisting of shops and land utilised for non-housing purposes.

The majority of shops in the Housing Revenue Account are situated on housing estates, were built as part of creating the affordable housing and associated infrastructure and have tenanted social housing built above them.

Budget Issues

The portfolio currently includes 24 shops and a clinic. The shops are located in Akeman Street, Anstey Way, Barnwell Road, Campkin Road, Carlton Way, Hazelwood Close and Wulfstan Way. The shops are let on commercial leases, and alongside the clinic generate commercial market rental streams of approximately £256,000 per annum.

The remainder of the commercial property portfolio consists of land used for non-housing purposes generating a revenue stream of approximately £28,000 per annum, a car park, for which the HRA receives £33,500 per annum form the General Fund and payment in respect of a lease to the Hundred Houses Society for the land on which some of their first 100 houses were built. Which provides an ongoing rental stream of approximately £73,000 per annum, directly linked to the rental income for the properties on the site. Hundred Houses have presented a number of proposals to terminate the existing lease arrangements, taking ownership of the land by mutual agreement with the City Council, in return for the transfer of alternative housing stock, either new or existing, into Housing Revenue Account ownership. Following full exploration, earlier proposals have been declined, as they have proved financially unviable. Officers continue to work with Hundred Houses to arrive at a mutually agreeable solution, which can be presented to committee for consideration.

Anti-Social Behaviour

Service Description

The Safer Communities Team performs a statutory duty to promote safe and strong communities and manage anti-social behaviour. This Team also lead on the Community Safety Partnership; respond to anti-social behaviour and racial harassment issues and promote community cohesion.

The context for the Team is the changing national policy agenda in respect of crime and disorder and the next period will see the election of the local Police Commissioner. The period to March 2104 is also covered by the Council's pilot project in respect of Restorative Justice. The Team will need to build into its thinking how it will respond to any community safety or anti-social behaviour issues that may emerge as new communities rapidly form on the growth sites. Anti-social behaviour is dealt with in partnership between City Homes and a specialist ASB team that is part of the City-wide Safer Communities Team. The team deals with medium and higher level ASB cases affecting council properties, and ASB of all kinds across the city, including problems in public spaces or involving private-sector housing.

The Racial Harassment and Community Cohesion Officer is also part of the Safer Communities Team, offering a confidential service that provides support and assistance, as well as advice and action on racial harassment. The team works closely with the police and other council departments to gather information and take appropriate and speedy action to put an end to harassment. The team also works extensively with black and minority ethnic groups in the City to build relationships and encourage their active participation in decisions that affect their lives.

Estates and Facilities (Repairs and Maintenance)

Service Description

Estates & Facilities (Repairs and Maintenance) provide of a comprehensive housing maintenance service including day to day repairs, voids maintenance, major and minor adaptation, planned improvement and repair programmes and an out of hours emergency service. The service maintains comprehensive records relating to housing stock condition, investment requirements and profiling, maintenance history and also ensures statutory compliance and certification for a range of mechanical and electrical installations.

The direct labour workforce, previously City Services, has been operating as part of Estates and Facilities for about eighteen months, which has created a more streamlined operation in relation to service delivery,

The Service now also incorporates responsibility for the provision of facilities management services in the Council's primary office accommodation buildings and management of the depot. Services include, security and maintenance of the building fabric, legislative compliance, energy management and purchase together with Architectural and Engineering services.

Subsequent to the Support services review, the service also provides comprehensive financial and other back office support services to departments based at Mill Road depot including the Council's garage, Waste and Fleet, Streets and Open Spaces, stores management, Estates and Facilities also provides reception services.

An interim operations manager has been appointed and a review of service delivery is now underway, several areas of repairs and voids have been identified where improvements will be made and these will be implemented over the coming months,

Budget Issues

Retention of the responsive repairs service in-house is dependent upon the successful delivery of a Repairs Improvement Plan, to demonstrate increased efficiency / productivity and customer satisfaction. A Repairs Improvement Plan Scrutiny Panel will monitor progress and achievements against the relevant tasks and actions. This group will also be responsible for recommending that the service is either retained in house or is subject to future out-sourcing via a tender.

There are six key areas to the improvement plan, which will ensure a more effective housing service for all stakeholders.:

1. Improved Internal communication within the team
2. Improved technology and Innovation
3. Improved Service Delivery
4. Increased Resident Involvement
5. Improved Inter-departmental working practises
6. Cost of Service / Value for Money

Discussions are under way to identify " fit for purpose " technological solutions and working groups are identified to review the various areas of service delivery.

A strong focus on resident involvement will be maintained to ensure the service is customer focused and driven.

There is a risk register specifically to cover the improvement plan, which is reviewed, on a regular basis and any areas of concern are elevated or reduced in priority if required.

Voids times are currently reduced and below target turnaround times, whilst responsive repairs continue to be challenging in relation to achieving key performance indicators. This is expected to improve when a repairs diagnostic system is implemented within the customer service centre, which will include a schedule of rates ordering process.

In recent years, the numbers of jobs booked were as follows:

Job type	2010/11	2011/12
Emergency	3,808	3,614
Non-emergency	15,535	13,812
Void works	1,371	632
Total	**20,714**	**18,058**

Apollo and Kier Services are delivering against contracts for planned maintenance, and continue to work in partnership with the Estates & Facilities Service to ensure the housing stock is maintained at the Decent Homes standard, following achievement of 100% Decent Homes in 2010/11.

The introduction of housing self-financing has resulted in the adoption of a full maintenance standard in support of the Housing Business plan. The adoption of this standard means that the allocated planned capital programme has increased substantially, now being in excess of £60m over a five year period as against the £22m previously forecast, following the Decent Homes programme. The adoption of the new standard will require additional resources for delivery of the programme. The case for this will be made as part of the 2013/14 budget process.

Enabling and Development

Service Description

The Team undertakes a statutory function to plan for and facilitate new housing supply in the city. The core activities are

- the delivery of new Affordable Housing on the Growth sites;
- the delivery of new community infrastructure on the Growth sites;
- the provision of new Affordable Housing on in-city sites working with Registered Providers (housing associations); and
- ·the delivery of the Council's new Council House building programme which has received grant allocation from the Homes and Communities Agency to complete 146 new homes by the end of March 2015.

The next 18 months will see the first Affordable Housing on the Growth sites and we are working with our Affordable Housing provider Cambridgeshire Partnerships Limited on the Local Lettings Plan and how new residents are to be introduced to the new community.

By March 2014 the Council's new housing for older people at Seymour Court and the new scheme at Latimer Close will be completed. Other new schemes at such as Barnwell Road and Colville Road are programmed to be under construction during this period. With the new financial potential to provide up to 650 Affordable Housing over the period to 2026/27, the team will be open to other opportunities to balance a programme of small scale re-generation of existing housing with additional new build on new sites.

Budget Issues

There is a financial risk to the Council should South Cambridgeshire s District Council decide to withdraw their funding from the Development Officer (Growth) post.

Approximately £20,000 of the annual revenue budget is funded through capital projects. It has been agreed to increase this to £36,000 in 2013.14 now that grant funding has been received to increase the Council's new Council House building programme.

Support Services

Service Description

The Business Team, following a recent corporate restructure of support services, now provide information systems support to both housing and customer service related applications, and finance and business support services across the whole of the Hobson House and Mandela House sites. In addition to this, the team also has responsibility for the accountancy function for the Housing Revenue Account and General Fund Housing services.

The Housing Service relies very heavily on a number of business-critical IT systems, with the Integrated Housing Management Information System being one of the key applications. A recent review of this system resulted in the upgrade of the system with the existing supplier, for a period of 5 years from April 2011, when the upgrade took place. There are a number of other key systems, which work along-side or integrate with this application, and review of a number of these is required, in an attempt to make best use of the IT functionality currently available to support a housing business.

Budget Issues

The review of support services has delivered significant savings for the Council, a proportion of which benefits the Housing Revenue Account. These savings have been incorporated into the financial modelling associated with this Business Plan Update.

Funding has been made available in 2012/13, to allow for review and potential replacement of the OPENContractor direct labour management and job costing system and the Codeman asset management information system. As part of the review, consideration is also be given to the introduction of repairs finder and mobile working solutions, which would be expected to deliver significant future advantages in terms of financial efficiencies and capacity building for the repairs service.

Section 5
Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

Historically rent collection performance locally has been consistently good, with approximately 98% of the value of current tenant arrears brought forward and rent raised, collected in year.

Rent arrears in total are a combination of current and former tenant debt, with the latter being more difficult to pursue and recover, demonstrated by an increase in the level of former tenant arrears in recent years.

A pro-active approach to pursuing current tenant debt continues to be key in keeping former tenant debt, and therefore the cost of rent written off, to a minimum. The timescale within which former tenant debt is pursued is crucial if the organisation is to have a realistic chance of recovering the sums due.

The year-end position in respect of current tenant 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
31/3/2006	£749,604	2.84%
31/3/2007	£693,541	2.54%
31/3/2008	£622,446	2.27%
31/3/2009	£595,366	2.01%
31/3/2010	£625,433	2.05%
31/3/2011	£582,400	1.88%
31/3/2012	£655,177	1.98%

The year-end position in respect of former tenant debt is shown in the table below:

Financial Year End	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2006	£435,275
31/3/2007	£506,091
31/3/2008	£601,117
31/3/2009	£633,797
31/3/2010	£642,521
31/3/2011	£746,852
31/3/2012	£863,677

Despite improved performance in the collection of current tenant debt in recent years, 2011/12 saw a marked increase in the level of current tenant arrears. This trend is anticipated to worsen, particularly in light of the changes to be imposed under the Welfare Benefit Reforms from April 2013, when housing benefit will cease to be paid directly to the landlord in the majority of cases.

The year end position in respect of former tenant arrears was also noticeably worse than in previous years, due to a combination of increased incidence of former tenant debt and reduced levels of debt passed for write off, as staff prioritised their time with current tenant debt in an attempt to minimise the increase in this area.

It is imperative that the Council take positive action to minimise any increase in rent arrears, thus reducing the financial burden on the Housing Revenue Account that an increase in bad debt will bring. Officer procedures for the write off of debt have recently been reviewed, increasing the level of debt that is considered uneconomic to pursue through the use of an external agency to the equivalent of two weeks average rent. This ensures that both officer time and external resource is prioritised in pursuing the larger debts and that write off of smaller debts can happen in far shorter timescales. Linking the level of debt that is uneconomical to pursue to rent levels ensures that the value increases annually in line with any increase in rents.

The Housing Revenue Account maintains 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. The impact of external factors on the Council's ability to recover sums due also needs to be considered as part of determining an appropriate level of provision. At 31 March 2012, the provision for bad debt stood at £1,232,318, representing 81% of the total sum outstanding.

A judgement needs to be made, in light of the forthcoming changes, whether further investment in additional staffing to pro-actively recover rent due may be a better option financially than writing off any unrecoverable debt that may otherwise ensue.

Void Levels

With the exception of temporary and sheltered housing and properties identified for re-development, the level of void properties in the housing stock remains relatively low compared with other areas of the country. The total number of properties vacated and re-let in any year is between 600 and 750, including mutual exchanges and transfers.

The value of rent not collected as a direct result of void dwellings in 2011/12 was £354,050, representing a void loss of 1.14%, compared with £428,888, representing a void loss of 1.47%, in 2010/11.

Local void levels have been higher in the last 8 years due to a combination of the sheltered housing refurbishment programme, which has seen one scheme at a time being intentionally vacated to allow disposal or refurbishment of the scheme to meet current standards and local tenant aspirations and the early stages of a programme to re-develop other housing stock in the city.

Financial Year End	No. of General Year End Voids	No. of Sheltered Refurbishment Year End Voids	No. of Re-Development / Disposal Year End Voids	Total Year End Voids
31/3/2006	68	26	33	127
31/3/2007	71	51	45	167
31/3/2008	44	66	51	161
31/3/2009	73	40	40	153
31/3/2010	54	37	42	133
31/3/2011	38	37	16	91
31/3/2012	73	37	20	130

On an ongoing basis, excluding the known impact on void levels of the sheltered housing refurbishment programme and of any proposed re-developments, an assumption of 1% voids in general housing is still considered to be appropriate, subject to continuation of improved performance in void re-let times.

Rent Restructuring

Rent restructuring was introduced in April 2002, with the key aim of converging rents across all social housing providers, whether local authority landlord or other registered provider. The programme was originally anticipated to span a ten-year period, with target rents calculated based on property prices from January 1999, and convergence expected in 2011/12. Since the outset, a national review of the system and a raft of subsequent government changes have adversely impacted this trajectory, with convergence now intended to be in 2015/16.

Throughout these changes individual annual rent rises have continued to be limited to a figure of inflation plus half a percent plus £2 per week.

As target rents are calculated using a formula, which considers both property prices and average manual earnings, both weighted for the geographical location of the housing stock, target rents for Cambridge City Council were considerably higher than the levels being charged at the outset of the regime.

Even now, eleven years into the process and after the end of the initial transition period, the constraints that have been applied by Government, mean only a handful of new build, refurbished or miscellaneous leased properties will be at target rent in April 2013.

At April 2012, the average actual rent was representative of 91% of the average target rent.

The table below indicates the proportion of the housing stock that will be at target rent levels at April of each year, if the existing rent restructuring rules continue to apply and no changes are made to rent setting policy locally.

Financial Year	Percentage of Housing Stock at Target Rent Levels
2012/13	<1%
2013/14	<1%
2014/15	<1%
2015/16	27%
2016/17	48%
2017/18	63%
2018/19	74%
2019/20	82%
2020/21	86%
2021/22	90%
2022/23	92%
2023/24	95%
2024/25	96%

Rent Policy

The local rent setting policy was last updated in January 2012.

There is some discretion in how rents are set at a local level, with options to use an element of flexibility in the calculation of target rents (5% for general stock housing and 10% for sheltered housing) and to move all void properties directly to target rent prior to re-let.

Historically, neither of the above has been applied locally (in part due to the potential negative impact through the subsidy mechanism), but in terms of the impact on the business model, consideration should clearly be given to whether or not Cambridge City Council should introduce either option for the future.

Any decision to move void properties directly to target rent needs to be taken in full recognition of the potential impact of rent rebate subsidy limitation, where an increase in average actual rent above the limit rent set would result in payment of the difference across to the General Fund, impacting the sums received from the Department for Work and Pensions (DWP) in respect of housing benefit.

At the start of 2012/13, the target rent for the housing stock was £96.42, the limit rent was £92.10 and the actual transitional rent being charged was £87.70. Approximately 8.5% of the housing stock becomes void at some point in any one year (although a considerable proportion of these voids are transfers, mutual exchanges and repeat voids), indicating that a decision to move void properties directly to target would not negatively impact upon rent rebate subsidy limitation and therefore the business plan. Once the date of intended rent convergence is arrived at, currently 2015/16, the level of limit rent will equal that of the target rent, thus removing the possibility of entering rent rebate subsidy limitation unless rents are set at above target levels.

The detailed impact of a decision to move void properties directly to target rent will be presented as part of the 2013/14 budget process, with options for how this might be implemented in practice and recommendations as to any criteria for selecting properties which any change in policy might apply to.

Rent Setting

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

Historically, although there has been some local discretion in terms of rent setting, Cambridge City Council have always set rents in line with government guidelines. Under the old Housing Revenue Account Subsidy system, there were inherent penalties in the system that deterred local authorities from deviating from this formula.

Operating in the new HRA Self-Financing environment, local authorities have more local discretion in terms of decision-making. The government have, however, been very clear that they expect local authorities to continue to set rents in line with government rent restructuring guidelines, as the national principles of comparable social rents remains unchanged. What is still not clear, is whether there would be any negative impact, aside from the loss of rental income, in taking a decision to impose a lower than prescribed rent increase locally.

In any case, the decision about the level of rent increase to approve will need to be made in the context of the wider budget setting process, taking account of the financial projections for the Housing Revenue Account over the longer term.

Any decision to increase rents at a lower rate than assumed in the business plan, would have a negative impact on the business model, with a 1% lower increase in rent in a fully committed business model, representing the need to deliver savings of approximately £334,000 at 2012/13 rent levels (£1.00 represents approximately £380,000).

To illustrate the impact of a decision to deviate from the Government assumptions for setting rents under the rent restructuring regime, a decision not to converge rents (i.e. never to apply the £2.00 limit to close the gap between target and actual rents) would result in an inability to pay off the debt during the life of the base business plan. It is estimated that it would be year 35 before sufficient resource would be available to redeem the loans, and all of the additional investment identified as aspirational in the original business plan would not be possible.

A decision in a single year, for example in 2013/14, not to apply the £2.00 increase in rent, would not remove the ability to redeem the loans during the life of the plan, but would result in the loss of over £4.3 million in income during the life of the business plan, necessitating either a compensating reduction in expenditure or a decision not to undertake some of the additional investment that would otherwise be possible.

In light of the continued uncertainty in respect of any penalty in diverging from government guidelines, it would be prudent to assume that the authority continues to follow government guideline in the setting of rents for 2013/14 at this stage.

Service Charges

Service charges are 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. Charges are set to recover the full estimated cost of providing each service, with some services being eligible for housing benefit depending upon the nature of the service being provided.

Prior to April 2004, many services were provided, but paid for via the rent charged for each property. As a follow on from introducing rent restructuring, the Government also encouraged local authorities to separately identify and charge for services, outside of the rent charged for the occupation of a property.

When separating out any charges, where services have previously been provided, but have been funded through rental income, it has been necessary to implement the service charge whilst reducing the rent charge by the corresponding sum.

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 work is in progress to identify these costs accurately at block level.

Service charges are currently levied for the following services:

- Caretaking (General Housing)
- Communal Cleaning
- Estate Services Champion (General Housing)
- Window Cleaning
- Door Entry
- Passenger Lifts
- Gas Servicing
- Electrical / Mechanical Maintenance (Sheltered / Temporary Housing)
- Grounds Maintenance (Sheltered)
- Premises (Sheltered / Temporary Housing)
- Utilities (Sheltered / Temporary Housing)
- Support (Sheltered / Supported Housing)

Once separated out from rent, service charge increases have been limited to annual rises of inflation (RPI at the pre-ceding September) plus 0.5%.

Other Sources of Income

- Garages
- Commercial Property
- Interest / Investment Income

Other External Funding

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

- Homes and Communities Agency (HCA) Grant
- Supporting People Grant
- Developer Contributions

Reserves

Housing Revenue Account General Reserves

Reserves are held partly to help manage risks inherent in financial forecasting and budget-setting. These risks include, changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies, such as uninsured damage to the housing stock. In addition, reserves may be used to support the Housing Capital Investment Plan and, in the short-term, to support revenue spending, for example to spread the impact of savings requirements over more than one financial year.

In recent years, HRA reserves have been used on an 'invest to save' basis, for example to contribute to the funding for the implementation of the new Customer Service Centre.

As part of the annual budget-setting process the Local Government Act 2003 requires the Chief Financial Officer to report on the adequacy of reserves and provisions and the robustness of budget estimates. For the Housing Revenue Account this will be incorporated in the HRA Business Plan / Budget-Setting Report approved in February of each year.

For the Housing Revenue Account the intended target level of reserves remains at £3m, while the minimum level of reserves has been increased to £2m, recognising the increased risks associated with operating in a self-financing environment.

It is not proposed at this time to make any further changes to the target or minimum levels for reserves, as it is felt important to retain the current levels in order to safeguard the Council against the higher levels of risk and uncertainty associated with the new financial regime.

Earmarked Funds

In addition to General Reserves, the Housing Revenue Account maintain, or will maintain, a number of earmarked or specific funds which are held against major expenditure of a non-recurring nature or where the income is received for a specific purpose. See Appendix G for detail. The following funds are currently held:

Repairs & Renewals

These are maintained to fund major repairs and periodic replacement of assets such as vehicles, plant, equipment, furniture and Council-owned administrative premises. Annual contributions are based on estimated replacement costs, spread over the anticipated life of the assets.

Major Repairs Reserve

This reserve currently contains the balance of major repairs allowances (MRA) funding for the period up to 31st March 2012, from when the HRA Subsidy system ceased to exist. MRA was received via the subsidy system on an annual basis, and has been used to fund the works associated with achieving decency in the housing stock. In some years, a combination of the level of decent homes expenditure incurred and the availability of other forms of funding, have resulted in an element of MRA not being utilised in year.

The unspent allowances have been included as a source of funding in the Housing Capital Investment Plan, with the expectation that the reserve will in future be increased each year by an element representing depreciation for the housing stock, and be reduced by an element that represents the need to fund the relevant expenditure in ensuring the housing stock remains decent.

Shared Ownership

A reserve of £300,000 is maintained to enable the HRA, in any one year, to re-purchase shares of properties, where the occupier wishes to move on, thus ensuring that the limited stock is made available for those on the shared ownership register.

In many cases, the funding for shared ownership is re-circulated, with the HRA buying back and selling on a dwelling in the same financial year. The reserve ensures that buying back a dwelling is still possible, even if the re-sale may be in a future financial year.

Tenants Survey

The Tenants Survey reserve allows the Housing Revenue Account to spread the costs of the Tenants 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 surveying small samples, ie; focus groups.

HRA Aerial Monies

Mobile telephone aerials have been installed on the roofs of a number of the flat blocks within the HRA. The authority leases the roof space to the telecoms provider for an annual lease premium / rental fee. This income is appropriated into an ear-marked reserve, to be offset by expenditure specific to the area in which the mast is installed.

Pension Fund

As part of the February 2011 Budget Setting Report, approval was given for inclusion of a provision equivalent to an annual increase in employers pension contributions of 0.75% in each of the six years from 2011/12 to 2016/17. This was in recognition of the adverse impact that the economic downturn would undoubtedly have on investment income to the Fund and in anticipation of future increases in employer contributions being required, following the triennial review of the Pension Fund and outcomes of the fundamental structural review of public service pension provision by the Public Services Pensions Commission, Chaired by Lord Hutton.

HRA Debt Repayment Set-Aside

The implementation of self-financing saw the HRA take on an opening debt of £213,572,000. The 30-year Business Plan, approved in February 2012, adopted a treasury management strategy that resulted in a portfolio of 20 maturity loans with varying maturity dates. The financial model allowed for the set-aside of surplus revenue resource over the life of the plan to ensure that the loans can be redeemed at the maturity date of the shortest loan.

To ensure that this is possible, resource will be appropriated at the end of each financial year, into this ear-marked reserve, in preparation for debt redemption at the appropriate time, should the authority choose to redeem as opposed to re-finance.

This approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision (VRP), allows the HRA to retain full flexibility over the use of the set aside balance in the future.

Fixed Term Posts Costs

Where the Council appoints staff on fixed-term contracts an obligation to pay redundancy costs can result and the end of that period. To cover this eventuality the Council has established an earmarked reserve to hold contributions based on the potential liability of such posts. As part of the 2013/14 budget process, the HRA will consider whether such a reserve is required for housing services.

Section 6
Capital and Asset Management

Asset Management

An Asset Management Strategy, detailing the anticipated investment need across the Housing Revenue Account asset base was approved in February 2012.

In a self-financing environment, understanding the asset base and the associated future investment required in order to maintain the asset base in a desirable, and therefore lettable, condition, is key to ensuring the financial viability of the housing business plan.

The ability to retain all rental streams at a local level to service the debt taken on, actively encourages the development of new affordable housing by local authorities for the first time in many decades.

Consideration may also be given to strategic disposal of assets, for example where an asset negatively contributes to the business plan, utilising any capital receipt to re-invest in affordable housing. Strategic acquisition is also actively now being considered, with completion of the first repurchase of an ex-HRA dwelling having taken place in August 2012.

Stock Condition

Following decent homes surveys of the housing stock and achievement of the decent homes standard in 2012, the authority strives to maintain this standard, as a minimum, going forward. Continual updating of the data held enables the authority to more accurately determine the level of investment needed in the housing stock over the 30 years of the HRA Business Plan.

An exercise, carried out by Savills in preparation for the implementation of self-financing, provided full assurance in the stock condition data held, whilst driving changes in some of the assumptions being made in the database, thus helping to further refine investment planning.

One of the areas where data gathering and recording is weak is in respect of the communal areas of both sheltered and flatted accommodation, where an allowance has been made in the financial planning, in anticipation of a more detailed investment profile in the future.

Acting upon Savills recommendation, an uplift of £75.00 per property per annum is now included to ensure provision of sufficient resources to maintain communal areas (lifts, door entry systems, balconies, landings, balustrades, communal floor coverings and communal rooms) to a safe, decent and desirable standard. Once the work has been undertaken to fully survey these areas, this funding will be allocated appropriately across expenditure heads.

Decent Homes

The housing service reported achievement of decency in the housing stock as at 1 April 2012 at 96%, compared with over 99.5% achieving the desired standard at 1 April 2011. There were 354 properties that were considered to be non-decent (in addition to the 755 refusals), with another 643 anticipated to become non-decent during 2012/13.

It is anticipated, and incorporated as part of the Asset Management Strategy, that any properties either non-decent at 1st April each year, or becoming non-decent during the year, will be included in the decent homes programme, to be addressed in year.

Stock Investment

The Asset Management Plan, approved in February 2012, addresses the investment need in Housing Revenue assets in detail, but a summary of the current anticipated investment need is included in Appendix F to the Business Plan Update. Appendix F provides an update to detailed breakdown of investment in years 1 to 5 of the Business Plan.

Determining priorities for investment will continue to be a difficult task, with ongoing conflicts in the desire to improve existing housing stock, deliver new affordable housing and invest in the services that are provided to tenants on an ongoing basis, balanced against limited available resource.

In the September / October 2012 committee cycle, Housing Management Board and / or Community Services Scrutiny Committee will consider reports providing an update on the performance of the first year of the current planned maintenance contract and a revised Procurement Strategy Report for the delivery of the increased level of investment in the housing stock, approved as part of the HRA Business Plan and Asset Management Plan in February 2012.

New Build Affordable Housing

As one of the few local authorities successful in securing Homes & Communities Grant funding for new build affordable housing in 2009, 7 additional units of housing have now been built, let and are now being managed as part of our Housing Revenue Account housing stock.

On the back of this success, the Council bid as part of a later round of grant applications, and was successful in securing provisional grant of £2,587,500 towards the development of 146 new affordable homes in the city, all of which form part of the 3-year affordable housing programme.

The first of the schemes to be undertaken is the re-development of the Seymour Court / Seymour Street site, which sees the existing 51 units of previously sheltered accommodation having been demolished to make way for a mix of market and affordable housing, with the Housing Revenue Account anticipating 20 units of affordable housing, funded via a mix of grant, cross subsidy from the market housing and an element of prudential borrowing.

Residents in Latimer Close are being relocated in preparation for re-development of this site, with demolition of the 16 existing 1 bed flats due to begin later in 2012/13 making way for a 20 unit mix of market (8 units) and affordable housing (12 units). Further sites at Colville Road (Phase 1) / St Augers Road, and Barnwell Road have Executive Councillor approval to proceed, providing a total of 35 re-developed affordable homes along with 21 market units, whilst a further 10 sites will be subject to feasibility work before the end of the current financial year.

Also included in the current business model is the assumption that the authority will deliver the affordable housing on the Clay Farm site in years 4 or 5 of the business plan, subject to scheme viability. Work is underway to select a developer partner for this scheme, which will also deliver a mix of market and social housing on the land currently owned by the Council's General Fund.

Asset Disposals & Acquisitions

The HRA, operating in a self-financing environment, gives consideration to the disposal or acquisition of specific land or property, where there is demonstrable evidence that better value for money can be delivered in respect of the provision of affordable housing. The capital receipt generated by a strategic disposal can be retained in full by the authority, subject to offsetting it against the authority housing capital allowance and utilising it to invest in affordable housing.

Receipts from asset disposals are only recognised in the HRA's reserves at the point of receipt and after all relevant costs have been provided for.

Outside of the currently approved 3-Year Affordable Housing Programme, the following sites owned by the Housing Revenue Account are being considered for market disposal:

Anticipated disposal	Asset	Comment
2012/13	7 Severn Place	Potential for market sale of property for commercial land assembly, subject to negotiated vacant possession.
2012/13	14 dwellings in Roman Court (one of two existing wings)	Potential transfer to a registered provider for internal re-development, with agreed re-development of the wing retained by the HRA as part of the same project.
N/A	Ex Nursery School Site, Wadloes Road	The life expired building on this site has been demolished for health and safety reasons, with a decision not to dispose of the site, but instead to re-develop in-house to deliver new affordable housing as part of the 3-Year programme.

Property acquisitions are also considered, primarily as a result of the Council's right of first refusal to buy back ex-right to buy dwellings.

The HRA re-purchased a 2-bedroom bungalow in Ekin Road in August 2012, meeting an identified need for additional single storey, ground floor dwellings in the housing stock.

Every ex-Council dwelling that is subject to the right of first refusal legislation, is considered for re-purchase against the criteria agreed when the legislation was introduced, including criterion such as; whether the property meets an identified need for specific accommodation or could form part of a site assembly for a future re-development.

Section 7
Performance & Value For Money

Performance Indicators and Performance Management

The Council, and the Housing Service in particular continue to use performance indicators (PI's) as the clearest way of providing information on how services are performing, and as a management tool for improving service delivery and ensuring services are held to account for failings in key service areas. The current suite of Housing Revenue Account-related PI's, is detailed at Appendix B of this document.

A Residents Performance monitoring session continues to be held every three months at Housing Regulation Panel that includes members of HMB. This session allows residents and leaseholders to scrutinise performance and raise issues that will be taken back to service managers for consideration or action as appropriate. HRP are keen to work with service managers in understanding issues, challenging performance and target setting.

Value for Money

Housing has a strong approach to VFM, enabled by:

- Procuring services externally and in partnership with others where this is the best option
- Systematically reviewing our services to identify better ways of working and to drive out inefficiencies (including benchmarking with other agencies)
- Taking a rigorous approach to monitoring expenditure and costs
- Maximising external investment
- Involving tenants and other stakeholders in decision-making to ensure the needs of service users are met, with effective outcomes for the wider community

There are three main dimensions to our approach to VFM in our housing services:

- Working cohesively with other sections of the Council and within the corporate financial framework expressed through the Medium Term Strategy.
- Looking to embed VFM at the operational level with direct engagement with service users to help prioritise, direct and measure the impact of the use of the resources at our disposal
- Working in partnership with other agencies within the Cambridge sub-region housing market to deliver added value.

Benchmarking

The Housing Service continues to be a member of Housemark, a system which provides robust, comparable spend data encompassing housing management, leasehold, shared ownership, estate services, major works, cyclical maintenance, repairs and voids and support services (IT, finance, office premises and central costs). The output of the benchmarking exercise is used as a management tool to inform service reviews and service planning.

It is anticipated that the year-end benchmarking report will be presented to Housing Management Board on an annual basis, to compliment the documentation presented in January of each year in respect of portfolio planning and budget setting.

Benchmarking is also undertaken at localised levels, with *HQN* for leasehold services, *Re-thinking Construction* for repairs and maintenance, and Housemark for Resident Involvement.

Inspection

In 2008, an inspection of the Housing Management Service resulted in a '*two-star, excellent*' score from the Audit Commission. In 2010, this inspection process was dissolved. The Localism Act sets out the new framework for social housing regulation, with the current focus for consultation around robust self-assessment, Value for Money and serious detriment, complaints and co-regulation.

Section 8
Treasury Management Strategy

Background

Treasury management activities are defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

" The management of the organisations investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

HRA Self-Financing Borrowing

Based on the final self-financing determination, the Council was required to borrow to fund a payment of £213,572,000 to the Government on 28 March 2012. Significant exploration of the funding options available to the Council was undertaken, with the options investigated including:

- Internal borrowing from the General Fund
- Borrowing from the County Council pension fund
- Borrowing from other local authorities
- Borrowing from the Public Works Loans Board (PWLB)
- Raising funds through bond issuance (either individually or as part of a club)
- Raising funds through private market placement
- A mix of the above

As a direct result of a preferential rate, offered for the self-financing transaction only, the authority took the decision to borrow directly from the Public Works Loans Board. Between the point at which the decision was made in February 2012, and the date that borrowing was arrange, 26th March 2012, the rates had increased marginally. A final evaluation was carried out prior to arranging the borrowing to confirm that the approved route was still deemed to be the most advantageous for the authority.

Following careful consideration, the authority took out a portfolio of 20 maturity loans, with varying annual maturity dates, with the first maturing in March 2038, as detailed in the table below:

Loan Ref	Principal	Interest Rate	Annual Interest	Maturity Date	Term
1	10,678,600	3.46%	369,479.56	28/03/2038	26
2	10,678,600	3.47%	370,547.42	28/03/2039	27
3	10,678,600	3.48%	371,615.28	28/03/2040	28
4	10,678,600	3.49%	372,683.14	28/03/2041	29
5	10,678,600	3.50%	373,751.00	28/03/2042	30
6	10,678,600	3.51%	374,818.86	28/03/2043	31
7	10,678,600	3.52%	375,886.72	28/03/2044	32
8	10,678,600	3.52%	375,886.72	28/03/2045	33
9	10,678,600	3.52%	375,886.72	28/03/2046	34
10	10,678,600	3.52%	375,886.72	28/03/2047	35
11	10,678,600	3.53%	376,954.58	28/03/2048	36
12	10,678,600	3.53%	376,954.58	28/03/2049	37
13	10,678,600	3.53%	376,954.58	28/03/2050	38
14	10,678,600	3.53%	375,886.72	28/03/2051	39
15	10,678,600	3.52%	375,886.72	28/03/2052	40
16	10,678,600	3.52%	374,818.86	28/03/2053	41
17	10,678,600	3.51%	374,818.86	28/03/2054	42
18	10,678,600	3.51%	374,818.86	28/03/2055	43
19	10,678,600	3.51%	373,751.00	28/03/2056	44
20	10,678,600	3.50%	376,954.58	28/03/2057	45
TOTAL	213,572,000	TOTAL	7,494,241.48		

With the introduction of Self-Financing for the Housing Revenue Account with effect from April 2012, the Council is required to charge depreciation on its assets, which will have a revenue impact. In order to address any possible adverse impact, regulations will allow the Major Repairs Allowance (as assessed in arriving at the Self-financing settlement payment) to be used as a proxy for depreciation for the first five years.

Future Borrowing

The Council's Authorised Borrowing Limit is currently set at £250.0m, which leaves the Council as a whole with £36.428m headroom to incur further debt if required.

Cambridge City Council are in the arguably fortunate position that the HRA Business Plan contains an element of borrowing headroom, which can be utilised in future years to allow some expansion of the housing business.

In the months leading up to the point at which it is identified that the HRA will be required to borrow against this headroom to finance the identified investment in new build affordable housing, similar borrowing considerations will be made to those in respect of the original self-financing settlement.

Borrowing Route	Current View
Internal Borrowing	There is still some capacity to internally borrow, but the term of the loan is unlikely to be for the duration of the business plan, as the General Fund will need elements of the resource at various stages over the next 30 years. Consideration should be given to this borrowing route for the additional borrowing required for use of the headroom in the business plan.
Inter-Authority Borrowing	This option is worthy of further consideration, although the appetite locally did not appear to exist in respect of the initial debt settlement borrowing.
Bond Issuance	This option would not be considered viable for the relatively small sums that the HRA will be required to borrow against the headroom in the business plan in the medium term. It should be noted that, to be in a position to place bonds in the market place, the Council and any other parties in a bond club, would be required to obtain a formal credit rating from a limited number of rating agencies, such as Moody's, Fitch or Standard & Poors.
PWLB Borrowing	The preferential rates received for the self-financing settlement sum are not available for any additional borrowing transactions. However, this route remains low risk compared with other forms of external borrowing, meaning this route is likely to remain the preferred route after use of any existing internal resource or inter-authority borrowing that is available.

If borrowing from the PWLB, there are a variety of borrowing options available to the organisation. Sums can be borrowed for any term of up to 50 years, and there are a number of different types of loan available.

Loan Rate	Description	Current View
Fixed Rate	The interest rate stays static throughout the life of the loan.	The rate being offered by PWLB is lower than available currently and rates are generally lower than they have been for years.
Variable Rate	The interest charged on the loan varies as the interest rate changes.	Carries significant risk in respect of future interest rate rises.

Loan Type	Description	Advantages	Disadvantages	Risks
Maturity	Interest only paid during the life of the loan, with the principal requiring repayment or re-financing at the end of the loan period.	Minimises payments required during the life of the loan, releasing funds for either set-aside for loan repayment at the end of the term or re-investment, therefore providing some flexibility to allow an expanding business model.	Interest payments are higher, as the borrowing rates for this type of loan are the highest of the three available from PWLB. Money is borrowed for the full term and no principal is repaid during the life of the loan.	Resources available during the life of the loan are not invested in income generating schemes / assets or invested appropriately over the longer-term to generate a suitable financial return. If re-financing at the end of the loan period, rates may be significantly higher than at the outset.
Equal Instalment of Principal Loan (EIP)	Interest and principal repaid during the life of the loan, with the principal reducing equally across years, while the interest reduces over time as the loan balance reduces.	Facilitates payback over the term of the business plan. Borrowing rates for this type of loan are the lowest available from PWLB, as the principal sum is reduced quickly.	The annual cost of borrowing is greater in the earlier years of the loan term,	The requirement to repay more in the earlier years may result in an inability to respond to other financial changes in the business model, ie; inflation rates, unanticipated investment need.
Annuity Loan	Interest and principal repaid during the life of the loan with repayments staying the same throughout. As the loan balance reduces, the value of the principal being paid increases and the interest reduces.	Facilitates payback over the term of the business plan. Rates are lower than for maturity loans.	Repayment of an element of the principal is required from the outset which as a stand-alone option could require additional borrowing / reduction in expenditure in the early years of the business plan to meet the borrowing costs.	Additional borrowing required in the early years is not available internally or can only be secured at greater cost externally, limiting ability to further utilise headroom for new build / asset enhancement / service improvements.
Mix of more than one loan type	Combination of multiple loans, either maturity, EIP or annuity	Allows spread of risk and benefit of an element of loans at the lowest interest rate.	Requires greater treasury management, with a mix of a number of loans of differing types.	No additional risks than those highlighted against each loan type.

Considerations in Borrowing

The following key factors will be considered:

- Type of Loan
- Source of Borrowing
- Loan Portfolio

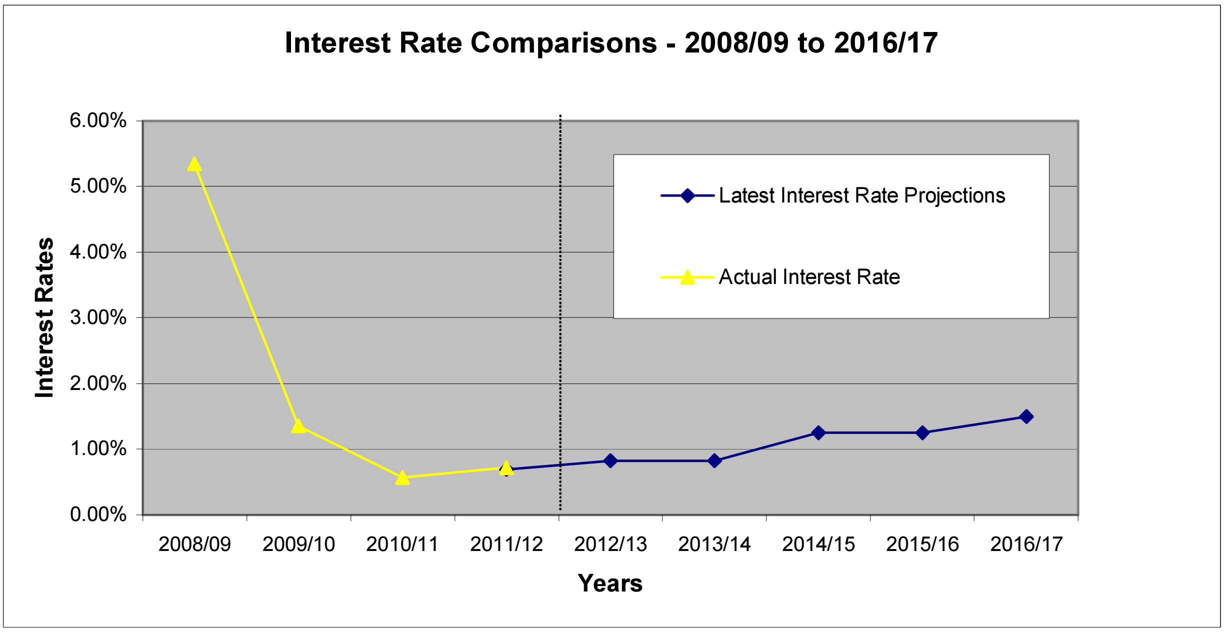
Type of Loan

A key consideration in respect of any additional borrowing, will be whether to take loan(s) with fixed or variable interest rates, or a combination of the two.

The most important factor in making this decision remains where the Council believes current interest rates are in the context of longer term projections, i.e. whether rates over the term of the loan(s) would, on balance, be expected to materially increase or decrease.

Since the 2008 economic downturn interest rates have fallen dramatically and bank base rates have been at a historic low of 0.5% for just under 3 years. Given the continued uncertainty about the degree and timing of economic recovery, forward projections for interest rates are difficult to make with any degree of certainty. However, most market analysts still agree that current rates are at or near the bottom of the medium to long-term projections for rates.

The graph below compares the actual average rate of interest earned on both General Fund and HRA balances in the last 3 years, assuming that the current levels continue, with the latest market projections for recovery in interest rates over the next few years.



The lower rate of interest earned currently and the pace at which recovery is anticipated, serves to indicate that lending from the General Fund to the HRA might be advantageous for both parties, particularly in the short to medium term.

The table below details the predicted bank and money market interest rates over the next two and a half years, comparing these to the estimated rates for borrowing for a longer term from the PWLB.

Month	Bank Rate %	Money Rates %: 3 month	Money Rates %: 1 year	PWLB Borrowing Rates %: 5 year	PWLB Borrowing Rates %: 25 year	PWLB Borrowing Rates %: 50 year
Sep-12	0.50	0.90	1.70	1.63	3.90	4.10
Dec-12	0.50	0.90	1.70	1.70	3.70	3.90
Mar-13	0.50	0.90	1.70	1.50	3.70	3.90
Jun-13	0.50	0.90	1.80	1.50	3.70	3.90
Sep-13	0.50	0.90	2.00	1.60	3.80	4.00
Dec-13	0.50	1.00	2.00	1.70	3.80	4.00
Mar-14	0.50	1.10	2.20	1.80	3.90	4.10

Month	Bank Rate %	Money Rates %: 3 month	Money Rates %: 1 year	PWLB Borrowing Rates %: 5 year	PWLB Borrowing Rates %: 25 year	PWLB Borrowing Rates %: 50 year
Jun-14	0.50	1.30	2.40	1.90	4.00	4.20
Sep-14	0.50	1.50	2.60	2.00	4.10	4.30
Dec-14	0.75	1.60	2.70	2.10	4.20	4.40
Mar-15	1.00	1.80	2.90	2.30	4.30	4.50

The lower rate of interest currently and the slower pace at which recovery is anticipated, still serves to indicate that fixed term loans are likely to continue to demonstrate the best financial, and most risk averse option for borrowing taken out in the short to medium term, in the current economic climate.

It is therefore likely to be financially advantageous to the HRA to take out fixed rate loans, as opposed to the variable alternative, potentially accessing historically low rates and giving the advantage of providing greater certainty for financial planning purposes.

The second factor to consider in terms of type of loan is the basis of repayment. As detailed in the table above, there are advantages and disadvantages associated with each loan type available. Although maturity loans were the preferred option for the initial self-financing debt settlement, the financial impact on the business plan, of all three loan types, will be considered prior to taking out any additional borrowing. Maturity loans continue to have the potential to release resource during the life of the business plan to facilitate additional investment in service developments.

Source of Borrowing

As noted in the tables above, the Council would always look to lend from the General Fund to the HRA, subject to availability, before any external borrowing were considered. This has the advantage of retaining the money paid as interest within the Council overall; even if the interest rate charged was the same as available externally and so the HRA had no direct benefit, the General Fund would receive investment income that could exceed the levels available from the market. The exercise to determine the level of funding that could be made available from the General Fund has been revisited, and this has identified (see table overleaf):

	1/4/2008 £'000	1/4/2009 £'000	1/4/2010 £'000	1/4/2011 £'000	1/4/2012 £'000
Working Capital	**7,308**	**9,196**	**(524)**	**2,800**	**9,617**
PWLB Loans					
General Fund					
General Reserve	13,616	12,183	9,302	9,850	9,458
Asset Renewal Reserve	11,901	12,457	12,533	12,996	13,927
Other Ear-Marked Reserve	4,287	4,635	4,433	4,322	5,779
	29,804	**29,275**	**26,268**	**27,168**	**29,124**
Housing Revenue Account					
General Reserve	6,591	6,057	5,016	5,689	6,974
Asset Renewal Reserve	1,317	1,407	1,623	1,826	1,988
Major Repairs Reserve	0	0	0	352	1,171
Other Ear-Marked Reserve	332	328	334	410	485
Debt Redemption Premium	(2,284)	(1,739)	(1,193)	(647)	(301)
	5,956	**6,053**	**5,932**	**7,630**	**10,317**
Capital					
Capital Contributions Unapplied	4,261	4,556	6,173	6,076	5,260
Usable Capital Receipts	21,750	13,719	12,155	12,763	10,420
	26,011	**18,275**	**18,328**	**18,839**	**15,680**
Deferral of Icelandic Investment Impairments on General Fund Balance	0	(2,209)	(2,006)	0	0
Capital Financing Requirement	1,279	1,279	0	0	(213,855)
Total Invested	**70,358**	**61,869**	**47,998**	**56,437**	**64,577**
Note: Includes deposits in banks in administration equal to	0	6,791	5,570	5,249	3,736

As the table above demonstrates, the year-end investment levels, which are historically the point in each year when sums invested are at their lowest, the General Fund continues to hold balances of between £25 and £30 million.

It appears beneficial to the General Fund in the short-term to lend resource to the HRA, rather than to the market, although the type of loan (ie; fixed or variable) would be an important factor. As identified above, the preferred route for the HRA is likely to be fixed interest loans, however, for the General Fund, this could result in interest receipts over the medium and longer-term of the loan which would be below those available in the market. This position is not as stark as it was in February 2012, as the HRA is not able to benefit from a significantly discounted rate from the PWLB for any additional borrowing.

However, a recent announcement confirms that local authorities, subject to confirming to CLG their borrowing plans over the coming years, will be able to benefit from a certainty rate, which is guaranteed to be 20 basis below the standard PLB loan rates.

At the point at which the HRA is required to take out additional borrowing, consideration will need to be given to whether internal lending may be advantageous for both parties, at which point the standard PWLB rates may compare less favourably against the rates which the General Fund would seek to charge for any internal loan. PWLB rates are revised and re-issued on a twice-daily basis, and hence it will be necessary to review any borrowing decision in light of prevailing rates at the date the borrowing is arranged.

Loan Portfolio

In respect of additional future borrowing against the headroom in the business plan, consideration of the loan portfolio will not be as complex as it was for the initial sum of £213,572,000.

Seeking a single loan for the shortest period possible so as to minimise interest charges, whilst ensuring the loan can be repaid at the end of the term continues to be the simplest approach, whilst minimising the associated treasury management activity. This approach still offers limited flexibility and the risk that the whole amount would need to be re-financed at a single point in time (therefore at whatever rate is prevalent at that point in time) if further investment in social housing is intended.

When considering the loan period in respect of additional borrowing to facilitate new build affordable housing, consideration will need to be given to both the break-even and payback period of the schemes being financed and the impact that the investment will have on the cashflow for the Housing Revenue Account. The outcome of this will drive the minimum period over which the borrowing can be repaid.

Taking out multiple loans covering a range of maturity periods, so that rates prevalent at the point of maturity are spread, continues to mitigate risk, with the risks reduced due to the sums of borrowing being considered, compared to the borrowing required at the outset. This approach mitigates risk and provides greater flexibility, but does increase treasury management activity.

In respect of the initial borrowing, the prudent approach to scheduling multiple loans to ensure that the shortest term sought was in line with the projected point at which the base business plan was capable of repaying the entire initial debt was adopted. Further loans were then arranged for longer periods based on the relative change in interest rates available compared to the degree of risk mitigation sought.

Based on the PWLB's current published information, rates do not significantly vary for maturity loans of period from 25 years to a maximum of 50 years. As at 10 August 2012, the rate for a 25 year maturity loan was 3.85 %. A similar loan for 50 years attracted a rate of 4.05%.

In summary, in respect of additional borrowing against the headroom in the Business Plan, it is recommended that:

- Fixed rate loans are considered as opposed to the variable alternative
- Consideration is given, in each case, to borrowing from the General Fund, other public sector organisations and the PWLB, with the financial impact of each option identified
- If borrowing from the PWLB, the previous approach of taking out maturity loans to provide flexibility and reduce risk is continued
- The term of the loan should be considered based upon the break-even and payback of the scheme and the impact on the HRA's cashflow, with the aim that schemes should payback within the 30 year life of the business plan
- Multiple loans should be considered if clear financial benefit can be demonstrated

In considering the risks associated with borrowing, a key factor continues to be the implications of repaying the existing and any future loans at a point earlier than their natural maturity. This may be required for treasury management purposes or to provide greater flexibility within the business plan for future developments.

Premature Repayment of PWLB Debt

All loans held with PWLB, whether Equal Instalments of Principal (EIP), annuity or maturity loan types, can be repaid at an earlier stage than agreed at the time the loans were arranged.

At the point at which an authority determines it is in a position to redeem a loan, PWLB use a discount rate, the rate applicable to premature loan repayment 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.

The relationship between the rate at which the loan was taken out, and the discount rate applicable at the time of redemption, is key in determining whether a premium is payable or a discount is due. This outcome of this calculation would inform any local decision to redeem a loan early.

The table below demonstrates the potential impact of early redemption at various stages throughout the life of a maturity loan of £10,678,600, assuming an initial loan rate of 3.52% and a loan term of 40 years.

Discount Rate Applicable	Premium Payable / (Discount Receivable) for Loan Redeemed After (X) Years (£)						
	5 Years	10 Tears	15 Years	20 Years	25 Years	30 Years	35 Years
2.5%	2,661,938	2,661,938	2,661,938	2,661,938	2,661,938	2,661,938	2,661,938
3%	1,253,953	1,253,953	1,253,953	1,253,953	1,253,953	1,253,953	1,253,953
3.5%	44,695	44,695	44,695	44,695	44,695	44,695	44,695
3.52%	(0)	(0)	(0)	(0)	(0)	(0)	(0)
4%	(996,932)	(996,932)	(996,932)	(996,932)	(996,932)	(996,932)	(996,932)
4.5%	(1,896,899)	(1,896,899)	(1,896,899)	(1,896,899)	(1,896,899)	(1,896,899)	(1,896,899)
5%	(2,676,925)	(2,676,925)	(2,676,925)	(2,676,925)	(2,676,925)	(2,676,925)	(2,676,925)

As the table indicates, if the discount rate applicable at the point of redemption is equal to the initial loan rate, a break-even point would be achieved with no sums required to change hands. If the discount rate is lower than the loan rate, a premium is payable and if it is higher, a discount is receivable by the authority.

If the view is maintained that the interest rates secured on 28th March 2012 to fund the self-financing settlement were at or near the lowest point they are likely to achieve and that the direction of travel over time will be upward, any decision to redeem debt early is most likely to deliver a benefit to the local authority, in the form of receipt of a discount for early redemption.

This view would still indicate that borrowing for a longer period if rates are low, provides additional flexibility in terms of not only releasing resource for alternative investment during the life of the business plan, but also by recognising the potential benefit of repaying debt prematurely should balances be available to do so.

Section 9
Budget Strategy, Business Plan Options, and Sensitivities

Housing Revenue Account Budget Strategy

The Budget Process

In previous years, the HRA budget process has been undertaken in a similar manner to that of the General Fund, with cash limited budgets set enabling completion of the budget process to the agreed timescales, whilst controlling housing service budgets within the overall resources available for the HRA.

The approach taken has been successful as a means of control, and has enabled balanced budgets to be set for the HRA as for the General Fund. Although the HRA has also adopted a standard percentage savings target, the housing service has approached the exercise for this more discrete area of service, historically managed within one department, in a strategic manner. Savings have been sought across the service as a whole, thus avoiding the 'salami-slicing' approach to some degree.

The Service Review process, adopted by the Council corporately, also spans services within the HRA, encouraging a wider strategic approach to delivering efficiencies for this service area going forward. Savings identified in Service Reviews across the whole organisation may also have financial implications for the HRA in terms of the recharge of services between funds.

Budget Timetable and Key Pressures

A review of the budget process for the HRA for 2013/14 has been undertaken in light of the major change in finance regime that the implementation of self-financing has brought. This sees the HRA operating with greater local control, retaining rental streams to fund services, whilst also servicing a significant housing debt.

Key features of the HRA budget process are :

- The Executive Councillor for Housing is responsible for putting together a package of budget proposals for consideration by Housing Management Board (revenue) and Community Services (capital) and by The Executive.

- HRA services are incorporated in the Portfolio Plan for Housing, prepared to reinforce the performance management process. The staff performance review process is integrated with the service planning process and Portfolio Plan objectives and targets feed through into objective setting for individual staff members and teams.

- Consideration of 2012/13 revised budget and 2013/14 budget proposals take place during one cycle of Scrutiny Committee meetings, in January 2013. Portfolio Plans and budget reports will be sent out for all scrutiny committees in December 2012, so that Members have an overview of all proposals at one point in time.

The mid-year update of the HRA Business Plan has highlighted the need for additional resource in some areas and the ability to offer mid-year savings in others. The inclusion of these in the financial modelling undertaken as part of the review of the Business Plan, will ensure that the most appropriate decisions can be made in respect of the Housing Revenue Account's approach to setting the 2013/14 budget.

The unavoidable additional revenue funding requirements for HRA services incorporated as part of the Business Plan Update include:

- £533,830 per annum in respect of the actual level of interest payable by the HRA for the self-financing debt settlement, where the interest rates secured on 26 March 2012, were higher than those assumed in the HRA Business Plan of February 2012.
- £24,050 per annum in respect of an increase in the costs of Council Tax in void properties, where overspending has been evident in recent years due to vacant

dwellings created by the sheltered housing refurbishment programme and additional vacants anticipated as the 3-year affordable hosing programme progresses.

- £93,290 per annum increase in the budget held for gas safety checks and gas servicing, where the base budget has not been appropriately increased during the life of the contract to reflect both inflationary contract price increases and to take account of new gas installations.
- £230,000 per annum to fund 3.5 additional Surveyors and 2 Asset Management Officers, to undertake the preparatory and monitoring workload associated with a significantly higher level of investment in the housing stock. The revenue cost of the staff is expected to be fully recharged to capital in the form of increased fees.
- £28,700 assumed reduction in interest on HRA balances in 2012/13, due to an adverse rate change, with the impact partially offset by an increased level of balances at 31/3/2012.
- £60,000 in 2013/14 in respect of meeting the anticipated cost of procurement to meet the revised planned maintenance programme, as proposed in the Procurement Strategy being presented to Housing Management Board in September 2012, and Community Services Scrutiny Committee in October 2012 for decision by the executive Councillor for Housing.

The ongoing mid-year revenue savings incorporated as part of the Business Plan Update include:

- £10,000 reduction in the housing IT support and maintenance budget, recognising the financial impact decisions not to integrate systems with those in the Customer Service Centre at this point in time. The saving in 2012/13 is proposed at a level of £5,000, increasing to £10,000 for 2013/14 onwards, allowing for the purchase, in 2012/13, of a new build development tool, which will enhance officer's ability to quickly model the impact of proposed schemes.
- £17,730 net additional income in the Temporary Housing Service, as a direct result of expansion of the service to provide an alternative to Bed & Breakfast for the General Fund, delivered within existing staffing resources.
- £12,500 additional income from the capitalisation of the work associated with right to buy sales, assuming a marginal increase in sales in 2012/13 from 10 to 15.
- £10,000 reduction in professional training budgets for Strategic Housing staff, recognising a reduction in demand in the last 2 years.

- £16,270 reduction in the maternity provision for the HRA, recognising the reduced financial burden on the fund resulting from charging the substantive employee to the provision, as opposed to the cover for the absent staff member.
- £12,360 reduction in consultants and professional fees budgets, based upon activity in the last year.
- £10,000 reduction in abortive development costs, where initial feasibility work minimises schemes that are unable to progress to completion and some work is undertaken at risk by third parties on our behalf.
- £10,000 reduction in communal electricity budgets for the south of the city, based upon prior year experience, following the installation of Smart meters in the preceding year.
- £20,640 saving as a result of removal of the budget for externalising footpath inspections, with these now being carried out by staff in-house.
- £10,410 net reduction in the budget for void garages, recognising reduced demand for garage void works based upon prior year experience.
- £5,000 reduction in IT supplies and services in City Homes based upon prior year experience.
- £131,000 reduction in debt management costs, as a direct result of taking out a limited number of low maintenance PWLB loans.
- £230,000 per annum assumed increase in capital fees in respect of the additional staffing resource identified above.

The Business Plan Update also incorporates a number of one-off reductions in budgets in 2012/13 recognising activity that will not take place in the current financial year and one-off additional income expectations, including:

- £40,000 reduction in repairs IT support and maintenance costs, due to the lead in time to procure and implement new IT solutions recommended as part of the Repairs & Maintenance Improvement Plan.
- £49,580 reduction in the electrical testing programme, where greater resource than necessary had been carried forward from 2011/12, with some testing incorporated as part of other works.
- £63,000 reduction to reflect removal of the carry forward in respect of fire safety risk assessments, where sufficient funding is available in the base budget to meet the required inspections in 2012/13.

- £14,960 additional rental income in 2012/13, based upon rent levels and void loss in the year to date.

The Business Plan supports decisions that will need to be made, in the coming months, in respect of the 2013/14 budget process. Officers will incorporate into this work an interim review of the current Housing Capital Programme, including any changes or re-phasing to funding in the current financial year. The development of detailed budget proposals will continue to recognise that the delivery of efficient, value for money services is key, as is taking into account the expectations and views of our customers.

Detailed asset management analysis drives decisions to be made as part of the business plan, recognising the housing stock as the HRA's major source of revenue. However, one of the key considerations for the HRA in preparing budgets for 2013/14 continues to be achieving the correct balance between capital investment in the housing stock and revenue investment in the delivery of day to day housing services to tenants and leaseholders.

Approach to HRA Savings

The September 2011 MTS set a target of 3% for ongoing savings in general management expenditure for 2012/13, equivalent to £172,130, recognising that the implementation of self-financing brought some financial uncertainties until the point at which the final debt settlement had been announced and the interest rates for the associated loans were known.

A separate target of £15,470 was set in respect of repairs expenditure, recognising the anticipated reduction in stock numbers. Priority policy funding of £75,000 was provided for.

As part of last year's budget process, the savings requirement was over-achieved by £212,270 in 2012/13 (£224,270 from 2013/14), due predominantly to a number of service reviews impacting the HRA and significant reductions in operating costs for both City Homes and Strategic Housing.

The over-achievement of savings was more than offset by the need to meet the costs of a revenue bid of £37,580 and unavoidable revenue bids of £202,890 in 2012/13, rising to £214,890 from 2013/14.

Cash Limit Calculation and Savings Requirement

In order to effectively control the overall financial position of the HRA, the actual need to spend on management and maintenance and to invest in major repairs and improvements is compared against the projected availability of funding, predominantly rental income. Any anticipated excess of expenditure over anticipated income drives the need to identify savings.

From April 2012, with the implementation of self-financing for the HRA, priority needs to be given to ensuring that sufficient funds are available to service the Council's housing debt (HRA debt), currently £214,748,250. This constitutes an assumed £893,250 historical internal borrowing, £213,572,000 external borrowing and an additional £283,000 internal borrowing from the General Fund, borrowed to assist in financing the 7 units of new build housing completed in 2011/12.

The Council will consider the financial position for the HRA over a 30-year period, continuing to use, and further developing over time, the full financial projection model used in respect of the initial HA Business Plan in February 2012.

For 2013/14, a sustainable position is sought, delivering the ability to set-aside resource for the future repayment of debt as approved in the HRA Business Plan in February 2012, whilst utilising HRA reserves and any additional surplus generated, to meet the identified investment need in both the housing stock and in new build affordable housing, maintaining balances at the target level of £3m, after which a near nil use of reserves is a key determinant for a sustainable position.

Current financial projections, taking account of revised assumptions, indicate a savings requirement of 1.6% per annum from 2013/14, in order to deliver a sustainable HRA over the next 30 years. This level has been set to include the provision of an increased level of £150,000 of priority policy space, as outlined in this document.

The financial modelling also incorporates the assumption that repairs budgets are adjusted proportionately to reflect anticipated changes in stock numbers.
Any savings identified in service reviews which have an impact for the HRA, will also be identified and incorporated.

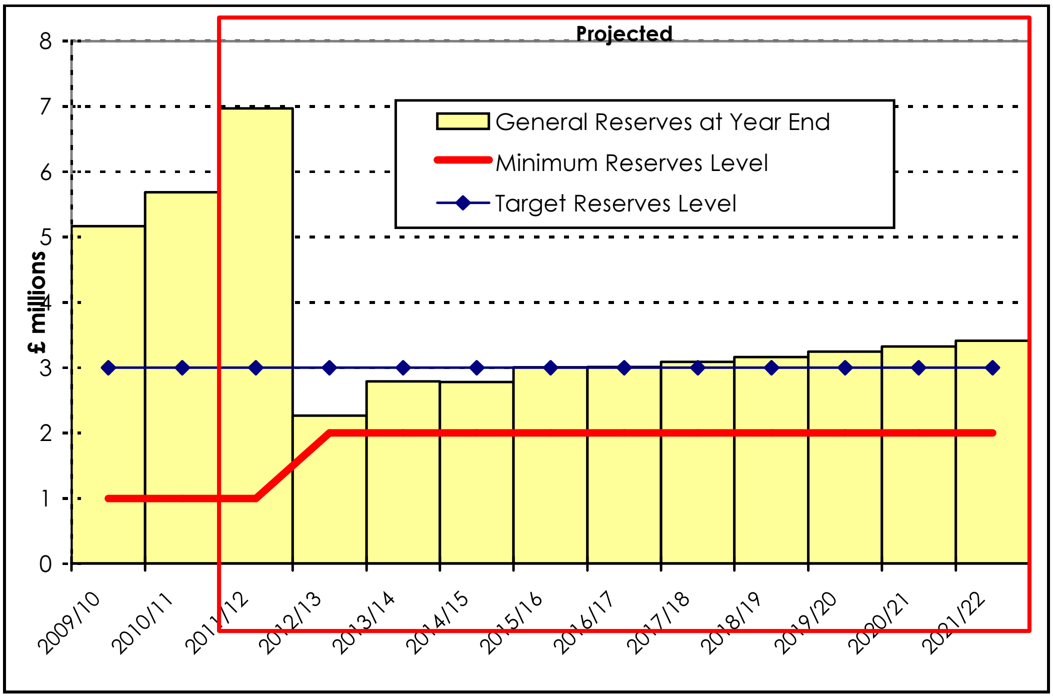
On this basis the approach adopted in the HRA Business Plan Update is deemed to achieve a balance of prudence and deliverability. The position will be reviewed as part of the February 2013 HRA Budget Setting Report, based on the latest information then available.

Housing Revenue Account Reserves

The anticipated net spending for the period 2012/13 to 2016/17 is set out in Appendix E.

The original budget for 2012/13 approved a net use of HRA reserves of £2,602,000, which incorporated a revenue contribution of £9,333,000 to fund capital expenditure.

The projected position for the HRA general reserves, incorporating changes made as part of this HRA Business Plan Update is shown graphically below:



This projection includes the effects of changes in capital resources, incorporation of revenue and capital funding requests included as part of this HRA Business Plan Update and any requested carry forwards from 2011/12.

The final general HRA reserves position for 31 March 2012 was £6.974m. This included £1,853,280, which will be required to fund the approved carry forward items.

The revised projection of the use of reserves in the current year (2012/13) now indicates that there is expected to be a net use of reserves of £4,707,190, this includes the effective transfer of funding for the approved level of carry forward items (primarily reflecting the re-profiling of capital resources and expenditure). These have been built into the latest projection.

The current HRA forecast contains the assumption that balances will be reduced to and maintained at the target level of £3m (plus inflation in future years) and a minimum level of £2m, by making additional direct revenue financing (DRF) of capital contributions in 2012/13.

When considering the level of reserves that it would be appropriate to retain in future, it is important to remember some of the key factors that determine the current target level of reserves, such as the decision made a number of years ago to self-insure the housing stock up to £250,000 per annum and the potential financial impact of the welfare benefit reforms.

The financial modelling for the HRA suggests, using updated assumptions for inflation and interest rates and assuming continuation of the currently agreed approach to set-aside resource for repayment of housing debt, that a sustainable HRA can only be maintained for a 30-year period, with 1.6% of annual ongoing savings required to deliver the required level of policy space.

This approach is anticipated to deliver sufficient revenue resource to fund the HRA elements of the housing capital programme, but does not address the anticipated shortfall in right to buy receipts that will be freely available to allow investment in the general fund areas of the Housing Capital Investment Plan, such as disabled facilities grants, private sector housing grants and loans and grants to bring vacant private sector properties back into use.

The 30-year self-financing business plan will be updated on an ongoing basis, with the key aim to deliver of a sustainable housing service, both in terms of day to day housing management and longer-term investment in the housing stock.

Base Assumptions

In order to update the Housing Revenue Account Business Plan, the assumptions included in the base plan have been revisited, and confirmed or amended as appropriate in the light of any more up to date intelligence and information.

In all cases, the revised assumptions included are derived from the best information available at the current time, utilising both historic trend data and the expert advice and opinion of specialists in the field of housing finance, lending and borrowing and asset management.

The base financial assumptions included in the financial model are included at Appendix C, and provide the indicative financial position detailed in the graphs below. In addition to a number of financial assumptions, the following key items are included in the base model:

- Investment in the existing housing stock moves from a basic decent homes standard to an investment standard during the first 10 years of the business plan

- The 146 units of affordable housing regeneration, re-development and in-fill (including the re-development of Seymour Court), which have already received indicative HCA grant funding are delivered in years 1 to 3 of the business plan

- Subject to scheme viability, that the HRA delivers the affordable housing on the Clay Farm site generating an additional 104 units of housing in years 4 and 5 of the business plan

- The authority voluntarily sets aside the resource to facilitate repayment of each of the 20 maturity loans that make up the HRA Self Financing loan portfolio, in line with the anticipated ability to set aside included in the original Business Plan,

Appendix E summarises the revenue budget position for the HRA for the period between 2012/13 and 2016/17, based upon inclusion of the financial assumptions that form part of the revised base self-financing business plan.

Sensitivities

For every figure used in the assumptions made in the Business Plan, there are an infinite number of alternative values that could have been used. It is impossible to predict everything that may occur which could affect the financial viability of the business model, or even to model all permeations of each of the key sensitivities that have been identified.

To demonstrate the potential financial impact of the identified key sensitivities, the table at Appendix D indicates the change in the HRA's ability to pay off the debt, with the current base model being amended for each sensitivity independently. This will identify only the impact of a single assumption change, and not the compound impact of multiple sensitivity changes.

The results identify that the business model is less sensitive to changes in inflation rates, as long as the direction of travel in inflation rates for both expenditure and income follow the same trajectory. It is clear, however, that a small change in the assumptions around just one, i.e. a reduction in rental income received or an increase in a key area of expenditure, quickly has a major impact of the financial viability of the business plan.

Appendix H details a number of identified financial and operational uncertainties, highlighting risks and describing areas of known change but with currently unquantifiable impacts.

Options

The updated base model that has been included, to drive decisions in respect of the 2013/14 budget process, recognises that there are a number of alternative options for investment that could be considered in the medium term.

The stated aims of the housing service, which seeks to achieve a balance of investment in housing assets and services in line with identified local priorities, incorporate:

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

Feedback from tenants in the 2012 Tenants and Leaseholder Survey indicates the following top 5 priorities for future investment in housing services:

1. Building new council homes
2. Repairing existing council homes
3. Providing sheltered housing
4. Dealing with enquiries and providing support to tenants
5. Tackling anti-social behaviour

Consideration will be given, as part of the 2013/14 budget process as to whether change should be made to the balance of expenditure between direct investment in the housing stock, both existing and new (general needs and sheltered) and the potential to invest further in housing services, to deal with enquiries, support tenants and tackle anti-social behaviour.

Housing Capital Budget Strategy

The Budget Process

The Housing Capital Investment Programme (Capital Plan PR01) falls within the remit of the Executive Councillor for Housing and is subject to detailed scrutiny and control by the Housing Management Board and Community Services Scrutiny Committee. Control over the overall allocation of resources for the Council is retained through the inclusion of a single programme line in the Council's Capital & Revenue Projects Plan.

The HRA Asset Management Plan, approved in February 2012, provides the strategic framework from which investment in the housing stock and other housing assets is delivered.

The Housing Capital Investment Plan, approved as part of the HRA Business Plan and Asset Management Plan, lists all of the items of expenditure that have received the necessary approvals from the Executive Councillor for Housing and Council, and have been allocated funding.

The investment plan, a mixture of capital programme (rolling expenditure over a number of years) and schemes (specific individual projects), is broken down across a number of categories of expenditure;

- General Fund Housing – local policy is such that housing related capital resources are ear-marked for investment for housing purposes, which includes investment in housing in the private sector, in the form of disabled facilities grants, private sector housing grants and loans, expenditure to bring long term vacants back into use, and historically funding to enable registered providers to deliver affordable housing in the city.
- Decent Homes – investment in the housing stock to ensure that the government decency standard is maintained.
- Other Spend on HRA Stock – additional investment in the dwellings and surrounding area, to include items such as; disabled adaptations, asbestos removal, garage improvements, fencing and works to communal areas.
- HRA New Build / Re-Development – investment to deliver new (additional) affordable housing and to re-develop existing housing where there is an identified need.
- Cambridge Standard – additional investment in line with tenants identified priorities, to include; parking improvements, estate improvements and security improvements.
- Sheltered Housing – investment to rebuild, refurbish or improve existing sheltered housing.
- Other HRA Capital Spend – investment in acquiring additional housing, whether repurchasing shared ownership dwellings, buying back ex right to buy dwellings or strategically purchasing where an opportunity arises. Expenditure on capital items such as IT.

Items of a programmed nature and reviewed at two stages in each financial year, with any required changes approved as part of this HRA Business Plan Update or as part of the budget setting process.

For capital schemes / projects, it is recognised that completing the full preparatory work for substantial new bids has a significant cost in terms of both officer time and money. Corporately, the process for bidding for new items has been drawn up as a two-stage process.

For the HRA, it is proposed that this two stage process combine the inclusion of an outline bid for resource as part of one of the two opportunities to secure funding in the year, with a more detailed project appraisal / business case being worked up and presented to Community Services for approval, prior to commencement of the project.

It is accepted that some smaller schemes may have a limited resource requirement in developing a detailed bid, and that some schemes may need to meet a short timescale (e.g. responding to bids for joint funding). In such cases these circumstances would be accepted in going straight to the second stage, with the initial approval allowing the project to commence.

Under certain circumstances, the Council's Urgent Decision process can be used where budget provision for a scheme for which an unplanned need arises during the financial year.

Appendix F provides detail of the 5-Year Housing Capital investment Plan, and has been included incorporating the following items:

- Expenditure as approved in the HRA Business Plan and Asset Management Plan in February 2012.

- Re-phasing of expenditure anticipated to take place in 2011/12 into 2012/13, as approved in July 2012.

- Re-allocation of decent homes and other spend on HRA stock resource within 2012/13, to take advantage of better delivery models and to respond to urgent needs where required.

- £14,000 to allow upgrade of the warden call system at Rawlyn Court, where the service will cease to operate effectively if not converted to a digital installation, as has previously been agreed for a number of other sheltered schemes.

- Allocation of up to £230,000 per annum of the sum provisionally identified in the Housing Capital Investment Plan for contractor overheads, to fund the internal appointment of 3.5 additional Surveyors and 2 Asset Management Officers, to assist in the delivery of the enhanced investment in the housing stock, approved in February 2012. The provision for contractor overheads was included on a pro rata basis compared with the level of overheads associated with the existing level of works, recognising that there will be an increase in the variable element of both internal and external contract overheads. It will not be possible to test the validity of the assumptions made or finally quantify the level of external contractor overheads, until procurement is complete for the increased work package. Approval is, however, sought to increase the internal input with immediate effect, to facilitate the surveying, work programming and other preparatory work associated with delivering the higher level of investment.

- Re-phasing of £3,800,000 of the budget identified for the re-development of Ditchburn Place from 2012/13 into 2013/14, recognising that only expenditure on feasibility work will be incurred in the current financial year.

- Capital financing has been updated in respect of revised assumptions in right to buy receipts, revenue funding of capital expenditure and borrowing requirements.

No further amendments have been made to the detailed expenditure in the Housing Capital Investment Plan at this stage, pending the decision in respect of the future procurement strategy for planned maintenance, in light of the significant additional investment anticipated in the housing stock in the next 10 years, now that the authority is operating in a self-financing environment.

Appendix A (Section 2)

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified.	• Effective processes are in place across the Council to ensure that implications are identified and raised
Funding is not identified to meet the costs associated with changes in statutory requirements.	• Additional / specific funding enhancements for new services are earmarked for that purpose, to ensure effective implementation
HRA Debt Settlement could be re-opened by Government	• The Council has processes in place to manage the demands of local and national housing agendas, including the Vision Statement and HRA Business Plan
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 and long-term modelling (up to 30 years) for HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications • Council has a policy of requiring R&R Funds to be in place to cover all major assets with a finite life, with long-term programmes for key areas • 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
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 & Revenue Projects 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 capital receipts for strategic disposals only at point of receipt

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 on 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
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 incident
Changes to the right to buy rules and pooling regulations result in a significant increase in sales and commitment to deliver replacement units	• Sensitivities modelled so potential impacts are understood • 3 year affordable housing programme facilitates some re-supply of affordable housing
The economic downturn reduces the ability to fund capital pressures from the sale of assets	• Policy on applying capital receipts for strategic disposals only at point of receipt
Use of resources including Projects and Partnerships	
There is ineffective use of the resources available to the Council Failure to deliver Major Housing / Development Projects, i.e; return on capital, project on time etc.	• Council employs robust business planning in key activity areas • Council has adopted a standard project management framework • Housing Service is required to contribute to Portfolio Planning process, linked directly to resources • MTOs are used to prioritise available resources ensuring best match with objectives • Performance and contractor management procedures have been updated • Organisational development and workforce planning activity is being targeted • The Council has been recognised as a high performer under the national Use of Resources assessment, scoring a maximum rating of 4 in 2008

Appendix B (Section 7)

HRA Performance Indicators

code	Description	10/11 actual	11/12 actual	12/13 target	comments
Building New Homes					
NH3	Council Housing schemes a) Homes due in the financial year b) Homes completed to date	 5 5	 3 3	 0	69 homes due to be completed in 13/14
Improving our Housing Stock					
DH1	% non-decent council homes	0%	4%	0%	4% non-decency due to timing of the first year of the new planned maintenance contract
Repairs & Maintenance					
RM1	% repairs completed within the target time: a) Emergency b) Urgent c) Routine d) Overall	a) 96.4% b) 82.4% c) 86.5% d) 86.5%	a) 99% b) 88.2% c) 90.8% d) 92%	a) 99% b) 98% c) 98% d) 95%	
RM2	% of responsive repairs where an appointment was made & kept: a) appointments made of those; b) appointment kept	a) 49% b) 94%	a) 65.2% b) 96.5%	a) 80% b) 99%	The implementation of mobile working will have a significant impact on future service performance
RM4	Average cost per responsive repair	£111.08	£112.48	£105.00	The implementation of mobile working will have a significant impact on future service performance
RM5	Turnover per Operative	N/A	£74.9k	>£80k	
G1	Percentage of properties with a gas appliance and a valid gas safety certificate	No Record	100%	100%	In 10/11This data was not part of the central Performance Indicators.
Void turnaround					
V1	Voids: quality of void at the time of final inspection	N/A	99.67%	99%	As determined by the tenant inspectors - we are currently reviewing the void inspection process with the tenant inspectors.
V2	Average time taken to re-let local authority housing: overall	27	23.74	25	Target exceeded, but not amended for future years

code	Description	10/11 actual	11/12 actual	12/13 target	comments
					as void numbers were lower in 2011/12.
V3	Average time taken to turn around voids not available for letting in the year	N/A	77.6	75	Includes booth repair and letting period
V4	Average cost per void repair	£2,730	£2,729	£2,700	Reflects current "5 Point promise", any reduction in standard would impact responsive repairs
V5	Void loss as a percentage of the total rent roll	1.59%	1.15%	1.25%	Per ELASH definition.
Satisfaction					
ES1	Satisfaction with Estate Services a) Overall b) Net	 N/A	 76% 68%	 N/A	STAR Survey data via Housemark. Next survey in 2014, with target of 80%
RM3	How satisfied was the resident with the completed repair (Score out of 10)	9	9	9.5	Based on repair slip returns
CIC3	Percentage of respondents fairly satisfied or very satisfied with the way their ASB case was handled	76%	77%	79%	Target based on median Housemark quartile
RI1	STAR: Satisfaction of tenants with the services provided by their landlord a) Overall. b) from BME respondents. c) from non-BME respondents.	 82% 74% 82% (2008)	 83% N/A N/A (2012)	 TBC	Tenant satisfaction survey to be completed again in 2014, with targets of 84% for 2014
RI2	STAR: satisfaction of tenants that their landlord listens to tenant views and acts upon them a) Overall b) Net	 65% 53%	 60% 47%	 TBC TBC	Tenant satisfaction survey to be completed again in 2014, with targets to be agreed for 2014/15
RI3	STAR: satisfaction of tenants with the VFM of their rent a) Overall b) Net	 73% 59%	 80% 71%	 TBC TBC	Tenant satisfaction survey to be completed again in 2014, with targets to be agreed for 2014/15
Income Management					
IM1	Proportion of rent collected	98.50%	98.38%	98.70%	Rent collection is now proving more challenging in the current economic climate, with action being taken to mitigate this downturn in performance where possible
IM2	Total tenant arrears as a % of rent due (includes current & former	4.18%	4.50%	3.75%	The challenge is to reduce the amount owed by

code	Description	10/11 actual	11/12 actual	12/13 target	comments
	tenant arrears)				former tenants either by collection or robust write off procedure.
IM3	% of tenants evicted due to rent arrears	0.33%	0.30%	0.25%	The number of evictions remains low and we will continue to strike a balance between support and enforcement.
IM4	% of tenants with some rent to pay, paying their rent with DD	46.60%	47%	55%	Direct debit is the most cost effective way for the Council to collect monies due (inc property and garage rents)
Energy Efficiency					
EE1	Number of LA households benefiting from renewable energy installations	11	13	15	Solar PV project did not proceed as planned
EE2	Average SAP rating for the whole housing stock: a) CCC	75	76	77	Now using new software that utilises SAP 2005 methodology (results will reduce in line with the new scale) - targets TBC
EE3	%CCC properties with a SAP rating below 35	a) No Record	a) 0	a) 0	In 10/11 the database software had yet to be updated to record this figure.
Community integration					
CIC5	Direct cost per case of ASB	£1,372	£1442.84	TBC	Produced from Housemark benchmarking data
Customer Service					
CS1	Number of Housing complaints responded to within 7 days	96%	97%	100%	The corporate standard is response or acknowledgement within 7 working days.
CS2	Number of Housing letters needing a reply responded to within 7 days	99%	99%	100%	The corporate standard is response or acknowledgement within 7 working days.
CS3	Corporate Answer Rate - Local PI of answering external calls in 12 seconds (%): a) Housing b) City Homes North c) City Homes South	a) 86.2 b) 85.5 c) 77.4 (Mar)	a) 84.9 b) 86.2 c) 69.5	82%	The Corporate target is 87%.

code	Description	10/11 actual	11/12 actual	12/13 target	comments
CS4	Customer Service Centre: % of calls resolved at first point of contact: a) Homelink b) Housing Management c) Housing needs & options d) Repairs	a) 86% b) 85% c) 77% d) 94%	a) 87% b) 84% c) 78% d) 91%	82%	This shows calls that did not need to be escalated on to another member of staff

Appendix C (Section 9)

Business Planning Revised Assumptions

Key Area	Assumption	Comment
General Inflation	2.4%	General inflation on expenditure - included at 2.4% (Based upon CPI(Y) to June 2012), for 2013/14, returning to 2.5% for the remaining life of the plan.
Capital Programme Inflation	4.4%, 4.5% for four years, then 3.5%	Real increase above CPI(Y) of 2% for 5 years as per advice given by Savills, then 1% above from 2017/18.
Capital Investment	Investment Standard	Base model assumes an investment standard in the housing stock, compared with a basic decent homes standard, recognising long-term benefits of pro-active rather than re-active investment.
Pay Inflation	2.9% for two years, then 4.4%	Assume pay award of 1% and allowance for increments at 1.9% for 2013/14 and 2014/15, then re-introducing allowance for pay award at 2.5% from 2015/16 onwards.
Employee Turnover	3%	Employee budgets - assume an employee turnover saving of 3.0% of gross pay budget for office-based staff.
Rent Increase Inflation	3%	Rent increases assumed in line with government guidelines of RPI at preceding September plus 0.5%. Assume RPI at 2.5%.
Rent Convergence	2015/16	Convergence with target rent assumed in 2015/16, although limits on individual increases inhibit achieving this locally.
External Borrowing Interest Rate	4%	Assumes additional PWLB borrowing at a rate of 4%. Current rates for 25 to 50 years range from 3.85% to 4.05%.
Internal Borrowing Interest Rate	4%	Assume the same rate as available externally for modelling purposes, recognising that if internally borrowing a mutually beneficial rate would need to be negotiated, on a case by case basis.
External Lending Interest Rate	0.82% for 2 years, 1.25% for 2 years, then 1.5% ongoing	Interest rate – based on latest market projections (on average 0.82% for 2012/13 and 2013/14, then 1.25% for 2014/15 and 2015/16 and 1.5% from 2016/17.
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising increased risks in HRA Self-Financing environment.
HRA Target Balances	£3,000,000	Maintain HRA target balance at £3,000,000.
Right to Buy Sales	15 to 35 per annum	An increase in the assumptions of 10 to 17 per annum in the CLG settlement model, with 15 now assumed in 2012/13, increasing over 30 years to 35 per annum. Increase by 50% in 2012/13, then by 100% from 21013/14.
Right to Buy Receipts	Settlement sales included from the	Right to buy receipts assumed in the debt settlement included in the model, assuming the receipts will be utilised partly for general fund housing purposes. Any additional receipts received have been

Key Area	Assumption	Comment
	model.	excluded, but will committed for use to redeem debt and fund additional affordable housing units, in line with agreement with CLG.
Void Rates	1.25%, then 1%	Assumes continued higher void rate of 1.25% for 3 years, until sheltered housing refurbishment programme and Seymour Court / Roman Court developments are complete. 1% assumed from 2015/16 onwards.
Bad Debts	0.56%, then 1.12%	Based upon historic bad debt provision made in the HRA for 2012/13, increased by 100% to reflect the requirement to collect 100% of rent directly from 2013/14. Assumes an extension of the existing rent payment profile across the entire housing stock.
Rent Collection Transactional Costs	An increase in transactional costs of £100,000 per annum from 2013/14	An increase of £100,000 per annum has been included from 2013/14, recognising the increase in transactional collection costs associated with the requirement to collect 100% of rent directly from tenants, as opposed to receiving approximately 50% via housing benefit as currently happens.
Debt Management Expenses	£20,000 per annum	Allows an assumption for recharge of internal treasury management activity and a contribution for specialist financial advice in this field.
New Build Programme	250 Units	Assumes delivery of the current 3-year affordable housing investment programme of 146 units, where HCA grant funding has been approved and an additional 104 units on the Clay Farm site in year 4/5 of the business plan.
Savings Target	1.6%	A savings target is included in the revised model, with the assumption that savings and efficiencies will be driven out to allow strategic re-investment in new assets, existing assets and housing services.
Policy Space	£150,000	Policy space re-included in base model at an increased level recognising desire to expand services, with assumption that policy space will need to be created through the generation of savings.
Service Reviews	Per budget savings proposals	The HRA Business Plan assumes that the outcomes of service reviews will deliver ongoing benefit to the HRA as indicated in the budget process for 2012/13 and beyond.

Appendix D (Section 9)

Business Planning Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Interest Rates for additional borrowing	PWLB fixed rate maturity loan at 4%	Assume fixed rate loan over 30 years, with increase of 2% in interest rates from the outset	Increased interest payable across the life of the business plan equates to an increase of £362,250 on assumed additional borrowing.
General Inflation	General Inflation using CPI(Y) at 2.4%, then 2.5% for expenditure	Volatility in the economy could lead to an increase in inflation. 1% increase in general inflation for the life of the plan	Inability to pay off any debt, with the authority reaching the debt cap by year 29.
Rents Inflation	RPI at 2.5% for rents base	Volatility in the economy could lead to an increase in inflation as measured by RPI. 1% increase in rents base inflation for the life of the plan	Ability to redeem debt by year 19.
Capital Investment Real Increase Inflation	Capital Investment Inflation at 2% above CPI(Y) for 5 years and then at 1%	A real increase of 2% is allowed for building inflation until 2016/17 in line with existing external procurements. Assume that real inflationary increase of 1% is not required from 2017/18 for the remainder of the plan, assuming benefits of long term procurement	Ability to repay debt brought forward from year 26 to year 24.
Employer's Pension Contribution	Business Plan includes provision for increases of 0.75% from 2011/12 to 2016/17	Assumptions on life expectancy and negative market effects on the value of assets in the Pension Fund leading to increased employer contribution requirements above the level of provision already made. Assume an additional 0.75% in pension provision in 2017/18 also.	£3.6 million reduction in balances over the life of the plan, with no change in ability to repay the debt in year 26.
Right to Buy Sales (Revenue Impact)	Numbers assumed to increase by 50% in 2012/13 and 100% per annum from 2013/14, following increase in discount levels.	The increase in discount levels could result in a greater impact than is being anticipated, with no experience to draw from. Assume sales increase by 200% from 2013/14.	The ability to repay debt is extended from year 26 to year 28.

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Investment Income	Business Plan assumes interest on balances increasing to only 1.5% by 2016/17	Rates may fail to recover as anticipated, fall further or recover at a greater pace. Assume ongoing rate of 3% achieved as opposed to 1.5%.	£7.4 million additional balances over the life of the plan, with no change in ability to repay the debt in year 26.
Housing Rent Collection and Welfare Benefit Reforms	Budgeted costs based on historic levels of enforcement activity, but an increased level of transactional collection costs	Economic climate may require an increase in enforcement activity. Welfare Benefit Reforms will result in 100% more rent being required to be collected directly from tenants. Assume, in addition to the increase in transactional costs built into the base, additional staffing costs of £110,000 per annum from 2013/14.	£9.5 million reduction in balances over the life of the plan, with no change in ability to repay the debt in year 26.

Appendix E (Section 9)

HRA Summary Forecast 2012/13 to 2016/17

Description	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Income					
Rental Income (Dwellings)	(32,843)	(34,591)	(36,279)	(38,696)	(40,334)
Rental Income (Other)	(1,023)	(1,048)	(1,074)	(1,101)	(1,128)
Service Charges	(2,291)	(2,340)	(2,393)	(2,447)	(2,502)
Contribution towards Expenditure	(440)	(448)	(456)	(465)	(473)
Other Income	(40)	(58)	(68)	(68)	(68)
Total Income	**(36,637)**	**(38,485)**	**(40,270)**	**(42,777)**	**(44,505)**
Expenditure					
Supervision & Management - General	4,662	4,927	5,115	5,362	5,614
Supervision & Management - Special	2,326	2,533	2,441	2,521	2,604
Repairs & Maintenance	7,285	7,054	7,217	7,583	7,907
HRA Subsidy	0	0	0	0	0
Depreciation – t/f to Major Repairs Res.	9,289	9,417	9,624	9,968	10,182
Debt Management Expenditure	20	20	21	22	22
Other Expenditure	425	713	819	932	1,044
Total Expenditure	**24,007**	**24,664**	**25,237**	**26,388**	**27,373**
Net Cost of HRA Services	**(12,630)**	**(13,821)**	**(15,033)**	**(16,389)**	**(17,132)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(83)	(65)	(79)	(80)	(98)
Mortgage Interest Receipts (Incl. above)	0	0	0	0	0
(Surplus) / Deficit on the HRA for the Year	**(12,713)**	**(13,886)**	**(15,112)**	**(16,469)**	**(17,230)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,516	7,612	7,853	7,971	7,817
Debt Redemption Premium	301	0	0	0	0
Housing Set Aside	1,090	0	0	2,444	5,047
Depreciation Adjustment	(1,969)	(1,986)	(2,017)	(2,060)	(2,104)
Direct Revenue Financing of Capital	10,482	7,740	9,284	7,880	6,458
(Surplus) / Deficit for Year	**4,707**	**(520)**	**8**	**(230)**	**(3)**
Balance b/f	(6,974)	(2,267)	(2,787)	(2,779)	(3,009)
Total Balance c/f	**(2,267)**	**(2,787)**	**(2,779)**	**(3,009)**	**(3,012)**

Appendix F (Section 9)

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend					
Assessment Centre	1,111	0	0	0	0
Disabled Facilities Grants	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195
Long Term Vacants	20	20	20	20	20
Total General Fund Housing Capital Spend	**1,876**	**765**	**765**	**765**	**765**
HRA Capital Spend					
Decent Homes					
Kitchens	691	255	618	598	292
Bathrooms	196	128	522	525	119
Boilers / Central Heating	2,024	1,316	618	2,450	1,688
Insulation / Energy Efficiency	108	100	100	100	100
External Doors	179	28	129	108	63
PVCU Windows	36	339	1,002	1,350	912
Wall Structure	15	36	621	63	114
Wall Finishes	784	196	319	230	115
Wall Insulation	100	100	100	100	100
External Painting	0	0	0	0	0
Roof Structure	387	300	800	300	322
Roof Covering	1,224	544	215	210	274
Chimneys	51	39	12	2	1
Electrical / Wiring	326	83	91	181	317
Smoke Detectors	3	5	19	109	9
Sulphate Attacks	204	102	102	102	102
Major Voids	56	53	51	48	53

Description	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
HHSRS Contingency	263	150	100	100	100
Other Health and Safety Works (Balconies)	510	50	50	50	50
Other External Works	0	0	3	5	0
Rising Damp / Penetrating Damp	4	0	0	0	0
Professional Fees	556	556	556	556	556
External Professional Fees	19	19	19	19	19
Decent Homes Backlog	2,131	3,907	2,131	1,065	3,019
Planned Maintenance Contractor Overheads	791	796	781	792	799
Total Decent Homes	**10,658**	**9,102**	**8,959**	**9,063**	**9,124**
Other Spend on HRA Stock					
Garages	316	300	300	300	300
Asbestos Contingency	260	200	200	200	200
Disabled	924	878	878	878	878
TIS Schemes	28	21	21	21	21
Communal Areas Uplift	546	546	546	546	546
Fire Prevention / Fire Safety Works	1,239	300	300	300	300
Hard surfacing on HRA Land - Health and Safety Works	212	250	250	150	150
Hard surfacing on HRA Land - Recycling	298	0	0	0	0
Communal Areas Floor Coverings	276	100	0	0	0
Professional Fees	155	155	155	155	155
Lifts and Door Entry Systems	26	13	13	13	13
Fencing	100	100	100	100	100
Cemetery Lodge	50	0	0	0	0
Hanover / Princess Laundry	3	0	0	0	0
East Road Garages - Lighting Controls	4	0	0	0	0
TV Aerials	0	0	0	0	0
Planned Maintenance Contractor Overheads	293	286	274	262	262
Total Other Spend on HRA stock	**4,730**	**3,149**	**3,037**	**2,925**	**2,925**

Description	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
HRA New Build / Re-Development					
Teversham Drift	4	0	0	0	0
Cockerell Road	0	0	0	0	0
Harris Road	0	0	0	0	0
Church End	16	0	0	0	0
Roman Court	692	591	41	0	0
Seymour Court	554	0	0	0	0
3 Year Affordable Housing Programme (Excl. Seymour Court)	4,485	10,761	2,859	0	0
Clay Farm	0	0	10,046	3,617	0
Total HRA New Build	**5,751**	**11,352**	**12,946**	**3,617**	**0**
Cambridge Standard Works					
Cambridge Standard Works	506	200	200	200	200
Total Cambridge Standard Works	**506**	**200**	**200**	**200**	**200**
Sheltered Housing Capital Investment					
Emergency Alarm Service	110	0	0	0	0
Talbot House	4	0	0	0	0
Ditchburn Place	42	3,800	0	0	0
Brandon Court	508	0	0	0	0
Total Sheltered Housing Capital Investment	**664**	**3,800**	**0**	**0**	**0**
Other HRA Capital Spend					
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	260	0	0	0	0
Low Cost Home Ownership	300	300	300	300	300
RFR Buy Back	330	330	330	0	0
Commercial Property	62	30	30	30	30
Total Other HRA Capital Spend	**952**	**660**	**660**	**330**	**330**
Total HRA Capital Spend	**23,261**	**28,263**	**25,802**	**16,135**	**12,579**

Description	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
Total Housing Capital Spend at Base Year Prices	**25,137**	**29,028**	**26,567**	**16,900**	**13,344**
Inflation Allowance for Future Years	0	991	1,708	2,030	2,379
Total Inflated Housing Capital Spend	**25,137**	**30,019**	**28,275**	**18,930**	**15,723**
Housing Capital Resources					
Right to Buy Receipts	(261)	(293)	(354)	(363)	(372)
Other Capital Receipts (Land and Dwellings)	(0)	(0)	(0)	(0)	(0)
Major Repairs Reserve	(4,780)	(11,099)	(7,505)	(7,664)	(7,828)
Direct Revenue Financing of Capital	(10,482)	(7,740)	(9,284)	(7,880)	(6,458)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(3,507)	(6,589)	(1,825)	(2,258)	(300)
Disabled Facilities Grant	(262)	(262)	(262)	(262)	(262)
Developer's Contributions (Affordable Housing)	(0)	(0)	(0)	(0)	(0)
Prudential Borrowing	(0)	(3,533)	(8,542)	(0)	(0)
Total Housing Capital Resources	**(19,292)**	**(29,516)**	**(27,772)**	**(18,427)**	**(15,220)**
Net (Surplus) / Deficit of Resources	5,845	503	503	503	503
Capital Balances b/f	**(9,190)**	**(3,345)**	**(2,842)**	**(2,339)**	**(1,836)**
Use of / (Contribution to) Balances in Year	5,845	503	503	503	503
Capital Balances c/f	**(3,345)**	**(2,842)**	**(2,339)**	**(1,836)**	**(1,333)**

Appendix G

HRA Earmarked & Specific Funds (£'000)

Repairs & Renewals

Housing Revenue Account	Opening Balance	Contributions	Expenditure to July 2012	Closing Balance
General Management	(951.6)	(139.0)	0.3	(1,090.3)
Special Services	(1,007.4)	(131.9)	11.3	(1,128.0)
Repairs and Maintenance	(28.8)	(2.9)	0.0	(31.7)
Totals	**(1,987.8)**	**(273.8)**	**11.5**	**(2,250.0)**

Major Repairs Allowance

	Opening Balance	Contributions	Expenditure to July 2012	Closing Balance
MRA	(1,171.1)	(0.0)	0.0	(1,171.1)

Shared Ownership

	Opening Balance	Contributions	Expenditure to July 2012	Closing Balance
Shared Ownership	(300.0)	(0.0)	0.0	(300.0)

Tenants Survey

	Opening Balance	Contributions	Expenditure to July 2012	Closing Balance
Tenants Survey	(33.8)	(6.2)	4.7	(35.3)

Aerial – Roof Space Rental

	Opening Balance	Contributions	Expenditure to July 2012	Closing Balance
Aerial Income	(87.6)	(0.0)	0.2	(87.4)

Pension Reserve

	Opening Balance	Contributions	Expenditure to July 2012	Closing Balance
Pension Reserve	(63.8)	(0.0)	0.0	(63.8)

Debt Set-Aside

	Opening Balance	Contributions	Expenditure to July 2012	Closing Balance
Debt Set-Aside	(0.0)	(0.0)	0.0	(0.0)

Appendix H (Section 9)

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

Self-Financing for the HRA

The introduction of self-financing for the HRA from April 2012, removes the annual uncertainty that existed as part of the national HRA Subsidy System, but brings with it a number of new uncertainties, including the potential for the debt settlement to be re-opened, a debt cap over which the HRA will not be allowed to borrow and the implications o f managing the cashflow for the HRA in light of the need to service the debt.

Right to Buy Sales

The number of sales remained low in 2011/12. Early indications in 2012/13 suggest that the increase in discount to £75,000 has generated significantly more interest in the scheme, but an increase in completions is not yet being demonstrated. The implications of an increase in sales from a revenue perspective are significant, with the potential loss of rental income compounded by an inability to fully reduce the receipt by all of the costs associated with the right to buy sale due to the introduction of a fixed sum in respect of administrative costs.

Independent Living Service – Ditchburn Place Extra Care

Although provided as an agency activity outside of the HRA, the provision of a care and support service in the extra care housing at Ditchburn Place is inextricably linked with the provision of landlord services. The current contract with the County Council expires in January 2014, but due to the significant financial risks associated with the delivery of this contract, particularly in light of the County Council's budgetary pressures in this and other areas, our ability to commit to the continued provision of this service is still unclear.

Independent Living Service – Sheltered and Supported Housing

Funding for the Independent Living Service is at risk in a number of areas. The level of voids, as a result of the sheltered housing investment strategy, still remains high, producing shortfalls in rent, service charge and support income. This is compounded by reductions in funding from Supporting People, where unit rates were reduced to £9.00 per week from April 2012 as part of a year's extension to the contract. It is anticipated that the County Council will re-tender support services in these areas from April 2013, with the approach that will be taken unclear at this stage. Emergency alarm services provided to owner-occupiers are also reducing over time.

Housing Revenue Account – Revenue Uncertainties

Service Restructures and Departmental Support Service Review

There are a number of service restructures and a recent review of the provision of support services across the organisation, many of which have financial implications for the HRA. Although some broad assumptions of the financial impact for the Housing Revenue Account have been made at early stages, the real impact will not be clear until the reviews are complete, and all of the associated accounting adjustments have been made.

HRA New Build

Following successful completion of 7 units of new build HRA dwellings with the support of HCA grant, a subsequent bid for funding to build 146 dwellings was successful. Work with a developer partner, to re-develop the Seymour Court site is now underway, with the scheme being one of those successful in securing grant funding. A considerable sum of prudential borrowing will also be required to deliver the anticipated affordable housing. If this, or any development scheme does not proceed, any initial outlay is required to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in.

HRA Commercial Property

Review of the ownership of some commercial property in the Council's portfolio is required to ensure that both rental income and maintenance liabilities are being correctly provided and accounted for.

HRA Review of Area Offices

The review of the future use of housing area offices was deferred until after the implementation of self-financing, when both the financial position for the HRA and the implications for local authorities of the introduction of universal credit will be clearer. The revenue implications of this review, when undertaken, will be quantified and incorporated as part of a report that will be presented to HMB for decision.

Housing Revenue Account - Capital Uncertainties

Sheltered Housing

The existing Sheltered Housing Modernisation Programme is progressing well, with Brandon Court due for completion by mid 2012/13. There is a need to review the decisions made in respect of the latter stages of the programme, to determine the best use of limited resources in the current financial climate, with options currently being considered for Ditchburn Place.

Maintenance of Decent Homes

96% of the stock was considered decent at 1 April 2012, however additional properties become non-decent during the year.
Our target is to maintain the Decent Homes standard in our stock on an ongoing basis in line with current Government expectations, and to respond quickly to any changes in the standard.

Expansion of Investment Standard to include Communal Areas

Incorporation of communal area into our investment standard, to include lifts and common parts in flatted accommodation, requires both up front investment to survey and ongoing investment to meet and maintain any standards set. The Asset Management Plan included an uplift of £75 per property per year to meet the investment needs in un-surveyed communal areas, in line with external expert advice received. Until surveys are undertaken it is unclear whether this allocation will be sufficient.

Sulphate Attack

Sulphate attack was identified a number of years ago in a number of council dwellings, resulting in the need to invest £1.87m to eradicate the problem. Following a risk assessment, the approach taken to date has been to address the defect when the property becomes vacant. Currently 12 of the 110 properties affected have been rectified when they became void. Funding of approximately £1.6m is included in the Housing Capital Programme over the next 15 years to continue to fund this risk-based approach. There is the potential for similar sulphate attacks in the structures of a number of other council dwellings, which could result in the need for significant additional investment to undertake these works.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

Council investment in both DFG's and Private Sector Housing Grants and Loans is dependent upon existing capital balances or capital receipts in year. Historic capital balances will to be fully utilised within 5 years (or earlier if the HRA has any need to utilise existing balances to fund in year expenditure), and, with the exception of the 25% retained on the first 10 to 17 sales per annum, future right to buy receipts are required to be committed to replacement of affordable housing in line with our agreement with CLG. This puts at significant risk the desired level of future investment in this area.

Right to Buy Sales

The number of sales remained low in 2011/12, with only 12 sales completed. Early indications in 2012/13 suggest that the changes in the scheme have increased interest, but not yet completion activity, although this is anticipated in the latter stages of the financial year. Under the terms of the agreement signed with CLG, the authority is committed to deliver completed replacement dwellings from right to buy receipts within 3 years of the date of the receipt.

Housing Revenue Account - Capital Uncertainties

Decent Homes – PVCU Windows

Need to consider additional resources required to replace PVCU windows in HRA stock, where failures in existing installations are emerging, resulting in replacement far sooner than would be anticipated by the Decent Homes Standard.

Asbestos Removal

Potential to change strategy for asbestos removal, to ensure that blocks / streets are tackled as projects as opposed to in isolation while dwellings are void. This approach may bring forward the need for resources previously anticipated to be spent much later in the programme and also incur the additional costs of decant, but would accelerate the programme and reduce the additional revenue costs of repairs in properties with asbestos. This has begun, with flats in Edgecombe being tackled in this way, over a 3-year programme.

Energy Efficiency

Legislative requirements / local desire to increase the energy efficiency of the housing stock could result in significant increased investment, with little or no financial return to the HRA.

Eastfield Site

The potential future income stream for the Eastfield site is subject to advancement in discussions with Hundred Houses.