Version 5
Council

Housing Revenue Account Budget Setting Report 2013/14

February 2013

Cambridge City Council

CAMBRIDGE
CITY COUNCIL

Version Control

	Version	for :	Anticipated Content
	1	Draft	Draft content for consultation
	2	Housing Management Board 8 January 2013	Member Scrutiny and Tenant and Leaseholder Input
	3	Community Services Scrutiny Committee 17 January 2013	Member Scrutiny
	4	Special Strategy & Resources Scrutiny Committee 15 February 2013	Amendments to Executive proposals Opposition budget amendment proposals
Current	5	Council Meeting 21 February 2013	The Executive Councillor for Housing's recommended final budget proposals
	6	FINAL	Final version for publication following Council

Cambridge City Council

Housing Revenue Account Budget Setting Report

2012/13 to 2016/17

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Section 1
Introduction

Background

Following the introduction of a 'self-financing' system for local authority social housing from April 2012, the authority is now required to support a housing debt of £213,572,000, 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 sets budgets for the short to medium term in the context of the longer-term impact of the viability of the Housing Revenue Account 30-Year Business Plan and Asset Management Plan, incorporate both changes in external factors and local priorities.

Purpose, Scope and Key Dates

Purpose

At its meeting on 25 October 2012, following consideration at both HMB and Community Services Scrutiny Committee, the Council considered the budget prospects for the Housing Revenue Account (HRA) for 2013/14 and future years in the context of both local and national policy priorities and the implications for local authority landlords of the current economic climate. The approved HRA Mid-Year Business Plan Update set out the agreed financial strategy for the HRA, and confirmed the framework for the detailed budget work to develop proposals for the 2013/14 budget.

At this stage in the process, the range of assumptions on which the HRA Mid-Year Business Plan Update was based need to be reviewed in light of the latest information available to determine whether any aspects of the strategy need to be revised. This will then provide the basis for the finalisation of the HRA budget and setting of rents for 2013/14.

This document provides an overview of the review of the key assumptions that has been undertaken, and sets the key parameters for the consideration of detailed recommendations and budget finalisation to be made at the meetings of HMB and Community Services Scrutiny Committee In January 2013, and ultimately to Council on 21 February 2013..

Scope

The HRA Budget Setting Report is designed to compliment the Council's General Fund Budget Setting Report, providing an overview of the financial position for the HRA. It covers HRA revenue and housing capital spending, highlighting the inter-relationships between the two, and the resultant implications. The HRA is the authority's landlord account, within which all services to tenants and leaseholders are provided and funded and it is the account into which the proceeds of the rent and landlord service charges are credited.

As with the HRA Mid-Year Business Plan Update, a key aspect of the detailed budget work has been risk assessment and management. In order to ensure that the HRA's financial position and risks are appropriately managed over the medium and longer-term, within the financial projections, the following modelling periods have been adopted for the HRA:

For the ...	Period	Purpose / Use
HRA Business Plan Update & Budget	5 years	Detailed budget & rent setting
Longer-Term Projections	30 years	Demonstrate long-term effects & ability to support debt

The 5-year forecast period includes a review of the current year budget position, a detailed projection for the following year and forward projections for the following three years, to demonstrate the full-year effects of budget proposals and decisions.

The full 30-year model for the HRA is not shown in detail within this report, however, any significant longer-term implications are highlighted as appropriate.

Sensitivity analysis of key factors is undertaken, as part of both the Business Plan Update and budget setting processes to ensure that effective contingency plans are available to the Council and that the appropriate levels of reserves can be maintained.

Key Dates

The key member decision-making dates are as follows:

Date	Task
2012	
18 September	The 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 approves 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 in respect of the HRA Budget Setting Report
17 January	Community Services consider HRA Budget Setting Report
15 February	Special Strategy & Resources Scrutiny Committee considers any budget amendment proposals
21 February	Council approves HRA Budget Setting Report

Review of Key Factors

The work on the 2013 HRA Budget Setting Report takes as its starting point the key medium and long-term parameters identified and agreed as part of the Housing Revenue Account 30-Year Business Plan of February 2012 and update of October 2012.

The HRA Business Plan Update agreed a base position, for detailed budget work, of the 2012/13 budget inflated to 2013/14 prices and adjusted for known / approved changes.

For the Housing Revenue Account the approved budget strategy included:

- 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 borrowing headroom, in order to increase the supply of affordable housing.
- Rent increases in line with government rent guidelines as part of the self-financing settlement.
- 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.
- The identification of a general savings requirement of 1.6% in general management expenditure for 2013/14 and beyond, alongside an adjustment in responsive and planned repairs expenditure in line with anticipated stock changes. For 2013/14 the general management savings requirement is equivalent to £76,880, and the revenue repairs expenditure is anticipated to be reduced by £21,310.
- A priority policy fund for 2013/14 to 2017/18 at an increased level of £150,000, recognising some of the key challenges facing the authority as a landlord in the medium-term .
- A minimum working balance for reserves of £2m, with a continued target level of £3m.

Key factors for review

This report reviews the key factors as follows:

Factor	Section	Notes
Policy Context for budget setting	2	
HRA Resources:		
Rent Income	3	Based on rent increases in line with government guidelines and local policy decision
Service Charge Income	3	Based on recovering full anticipated costs of service delivery
Other Income (Garages / Shops)	3	Latest projections in rent and void levels
Grant Income		Latest projections in external funding
Earmarked Funds	3	Latest projections of key funds
HRA Spending Proposals:		
2012/13 Revised Budget	4	Based on January 2013 scrutiny committee reports
Post HRA Business Plan Update Approvals	4	Based on decisions made under urgency powers and those proposed in the October 2012 and January 2013 cycle of meetings
2013/14 Budget Proposals including:		
Non-cash limit items	4	Based on latest projections / detailed estimates
Bids and savings proposals	4	Based on January 2013 scrutiny committee reports
Overall position against savings targets	4	Based on January 2013 scrutiny committee reports
PPF bids	4	Based on January 2013 scrutiny committee reports

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	6,577
Sheltered Housing	525	505
Supported Housing	28	28
Temporary Housing (Individual Units)	41	43
Temporary Housing (HMO's)	17	17
Miscellaneous Leased Dwellings	23	25
Shared Ownership Dwellings	87	87
Total Dwellings	7,367	7,282

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

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2012
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

Leasehold Stock

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

At 1st April 2012, the Council retained the freehold and managed the leases for 1,077 leasehold flats.

Section 2

Review of Local and National Policy Context and Priorities

Review of Local Policy Context

The local policy context and priorities for the Council are agreed in May each year through the adoption by Council of an Annual Statement. The Annual Statement approved in May 2012 (and reproduced in full below), confirmed a 'Vision for the City' and agreed how the Council would work towards meeting the vision during 2012/13 and beyond.

Council and Housing 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 strategic objectives for the HRA are set out in the Housing Portfolio Plan which is available in full on the City Council website.

In this document, the Council's Vision has been translated, from a housing perspective, into 3 strategic objectives for 2013/14, as detailed in the Housing Portfolio Plan.

These are:

- Maximise the delivery of new sustainable housing in a range of sizes, types and tenures - at least maintaining current standards and driving energy efficient homes for residents.
- Make the best use of existing homes.
- Deliver good quality housing and housing related advice.

Housing 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.

Tenant and Leaseholder Consultation

STAR Survey – Satisfaction Levels

In 2012, the authority undertook the Housemark STAR Satisfaction Survey, in place of the previously adopted Status Survey. Three separate surveys were sent out to a representation of general needs tenants, sheltered scheme residents and leaseholders, with the results for each group available separately.

The full results were presented as part of the HRA Business Plan Update of September / October 2012, with an increase in the overall satisfaction in services provided by the landlord increasing from 82% to 83% (72% to 76% on a net satisfaction basis) between 2008 and 2012.

Of the 13 key questions asked, where comparisons were possible, the trends were positive between 2008 and 2012 in all but two cases. The ability of staff to deal with tenants problems reduced slightly from 76% to 75% (on a gross satisfaction basis) between the two survey periods, whilst satisfaction that the landlord listens to views and acts upon them went down from 65% to 60%. These areas, amongst others, will be subject to targeted actions as part of the work in the time period between the 2012 survey and the next full survey in 2014.

STAR Survey – Identification of Tenant Investment Priorities

The STAR Survey also confirmed tenant priorities for investment, the results of which 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 top 5, for general needs and sheltered housing combined, being:

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

STAR Survey – Planning ahead

The Resident Involvement Service will take forward a series of actions around tenant satisfaction before the STAR Survey 2014, with the purposes being to:

- Work to positively influence some of the 30% of tenants who in 2012 were 'neutral' on whether they felt their views were acted upon by the Council
- Ensure that RI becomes a force driving performance in the housing service

Some of the key actions planned are:

- Ensure that the new post of Resident Involvement Facilitator focuses on developing residents' groups on estates to be an independent tenant voice.

- Run a series of features in Open Door until STAR 2014, engaging residents with the results and impacts of the STAR survey-cycle. Features, prepared with residents, will be on:
    1. Tenants' top 5 priorities from STAR, and how we're delivering them
    2. The new RI Facilitator ensuring we are listening to and acting on tenants' views on estates
    3. Community/Environment Days and the Cambridge Standard: showing how they listen to and act on tenants' views
    4. Open Door postal surveys designed with residents, and directing service-spending
    5. Features showing how residents are now involved in the whole STAR cycle
    6. Features showing how we've improved our complaints system, and resulting service-improvements

- Resident representatives will be involved in designing STAR surveys, setting questions and importing positive practice from providers who deliver STAR well as a tool to drive performance and satisfaction.

Partnership Working

The organisation and the Housing Service recognise the benefits, and therefore promote, partnership working wherever possible. Opportunities to work in partnership with other local authorities, although challenging, can deliver significant efficiencies in both cost and service delivery terms.

From a strategic housing perspective, the City Council continue to work with senior housing officers from neighbouring local authorities and housing associations (Cambridge Sub-Regional Housing Board), with the Sub-Regional Housing Coordinator jointly funded, but employed by the City Council, ensuring a coherent approach to housing strategy across the sub-region that centres on Cambridge.

The increase in investment in our housing stock as part of the initial 30-Year HRA Business Plan approved in February 2012, necessitates the authority seeking a new partner / partners to deliver planned maintenance services, both in terms of capital investment (including decent homes) and planned / cyclical revenue expenditure, from April 2014, when the existing partnership arrangements are expected to be fully exhausted.

Cambridge City Council are now actively utilising 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 is working with KeepMoat to design housing schemes, carry out consultations, submit planning applications and build new housing once planning permission has been granted, with the resulting affordable housing dwellings being owned and managed by the Council.

The Housing Service also continues to explore opportunities to work in partnership with other support provides in the city / county, to ensure, where possible, that council tenants continue to receive support services from a support provider with strong links to their landlord.

Review of National Policy Context

Local authority landlords continue to respond to the challenges highlighted as part of the Localism Act, with the key themes relevant to housing being:

- New freedoms and flexibilities for local government
- New rights and powers for communities and individuals
- Reform to ensure decisions about housing are taken locally

National Housing Policy

A range of significant national policy reforms having a direct impact on housing continue to be implemented. The Council's revised Housing Strategy, agreed in June 2012, shows further how some of these changes are being taken forward locally.

Tenancy Strategy and Tenure Reform

The Council agreed a new Tenancy Strategy in June 2012 advising Registered Providers operating in the City of the issues to be taken into account when deciding types and lengths of tenancy to offer, and the circumstances under which any fixed term tenancies will be reviewed. Some providers in the City have started to introduce fixed term tenancies.

A Tenancy Policy for the Council's tenants has also been agreed. The Council has decided not to use fixed term tenancies at this stage for its own properties. As part of a review of the policy, further work will take place during the coming year with tenants, applicants and other partners to assess whether fixed term tenancies might be appropriate to be used in particular circumstances.

Affordable Rents

Government grant available for new affordable homes has been reduced significantly. To secure grant, developers are now required to charge new Affordable Rents on the new homes and/or some existing homes at the point of re-let; the aim is for the additional income to fund more new affordable housing.

These Affordable Rents can be up to 80% of market rents. With high private rent levels in the City, the Council has negotiated with the Homes and Communities Agency for the new homes being built through the Affordable Housing Development Programme to be let at or around 65% of local market rents and no higher than Local Housing Allowance levels.

Early indications from work carried out as part of the Strategic Housing Market Assessment are that Affordable Rent properties across the sub-region are generally being let to people in high priority bands through Home-Link. Although it is too early to get an accurate picture, this early sign suggests that Affordable Rents (which tend locally to be higher than Social Rents) may be being let to people on lower incomes, including those on Housing Benefit, which if found to be the case may put pressure on the Housing Benefit/ Universal Credit bill.

Lettings Reform

Councils are being given more freedom to decide who should be accepted onto their waiting lists/needs registers, and the Council, along with it sub-regional partners, has consulted on reforms to the Home-Link Lettings Policy. Key proposals include: only accepting people onto the register if they have a local connection; using the Local Housing Allowance bedroom entitlement rate to assess the size of housing required; giving more priority to those under-occupying their homes; and giving more priority to members of the armed forces in line with government requirements. Changes will come in from April 2013. All applicants will be required to reapply and the priority banding for some applicants will change.

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 working age and proposes other significant changes to the benefits system over the next few years.

From April 2013, financial restrictions will be introduced to working age Housing Benefit claimants 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.

In respect of HRA tenants, it is estimated that the ‘bedroom tax’, as it is often referred to will affect 500 households who under-occupy by one bedroom and 100 households who under-occupy by two or more bedrooms. Work is being undertaken to contact these residents in an attempt to minimise the impact of the changes, supporting them to re-locate should this be their only option.

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. This is expected to affect approximately 35 households in council accommodation.

From October 2013 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 2013.

It is anticipated that these changes will impact adversely, with increased demand on the Customer Service Centre, Housing Allocations, Homelessness and City Homes, with limited scope for tenants to move within the social housing sector as stock is already in full use, prompting increased demand for mutual exchanges.

Monitoring the Impact of Reforms

The Council is working both internally and sub-regionally – eg through the Strategic Housing Market Assessment – to assess the likely impact of these reforms across the City and beyond. This work will continue to be developed as changes are implemented.

Supporting People

The Housing Revenue Account has, for a number of years, received funding for the provision of support services from the County Council, via the Supporting People regime. The national funding for Supporting People has been subject to successive annual reductions, with the pressure to reduce costs while expanding the number of residents receiving services, increasing hugely in the last few years.

There continues to be a clear driver locally to move away from 'buildings-based services' to more 'floating support models' with services delivered only where there is specific identified need.

Cambridge City Council are currently contracted to deliver support services in sheltered (older people services) / extra care housing and temporary accommodation across the housing stock.

The current contract for support in our sheltered housing schemes comes to an end in March 2013, with a tender process underway to let 5 single district-based contracts for support to older people across the County. The City Council is contracted to continue to provide support in the Ditchburn Extra Care Housing until January 2014, with an option to extend for 2 years after this date, and in Temporary Housing until March 2014, at which point it is anticipated that the County Council will re-tender.

A combination of the County Council's desire to drive down the costs of support provision, coupled with the need to expand the breadth of services whilst letting fewer larger contracts may result in an inability for Cambridge City Council to bid to continue to deliver support services in the future. As part of the budget process, consideration has, and will 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 (£)	Maximum Estimated Support Income 2013/14 Gross of Voids (£)	Risks / Ongoing Assumptions
Temporary Housing (116 Chesterton Road) Temporary Housing (New Street) Temporary Housing (Dispersed Tenancies) Temporary Housing (Shared Houses)	60	Block Gross Contract – Extension Expires 31/3/2014. SP confirm intention to re-tender from April 2014	132,070	132,070	Supporting People could still seek a reduction in costs for the second year of the extension period
Brandon Court	30	Block Gross Contract at £9.00 per client per week – Extension Expires 31/3/2013 To be tendered district-wide from April 2013	219,630	0	Currently assuming unsuccessful in being awarded a contract to deliver support district-wide. Potential for redundancy costs and negative impact on landlord services. Potential for 6 month extension to September 2013
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	9,950	Indication that SP intend to continue to contract direct with landlords for third party emergency alarm answering service only
Ditchburn Place (Extra Care)	36	Block Gross Contract (Part of Care Contract) – Expires 25/1/2014.	45,740	45,740	Support is likely to be tendered alongside care from January 2014
Total Maximum Support Income (Gross of Voids)			**407,390**	**187,760**	

External Factors

The Housing Revenue Account 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 strategic budgetary decisions, judgements have been made about the likely direction of travel for many of the factors.

Inflation Rates

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
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	2.9	2.9	2.5	2.4
September 2012	2.6	2.6	2.2	2.1
October 2012	3.2	3.1	2.7	2.7

The October 2012 figures show an unexpected increase over the previous month, in what has recently been an otherwise downward trend, with expenditure such as tuition fees being sited as responsible for this.

The work undertaken in 2012, culminating in approval of the HRA Business Plan Update in October 2012, assumed the use of 2.4% in general inflation for 2013/14, with 2.5% in future years. It is not considered that any remedial action is required in relation to these assumptions at this stage.

An assumption was made that the level of RPI would be 2.5% at September 2012, the point in time when a snapshot is taken to determine the base rate of inflation for rent increase. The actual rate of 2.6% was marginally higher, but it should be noted that the rate for September was the lowest of all published rates in the last 12 months in the table above.

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 level of interest receivable on Housing Revenue Account balances continues to remain low, with the expectation that a recovery in the rates available to the Council as a whole will in no way be immediate.

Status	Year	Interest Rate Earned on Balances
Actual Rates Earned	2007/08	5.84%
	2008/09	5.35%
	2009/10	1.36%
	2010/11	0.57%
	2011/12	0.72%
Estimated Rates	2012/13	0.82%
	2013/14	0.82%
	2014/15	1.25%
	2015/16	1.25%
	2016/17	1.5%

Interest Rates on Borrowing

The Housing Revenue Account supports an external debt portfolio of £213,572,000, consisting of 20 Public Works Loans Board (PWLB) maturity loans, with redemption dates of between 26 and 45 years, at interest rates ranging between 3.46% and 3.53%.

Any borrowing requirement in the first 5 years of the HRA Business Plan is likely to be undertaken internally, but assumptions of the rates available to the HRA have been made in line with those available externally from the PWLB for prudency.

Right To Buy

Following the Government's initiative to re-invigorate right to buy from April 2012, from which point purchasers could obtain discounts of up to £75,000 against the purchase price of a Council dwelling, interest and activity has significantly increased and continues to remain high.

During the whole of 2011/12, 48 right to buy applications were received and recorded. Between April and October 2012, 85 right to buy applications have been received and recorded, indicating that activity for the full year could see at least a 200% increase on that of last year. If this level of activity continues, consideration may need to be given to the staffing resource allocated to this area of activity.

Not all right to buy applications will proceed to completion, but by mid November 2012, 17 completions had taken place, compared to 12 for the whole of 2011/12.

Status	Year	Right to Buy (RTB)			Rent to Mortgage (RTM)			Total
		House	Flat	Bedsit	House	Flat	Bedsit	
Actual Sales	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
Estimated Sales	2012/13							40
	2013/14							42
	2014/15							28
	2015/16							28
	2016/17							28

Legislation came into force from April 2012, 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 receipt is shared between central government and the local authority at 75% and 25% respectively, adjusted for some small allowable deductions.

For any sale over and above the level assumed in the self-financing settlement, the first call on the receipt is to compensate the authority by a sum equal to the debt that was attributed to the dwelling from the outset of self-financing.

Cambridge City Council entered into an agreement with CLG, effective from 1 April 2012, that allows the authority to retain any residual balance in the above right to buy receipts, subject to specific conditions.

Cambridge City Council is required to re-invest any retained receipts for the delivery of new affordable housing, with the receipt funding no more than 30% of the net cost of each new dwelling. The balance must be funded from the Council's own resources or through borrowing.

The conditions of the agreement also require the authority to deliver the resulting dwelling within 3 years of retaining the receipt being utilised as funding, with failure to do this resulting in the requirement to pass the capital receipt to central government, with accrued interest at a rate far higher than the authority is likely to have achieved in the interim period.

Section 3
Housing Revenue Account Resources

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 are a combination of current and former tenant debt, with the latter more difficult to pursue and recover, with a marked 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 rent debt is summarised in the table below:

Financial Year End	Value of Year End Arrears in Accounts (Current Tenants)	Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2007	£693,541	2.54%	£506,091
31/3/2008	£622,446	2.27%	£601,117
31/3/2009	£595,366	2.01%	£633,797
31/3/2010	£625,433	2.05%	£642,521
31/3/2011	£582,400	1.88%	£746,852
31/3/2012	£655,177	1.98%	£863,677

2011/12 saw a marked and worrying increase in the level of both current and former tenant arrears. This trend is also anticipated to worsen, particularly in light of the changes to be imposed under the Welfare Benefit Reforms from April 2013, when benefits are reduced to an overall benefit cap level for some claimants and reductions are made in housing benefit entitlement for under-occupancy of a dwelling for others. From the middle of 2013/14 new housing benefit claims will cease to be paid directly to the landlord in the majority of cases, with existing claims moving to this basis over a transitional period.

It is imperative that the financial burden that increased rent arrears and bad debt bring to the Housing Revenue Account is minimised. The Housing Revenue Account is responding proactively to the challenges posed by both the current economic climate and the anticipated welfare benefit changes. Additional ongoing staffing resource (2 full time equivalent posts) was directed into proactive arrears recovery action in 2012/13, and fixed-term additional funding has been proposed as part of this budget cycle, specifically targeted to support tenants through the period of major benefit changes.

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. At 31 March 2012, the provision for bad debt stood at £1,232,318, representing 81% of the total sum outstanding.

An updated policy for the write off of HRA debt is attached at Appendix A (1).

Void Levels

Void levels have been higher than would normally be anticipated in recent years due to a combination of the sheltered housing refurbishment programme, and the increased number of Temporary Housing units that the authority provides via the Housing Revenue Account.

The assumptions used in void levels, when predicting the amount of rent income that the authority will receive, are expected to remain at an increased average level of 1.25%, until the end of 2014/15, at which point the Homes and Communities Agency grant funded 3-Year Affordable Housing New Build and Re-Development Programme is expected to be complete.

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.

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
31/3/2007	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, from 2015/, 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

As part of the HRA Self-Financing legislative changes from April 2012, central government gave clear indication that local authorities were expected to continue to set rents in line with government guidelines, using the system of rent restructuring that was introduced from April 2002, ensuring ultimate consistency in rents across all social housing tenure.

Rent increases for tenants of Cambridge City Council continue to be a combination of two factors:

- An inflationary increase (inflation using the Retail Price Index at September plus 0.5%)
- A £2.00 per week increase to close the gap between the target rent and the actual rent

Adhering to this expectation, residents of Cambridge City Council will continue to move towards a target rent for each property, over an intended transitional period, extended to April

2015. Tenants will continue to be protected by a limit on any annual increase, of inflation (based upon the retail price index of the preceding September) plus 0.5% plus £2.00 per week.

With target rents calculated using a formula which combines 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, resulting in an inability for the authority to achieve target rents by the intended convergence date of April 2015.

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

In reality, if the authority continues to move towards target rents in line with both government guidelines and the existing rent setting policy, target rents will not achieved in the majority of the housing stock for a further 12 years.

One of the main problems with the government's approach to phasing actual rents towards target rents, is the fixed nature of the £2.00 per week which is expected to close the gap between where the process began and the current target rent for each property. With the distance between the two starting figures for most council properties being significant and the high levels of inflation that have been applicable in many of the years in the process to date, the fixed £2.00 per week has less and less impact in attempting to close the gap.

Rent Policy

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

There is some discretion in the government's rent restructuring regime, 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 previous HRA subsidy mechanism.

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.

However, with a target rent for the housing stock at April 2012 of £96.42, a limit rent of £92.10 and an actual transitional rent charged of £87.70, the limit rent would only be impacted if over 50% of the housing stock were moved directly to target rent levels prior to April 2015, from which point target and limit rents will converge.

Less than 10% of the housing stock becomes void at some point in any one year (although a considerable proportion of these voids are transfers, mutual exchanges, repeat voids and decants for re-development), 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.

As part of this HRA Budget Setting Report and the budget process for 2013/14, it is proposed to revise the rent policy to reflect the intention to move all void properties with an above average SAP(energy efficiency) rating, straight to target rent levels before re-letting. This is considered to go some way to offsetting the impact for a future tenant of the higher rent level against the expectation of lower than average fuel bills, whilst recognising the additional investment which the authority will have made in dwelling to achieve this energy rating.

The authority is required to obtain an Energy Performance Certificate (EPC) for each property at the point at which it becomes void, assuming we don't already hold a valid certificate for the dwelling. As part of this, the property is awarded an energy rating of between A and G, (scored from 100 down to 0), with A being 92% to 100% energy efficient and fully self-funding in energy terms. The average rating for our housing stock is 70% and a C rating, while the national average property rating is 60% and a D rating. The table below shows the rating bands:

Energy Rating Band	Energy Rating Score (%)
A	92 – 100
B	81 – 91
C	69 – 80
D	55 – 68
E	39 – 54
F	21 – 38
G	0 – 20

On this basis, the rent policy has been amended to reflect that all void properties with an A to C energy rating will be moved straight to target rent before being re-let. In practice this may mean that all properties will be advertised at target rent, with the proviso that the rent will be reduced if the property has an average, or below average, energy efficiency rating, as the EPC surveys are undertaken while the properties are empty.

The number of properties, which are moved directly to target rent under the revised rent policy, will be closely monitored, allowing the impact of this change to be built into future financial modelling.

The revised Rent Policy is included at Appendix A(2).

Rent Setting

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

The government have 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. However, operating in the new HRA Self-

Financing environment allows local authorities more local discretion in terms of decision-making.

The HRA Self-Financing settlement, and the resulting level of debt that Cambridge City Council was required to take on, was derived from financial projections undertaken nationally, using the assumptions that rents continue to be increased in line with government guidelines, whilst the need to spend on council dwellings and associated services for council tenants increases in line with relatively conservative estimates of inflation levels in future years.

Any decision to increase rents at a lower rate than assumed in the debt settlement and business plan, will require some form of remedial action to mitigate the financial impact if the authority still wishes to be in a position to redeem the housing debt as originally agreed in February 2012.

The HRA Business Plan approved in February 2012, did not include an assumption that savings would be required in HRA services. However, the actual interest rates secured for the borrowing required in March 2012, were higher than anticipated, resulting in the need to reintroduce a savings requirement as part of the HRA Business Plan Update in October 2012. Any decision to reduce the level of rent increase would result in the need to reduce anticipated costs, and therefore service levels, by a corresponding sum.

A 1% lower rent increase represents the need to deliver ongoing savings of approximately £341,000 at 2013/14 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 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.

It is still considered prudent to assume that the authority continues to follow government guideline in the setting of rents for 2013/14.

On this basis, with a base level of inflation at September 2012 of 2.6%, rents will increase locally by 2.6% plus 0.5%, plus a maximum of £2.00 per week (if the property is below target rent). This will result in an average rent increase for Cambridge City Council tenants of 5.16%, equivalent to £4.53 per week on a 52-week basis.

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. Some of these services are eligible for housing benefit, depending upon the nature of the service. Charges fall into two categories:

- Charges that have been levied since, or are levied from, the introduction of a service which are set to recover the full estimated cost of providing each service.

- Charges that have been 'separated out', which means charges for services that were provided prior to April 2004, and were, until identified separately, funded from pooled rental income. In this instance, rents will have been reduced by a corresponding sum at the point at which the charge was separately identified. 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%.

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 being undertaken with a view to separating out these charges during 2013/14.

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)

It is possible that, at some point during 2013/14, Cambridge City Council will cease to be the support provider in sheltered housing, and the authority will no longer have the responsibility to charge and recover the costs of support services from residents.

Proposed service charge levels for 2013/14 are detailed at Appendix B

Other Sources of Income

Garages

The Housing Revenue Account currently owns 1,846 residential garages, and manages a further 17 on behalf of the General Fund. If fully occupied, the HRA garage stock could generate an annual income at 2012/13 rent levels of £793,060.

In recent years, the occupancy levels of the garage stock have reduced significantly, due to a combination of factors:

- Condition (significant investment has been identified as being required in many areas)
- Location (available garages are not located near to those waiting for a garage to rent)
- Affordability (the current economic climate results in increased street parking)
- Size (many garages are considered too small for modern cars)

Proactive marketing of garages is difficult, when there are a number of identified problems, with void levels for the first half of 2012/13 running at approximately 23%, and a reduced income expectation for the year of £610,910.

A dedicated member / tenant and leaseholder representative/ officer working group has been set up to consider options for the future of garage sites across the city, with a report to Housing Management Board anticipated in March or June 2013.

There are a number of options being considered for each garage site, including potential investment as garages, conversion to parking spaces with bollards or demolition to make way for new build affordable housing.

The working group are considering the above options, but will also make recommendations on changes to letting policies, tenancy conditions, pricing structures, and the approach to marketing.

A temporary staffing resource has been included in the proposals made as part of the 2013/14 budget process to allow a dedicated officer to take forward the recommendations which are ultimately agreed, with the expectation that the higher sum of £640,380 can be achieved from 2013/14.

Commercial Property

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

In 2012/13 the income generated by the commercial property portfolio is anticipated to be in the region of £400,000, increasing to £407,000 from 2013/14.

Interest / Investment Income

The Housing Revenue Account receives interest on general and any ear-marked revenue balances, including any funds set-aside in the major repairs reserve, debt repayment reserve or right to buy re-investment reserve

The General Fund invests all cash balances for the whole authority and the HRA is entitled to claim a share of the actual interest earned at the end of each financial year, based upon the average HRA cash balance throughout the year at the average external rate of interest.

Other External Funding

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

- Homes and Communities Agency (HCA) Grant – The authority was awarded grant of £2,587,500 to build 146 new and re-developed homes before March 2015. This funding will be claimed on a scheme by scheme basis, with 50% available at start on site and 50% at practical completions, with schemes reaching these stages between the beginning of 2012/13 and the end of 2014/15.

- Supporting People Grant – The level of grant funding via the Supporting People Programme has reduced significantly over the last 10 years, with more reductions anticipated for 2013/14 and beyond. The level of funding in some cases, will be dependent upon whether the authority opts to bid for, and is awarded, support contracts advertised in the coming months.

Ear-Marked & Specific Funds

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 C 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. The residual funding under the old system will be contributed to on an annual ongoing basis from the Housing Revenue Account, recognising the need to depreciate the housing stock, or in effect set-aside sufficient resource to maintain the asset in a lettable state.

Any resource available in the Major Repairs Reserve can be utilised as a source of funding in the Housing Capital Investment Plan, with the expectation that the increase each year by an element representing depreciation for the housing stock, will 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 STAR Tenants and Leaseholder Survey evenly across financial years, despite the survey only being undertaken formally every two years. This does not detract from the possibility that an element of annual activity may take place to gauge changes in opinion, by 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 and TUPE Posts Costs

Where the HRA appoints staff on fixed-term contracts an obligation to pay redundancy costs can result at the end of that period. In addition, if services which the HRA is currently contracted to provide externally are terminated, there is the potential for some of the staff involved in the delivery of services to remain with the Council, after TUPE transfer occurs, depending upon the proportion of staff time spent undertaking specific activities. This can also lead to unexpected redundancy costs.

To cover this eventuality the HRA will establish an earmarked reserve (as has happened previously in the General Fund) to hold contributions based on the potential liability of such posts. This is considered particularly prudent in light of the fixed-term nature of the some of the HRA PPF bids for 2013/14 and 2014/15, coupled with the periodic extensions of existing support contracts,

Right to Buy Attributable Debt Ear-Marked Capital Receipt

Following the transition to self-financing, the HRA is eligible to retain an element from all right to buy receipts over and above those assumed in the initial settlement, in recognition of the debt which the authority was required to take on as at 28th March 2012. The sums retained will be identified in a separate ear-marked capital balance, allowing them to be utilised to repay debt should the authority so choose.

Right to Buy Retention Agreement New Build Ear-Marked Capital Receipt

Within the terms of the Right to Buy Receipt Retention Agreement, the authority may retain receipts from additional right to buy sales for a period of up to 3 years, for the express purpose of re-investment in new affordable housing. If not utilised within the time frame, the HRA must pay the funds, with interest, to central government. To ensure that these resources are separately identified for re-investment, and if necessary repayment, purposes, an ear-marked balance will be identified to hold the balance at any one time. At this stage, the resource has not been incorporated into the Housing Capital Investment Plan, but will be included at the point at which there is a scheme identified, which meets the criteria for funding from this particular funding stream.

Section 4
Housing Revenue Account Budget

Post-HRA Business Plan Update Approvals

There were no revenue decisions taken between the publication of the HRA Business Plan Update (approved as part of the October committee cycle) and publication of this document. Such decisions, including any made under urgency arrangements, together with financial implications would be noted here.

There are capital implications to take into account in reviewing the final budget proposals in relation to scheme specific approval being given for a number of HRA new build and re-development schemes at Community Services up to and including October 2012. The schemes will scheme specific approval, where resources have now been incorporated in line with the latest committee approvals are:

- Seymour Court
- Latimer Close
- Barnwell Road
- Campkin Road (Phase 1)
- Colville Road (Phase 1)
- Water Lane
- Aylesborough Close (Phase 1)
- Stanesfield Road

The Aylesborough Close and Water Lane schemes are being re-considered in the January 2013 committee cycle, to include decant costs, which were omitted from the original proposals.

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

Revised Budget 2012/13

The Housing Revenue Account (HRA) revenue budgets for the current year (2012/13) were initially reviewed as part of the HRA Business Plan Update in October 2012. A further review is undertaken as part of the January 2013 committee cycle and may be updated until Council reviews this report in February 2013. The current overall effects of the revised budget proposals, compared to the Original Budget, are shown in the table below.

2012/13 Revised Budget	HRA BP Update October 2012 £	January 2013 £
Net HRA Use of / (Contribution to) Reserves	4,707,190	4,611,350
Variation on previously reported projection		(95,840)

The above figures include carry forward approvals from 2011/12, with savings and unavoidable bids identified in the current year, as part of the January 2013 committee cycle, incorporated in the right-hand column.

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

Revised Budget Items	2012/13 £
Savings	(174,090)
Bids	78,250
Net Effect on Current Year Budget	**(95,840)**

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

Non-Cash Limit Budgets

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

Proposal Type	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Non-Cash Limit items	(297,490)	0	0	0

Budget Proposals Summary

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

Proposal Type	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Unavoidable Revenue Bid	146,730	146,730	96,640	96,640
Service Reviews	(16,500)	(32,700)	(40,800)	(40,800)
Saving	(143,530)	(143,530)	(93,440)	(93,440)
Net Effect of HRA proposals	**(13,300)**	**(29,500)**	**(37,600)**	**(37,600)**

Service Reviews

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

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

Performance Against Savings Target

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

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

Portfolio	2013/14 £	2014/15 £	2015/16 £	2016/17 £
HRA General Savings Requirement				
HRA Repairs Reduction in line with stock loss				
Net Savings Requirement (HRA BP Update October 2012)	**98,190**	**98,190**	**98,190**	**98,190**
Unavoidable Revenue Bid	146,730	146,730	96,640	96,640
Service Reviews	(16,500)	(32,700)	(40,800)	(40,800)
Saving	(143,530)	(143,530)	(93,440)	(93,440)
Net performance against HRA Cash Limit	**84,890**	**68,690**	**60,590**	**60,590**

This shows that the Cash Limit has not been achieved for 2013/14 and the subsequent 3 years, with an ongoing under-achievement against the net savings requirement from 2015/16 of £60,590. The inability to meet the Cash Limit reflects a higher level of pressure from unavoidable revenue bids, particularly in relation to the increase in use of HRA dwellings for Temporary Housing purposes and our need to respond to changes in legislation surrounding asbestos.

Overall Budget Position and Priority Policy Fund (PPF)

Overall Budget Position

The overall impact on the HRA, of the factors considered above in the context of the Cash Limit established in the October 2012 HRA Business Plan Update, is set out below:

Proposal Type	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Net Savings Requirement (HRA BP Update October 2012)		98,190	98,190	98,190	98,190
2012/13 Revised Budget	(95,840)				
Unavoidable Revenue Bid		146,730	146,730	96,640	96,640
Service Reviews		(16,500)	(32,700)	(40,800)	(40,800)
Saving		(143,530)	(143,530)	(93,440)	(93,440)
Net Position (Under) / Over Cash Limit	**(95,840)**	**84,890**	**68,690**	**60,590**	**60,590**
Non-Cash Limit items	0	(297,490)	0	0	0
Overall Net Position Against Cash Limit (Under) / Over	**(95,840)**	**(212,600)**	**68,690**	**60,590**	**60,590**

If all of the identified Priority Policy Fund (PPF) space were anticipated to be called upon for the period from 2013/14 to 2016/17, the above under-achievement in identified ongoing savings, would necessitate an increase in the saving requirement from 2014/15 onwards.

Based upon the PPF proposals incorporated as part of this HRA BSR, there is not expected to be a demand for the full level of funding ear-marked, thus allowing the under-achievement in savings to be offset by the reduction in demand for new funding.

Review of Priority Policy Fund (PPF) Funding

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

The HRA business Update of October 2012 assumed an increased level of funding for HRA PPF Bids of £150,000 per annum for the period from 2013/14 to 2016/17. The HRA BSR reviews this assumption, considering the affordability of this assumption in light of the outcome of the review of other factors impacting the overall budget position.

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

HRA Priority Policy Fund 2013/14	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Funding available	(150,000)	(150,000)	(150,000)	(150,000)
Bids into Fund	100,170	139,440	39,270	39,270
Shortfall / (Unused) Funding	**(49,830)**	**(10,560)**	**(110,730)**	**(110,730)**

The level of PPF funding was increased from £75,000 to £150,000 per annum as part of the HRA Business Plan Update in October 2012, due particularly to the challenges anticipated as part of the introduction of the Welfare Benefit Reforms. The higher level of short-term PPF bids directly reflects our assumed need to respond proactively to these changes. There has been a lower demand for ongoing PPF funding as part of the 2013/14 budget process, due to a recognition that the current economic climate suggests the need for austerity, coupled with limited officer capacity to bring forward areas for additional investment in the early years of an already significantly enhanced HRA Business Plan.

Any unused PPF funding could be utilised to either:

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

Given the demand for PPF at a lower level than allowed for, it is proposed to offset this against the inability to fully meet the HRA Net Savings Requirement for 2013/14 and beyond, thus avoiding the need to increase the anticipated level of saving required in future years, at a time when the HRA faces some key challenges in rent collection and arrears recovery terms, whilst also embarking on new initiatives such as major new build and re-development programmes.

The effects of this would be as follows:

Proposal Type	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Reduction required to meet Cash Limit	0	98,190	98,190	98,190	98,190
Service Reviews	0	(16,500)	(32,700)	(40,800)	(40,800)
Savings	(174,090)	(143,530)	(143,530)	(93,440)	(93,440)
Unavoidable Revenue Bids	78,250	146,730	146,730	96,640	96,640
Net Position above / (below) savings requirement	**(95,840)**	**84,890**	**68,690**	**60,590**	**60,590**
PPF Funding	0	(150,000)	(150,000)	(150,000)	(150,000)
PPF Bids	0	100,170	139,440	39,270	39,270
Net PPF Position – Available for Offset Against Under-Achievement in Savings	**0**	**(49,830)**	**(10,560)**	**(110,730)**	**(110,730)**
Net Position above / (below) Overall Cash Limit for the HRA	**(95,840)**	**35,060**	**58,130**	**(50,140)**	**(50,140)**
Non-Cash Limit Adjustments	0	(297,490)	0	0)	0
Net Position for the HRA above / (below) overall assumptions	**(95,840)**	**(262,430)**	**58,130**	**(50,410)**	**(50,410)**

Section 5
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, recognising the need to understand, in detail, future investment needs across the entire housing stock.

The ability to balance investment in maintaining existing assets to protect the current revenue streams, with creating new affordable housing assets to generate future revenue streams is key to maintaining a financially viable HRA, whilst meeting some of the increasing housing need in the city.

Determining priorities for investment continues 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.

Stock Condition

Stock condition data is held in respect of all of the housing stock where access has been possible, with continual updates undertaken as part of the routine programmes of work.

A key area with an identified weakness in terms of data recording is in respect of the communal areas of both sheltered and flatted accommodation, where work is underway to gather the information required to facilitate more accurate investment profiles for incorporation into the Asset Management Plan.

Pending the findings of this work, the uplift of £75.00 per property per annum, as recommended by Savills, has been retained in the Housing Capital Investment Plan 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 completed, this funding will need to be profiled appropriately between years, with any surplus being returned for investment in other areas and any shortfall being made good by reducing spend elsewhere.

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.

The target is to achieve and maintain decency in all dwellings, with any properties either non-decent at 1st April each year, or becoming non-decent during the year, are included in the decent homes programme, to be addressed in year.

Stock Investment

The Asset Management Plan, approved in February 2012, addressed the investment need in Housing Revenue Account assets over a 30-year period. An update of the medium-term investment position, for the period from 2012/13 to 2016/17 is included at Appendix N.

New Build Affordable Housing

Delivery of a programme of 146 units of new and re-developed affordable housing is now underway. The Council is working with it's procured developer partner, KeepMoat, to deliver a number of mixed tenure schemes, with a mix of affordable and market housing on most sites in an attempt to ensure the financial viability of the programme as a whole. The authority secured provisional grant from the Homes and Communities Agency (HCA) of £2,587,500, towards the development of the affordable homes in the city.

At bid stage, each scheme was included using very broad indicative costs. As the feasibility of each development site is investigated more fully, scheme specific approval is sought from the Executive Councillor for Housing, following scrutiny at Community Services, with the more detailed financial sums then incorporated into the Business Plan at the next opportunity. It is possible that schemes may require further consideration and re-approval once full scheme drawings have been produced and planning constraints investigated.

The first of the schemes to receive scheme specific approval was the re-development of the Seymour Court / Seymour Street site, with 51 units of previously sheltered accommodation now demolished to make way for a mix of market and 20 units of affordable housing.

During 2011/12 and 2012/13 scheme specific approval was given for the development / re-development of housing in Latimer Close, Barnwell Road, Campkin Road (Phase 1), Colville Road (Phase 1), Aylesborough Close and Stanesfield Road. In relation to a number of the schemes, existing residents are being, or will need to be, relocated in preparation for re-development of the site. City Homes are working with residents affected, to ensure that full support is provided in identifying suitable alternative accommodation and re-locating to it.

The table below details the schemes in the 3-year affordable housing programme, which have received site-specific approval, with the total sums approved for investment. Appendix I details the current investment profile for each of the schemes in the programme.

Schemes Approved	Spend Approved (Net of Cross Subsidy)	Grant Approved	Net Cost to CCC Approved
Seymour Court / Street	1,303,000	(350,000)	(953,000)
Latimer Close	1,391,590	(210,000)	1,181,590
Barnwell Road	1,218,160	(280,000)	938,160
Campkin Road (Phase 1)	2,459,740	(315,000)	2,144,740
Colville Road (Phase 1)	1,712,450	(367,500)	1,344,950
Water Lane	1,425,790	(245,000)	1,180,790
Aylesborough Close	2,313,610	(280,000)	2,033,610
Stanesfield Road	696,050	(87,500)	608,550
Total Scheme Specific Approvals	**12,520,390**	**(2,135,000)**	**10,385,390**

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 3 to 5 of the business plan, subject to scheme viability. Feasibility work is underway for this scheme, which would also deliver a mix of market and social housing on the land currently owned by the Council's General Fund.

Asset Disposals & Acquisitions

Consideration continues to be given 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.

The table below provides an update of the properties currently being considered for market disposal (outside of the currently approved 3-Year Affordable Housing Programme).

Anticipated disposal	Asset	Comment
2012/13	7 Severn Place	Decision secured for market sale of property for commercial land assembly.
2012/13	14 dwellings in Roman Court (one of two existing wings)	Transfer on long lease to Papworth Housing Trust agreed in principle, with transfer anticipated taking place to allow start on site by March 2013, for the re-development of the wing to be retained by the HRA as part of the same project.

Strategic property acquisitions are also considered, with the Council's right of first refusal to buy back ex-right to buy dwellings a primary route for these considerations. All ex-Council dwellings that are subject to the right of first refusal legislation, are considered for re-purchase against the criteria agreed when the legislation was introduced, including criterion such as; whether a property meets an identified need for specific accommodation or could form part of a site assembly for a future re-development.

The decision to enter into an agreement with Communities and Local Government (CLG) to retain additional right to buy receipts for re-investment in the provision of new affordable housing also encourages the strategic acquisition of existing dwellings in the city as an alternative to building new dwellings, but with CLG being clear that the erection of new dwelling is a clear preference.

Capital Bids

Detailed in Appendix H are the capital bids for the period from 2012/13 to 2016/17, with the impact of these incorporated into the Housing Capital Investment Plan presented at Appendix N.

Also incorporated in this appendix is the virements of £40,000 between the funding ear-marked for investment in communal areas following a full stock condition survey and the budget for works to HRA commercial properties, to allow the conversion of the existing non-dwelling building, known as ECCHO House to be converted to a 2-bedroom dwelling to meet an identified need.

Reductions in the anticipated spend in 2012/13 in respect of both Disabled Facilities Grants and Private Sector Housing Grants and Loans, of £80,000 in each case, have also been included, with the assumption that the funding is moved to 2017/18, the end of the current investment period, the point at which future funding for this area is at risk.

Section 6

Treasury Management Strategy

Background

Treasury Management is defined 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."

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

When considering any capital expenditure in the Housing Revenue Account, consideration must be given not only to the ability to fund the direct capital expenditure, but also to the revenue implications of both the financing decision and the ongoing cost of managing and maintaining the asset.

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

Current HRA Borrowing

The Council has adopted a two-pool approach to managing Council debt, ensuring that any borrowing taken out for HRA purposes impacts the HRA directly, and does not adversely impact the General Fund.

As at 1 April 2012, the Housing Revenue Account was supporting two forms of borrowing, internal and external.

External Borrowing

Based on the final self-financing determination, the HRA borrowed £213,572,000 from the Public Works Loans Board (PWLB), in a portfolio of 20 maturity loans, at preferential rates ranging between 3.46% and 3.53% depending upon the term of the loan.

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		

Internal Borrowing

In addition to the external loans attributable to the HRA, there are two sums of internal borrowing from the General Fund, which the HRA is required to support:

- £893,250 internal borrowing derived from historic borrowing approvals prior to 2003
- £283,000 internal borrowing to deliver the first 7 units of new build affordable housing between 2010/11 and 2011/12

The Housing Revenue Account is required to pay the General Fund the annual interest associated with the above borrowing as part of the Item 8 Debit to the HRA, at a specified interest rate.

Future Borrowing

The Housing Revenue Account is subject to an applicable debt cap, as notified to the authority as part of the HRA Self-Financing Settlement, at a level of £230,839,000. With existing debt of £214,748,250, the authority is in the arguably fortunate position that the HRA Business Plan contains £16,090,750 of borrowing headroom, which can be utilised to allow some expansion of the housing business.

The original 30-Year HRA Business Plan included the assumption that the HRA would borrow during the period between 2012/13 and 2016/7 to deliver 250 units of new and re-developed affordable housing.

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 identified investment in new build affordable housing, consideration will be given to both the type and source of borrowing to be taken out.

Borrowing Options

Borrowing Source	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. It should be noted that the rate which the General Fund can expect to earn on external investments over the longer-term, needs to be balanced with any rate for lending that may be offered to the HRA.
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.
PWLB Borrowing	The authority has registered for entitlement to a certainty arte with PWLB, realising a 20 basis point reduction against the published rates available. This opportunity is available for borrowing from 1/11/2012 to 31/10/2013, after which the authority will need to re-register, assuming the certainty rate is still available. 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 remain 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 generally 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.

Type and 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 was 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.

Although it appears beneficial for the General Fund to lend resource to the HRA in the short-term, the type of loan (ie; fixed or variable) would be key in arriving at an appropriate decision. The preferred borrowing route for the HRA is likely to remain fixed interest loans, however, for the General Fund, this could result in lower interest receipts over the medium and longer-term, than those that may have been realised from market lending, depending upon the prevailing interest rates.

The introduction of a PWLB Certainty Rate, available initially until October 2013, equivalent to a 20 basis point reduction in the standard PWLB rates, provides an incentive for the authority to consider external PWLB borrowing as an alternative to internal or inter-authority borrowing.

At the point at which the HRA is required to take out additional borrowing, consideration will be given to the most mutually advantageous borrowing route. 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 required.

Loan Portfolio

In respect of additional borrowing, the sums required are not expected to be significant enough to justify a vast portfolio of loans, with any perceived benefits to be derived from such a portfolio, potentially outweighed by the administrative burden associated with setting up and managing them.

Consideration will be given to single versus multiple loans, with the loan term chosen, taking into consideration the purpose of the borrowing. In respect of additional borrowing to facilitate new build affordable housing, the break-even and payback period of the schemes being financed will be a key factor.

Premature Repayment of PWLB Debt

The potential to redeem loans held with the PWLB, at an earlier stage than agreed at the outset, still remains. A discount rate is used at the point of redemption, to calculate whether the authority should pay a premium, or alternatively receive a discount, for repaying the principal sum early.

If the discount rate applicable at the point of redemption is lower than the original loan rate, a premium is payable and if it is higher, a discount is receivable by the authority.

With the view 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 likely to deliver a benefit to the HRA, in the form of receipt of a discount for early redemption.

This view supports the opinion 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.

Treasury Management Summary

In summary, in respect of additional borrowing against the headroom in the Business Plan, it is still 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

Section 7
Summary and Overview

Equality Impact Assessment, Uncertainties and Risk Assessment

Equality Impact Assessment

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

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

As a key element of considering the changes proposed in this Budget Setting Report, an Equality Impact Assessment has been undertaken covering all of the HRA Budget 2013/14 proposals. The assessment identifies the impact that financial proposals could have on equality groups, together with mitigation arrangements. It also includes an action plan identifying how disadvantage or negative impact can be addressed, together with timescales and details of lead officers. This in included in this report at Appendix O.

Risk Assessment

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

An update of the key risks and associated mitigating actions is presented at Appendix J.

HRA Reserves

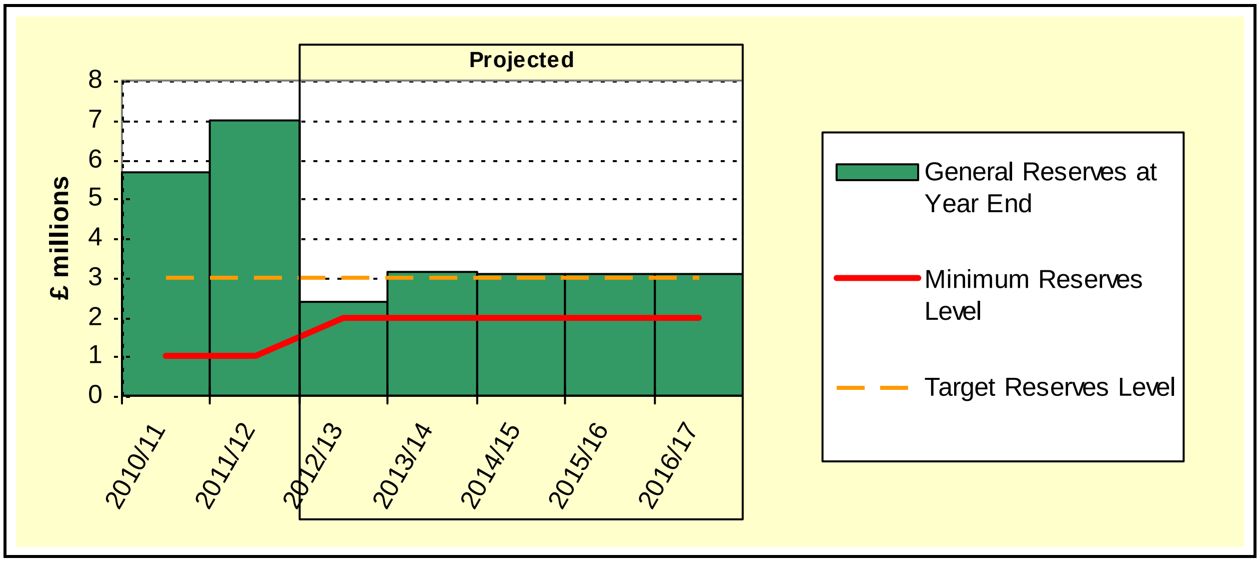
Housing Revenue Account General Reserves

Reserves are held partly to help manage risks inherent in financial forecasting and budget-setting. These risks include, changes in 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.

The HRA BSR incorporates the requirements of the Local Government Act 2003, whereby the Chief Financial Officer must report on the adequacy of reserves and provisions and the robustness of budget estimates.

For the Housing Revenue Account the intended target level of reserves remains at £3m, while the minimum level of reserves was increased as part of the HRA Self-Financing Business Plan, 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 considered prudent 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.



Base Assumptions and Sensitivities

The current base financial assumptions, reviewed and used, as part of this BSR are detailed in Appendix K. 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.

For every figure used in the assumptions made in the financial models and Business Plan, there will always be an infinite number of alternative values that could have been used. To mitigate the risks associated with this, modelling of key sensitivities is undertaken, recognising that it is impossible to model all permeations of each of the key sensitivities.

Appendix L provides an update of the key sensitivities modelled in the original HRA Business Plan, at current prices.

Future Issues and Prospects

The financial position for the Housing Revenue Account will be subject to ongoing review, with an update of the HRA Business Plan scheduled to be presented in the September / October 2013 committee cycle.

The key areas for consideration as part of this planned review are currently:

- Progress, and performance against original financial expectations, of 3-Year Affordable Housing New Build and Re-Development Programme

- Ability to deliver against commitment for new build dwellings as part of the Right to Buy Retention Agreement, with options for early repayment of receipts if required

- Financial and operational impact of Welfare Benefit Reforms

- Impact of any changes in Tenancy Policy, following review by September 2013

- Financial and operational impact of changes in the delivery of support services

- Financial and operational impact of Asset Management Action Plan and Repairs improvement Plan activities for 2012/13 and 2013/14

Options and Conclusions

Overview

The budget for 2013/14 and beyond has been considered in the wider context of the locally identified priorities, which seek to achieve a balance of investment in housing assets and services:

- 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

Options

The work undertaken as part of the 2013/14 budget process, to date, has resulted in the development of proposals for the base budget of the Housing Revenue Account.

During January 2013, Housing Management Board and Community Services will have considered the budget proposals, prior to the Executive Councillor for Housing making recommendation for the final HRA Budget for 2013/14 to 2016/17 to Council for consideration and approval.

The HRA BSR recommends, in summary:

- Approval of the revised budget proposals as presented
- Approval of the unavoidable revenue bid proposals as presented
- Approval of the general savings proposals as presented
- Approval of the service review savings as presented
- Approval of the non-cash limit items as presented
- Approval of the PPF bids as presented
- Approval of the capital bids as presented

The meeting of Council on 21 February 2013 will consider the final proposed Budget, as identified in this report, for approval.

Conclusions

The review of key factors undertaken and presented in this report shaped the approach for finalising the budget for 2013/14.

As part of the 2013/14 budget process, significant pressures from Unavoidable Revenue Bids was identified in a number of areas of the service.

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

Although the level of saving required to reach the cash limit was not achieved, the ability to offset this against a lower than anticipated demand for PPF funding has resulted in the ability to present a sustainable budget for the period 2013/14 to 2016/17.

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

The HRA's approach to long-term financial planning and review, incorporating prudent financial assumptions, is key in ensuring a viable housing service, which has the ability to respond to the many and varied challenges that face the sector on an ongoing basis.

Appendix A (1)

Housing Revenue Account

Write Off Policy

1 Introduction

The purpose of this Write Off Policy is to outline the circumstances where rent, and other arrears, should be submitted for write off and the guidelines that should be followed as set out in this policy.

2 Background

Cambridge City Council's rental income supports the management, maintenance and major improvements of the housing stock. In addition to supporting the debt taken on under Self Financing. It is therefore the Council's policy to exhaust all possible options to try to recover arrears in accordance with its rent arrears policy.

The write off policy will be required in circumstances where all efforts have failed to recover the debt, legal action can no longer be taken and the debt is deemed to be no longer recoverable.

3 Policy Statement

Cambridge City Council's Write Off Policy focuses around the following statements of principle:

- Exhaust all possible options to try to recover the arrears in accordance with its rent arrears policy.
- Evidence the methods used for the recovery of the arrear as part of the write off request.
- Ensure debts to be written off receive the relevant approvals, as set out in this policy, and in compliance with the Council's Constitution and Financial Standing Orders.

4 Policy Criteria

Debts may be submitted for write off if they fall into one of the following criteria:

- **Debtor Untraceable -** Where the activity undertaken to trace the debtor, particularly in the case of Former Tenants Arrears, has been unsuccessful.

- **Debtor Deceased** - Where the tenant is deceased and it is proven that there are no funds available in the estate.

- **Uneconomical to Recover** - Where an arrear is deemed uneconomical to pursue and routine recovery activity has been unsuccessful. In any given year, less than two weeks average rent is deemed to be the threshold for a debt being uneconomical to pursue.

- **Bankruptcy** – Where the tenant has been made bankrupt and we can no longer pursue the tenant for the debt covered under the bankruptcy order.

- **Debt Relief Order (DRO)** – Similar to a bankruptcy order, a tenant that has a DRO can no longer be pursued for any arrear covered within the order. In the case of a DRO, the council hold the debt for a period of 12 months before the debt is forwarded for write off to ensure no changes to circumstances occur within the period.

- **Recovery Procedures Exhausted** - In cases where all available options have been pursued and activity is now deemed to be exhausted.

- **Debts Over 7 Years Old** – Where the debt has remained on a rent account for a long period of time due to a variety of reasons but is now considered too old to pursue through the legal process as too much time has elapsed.

- **Imprisonment** – These cases need to be considered, depending upon the circumstances and length of imprisonment involved.

- **Unable to Substantiate Debt** – In exceptional circumstances insufficient information may be held in order to substantiate the debt.

- **Other / Special Circumstances** – Exceptional circumstances where the landlord considers write off the most appropriate action.

5 Policy Process

The write off policy is enacted from the point at which a decision is taken to put forward an arrear case for write off. Prior to this, the Arrears Recovery Policy should be followed. The following steps should be taken to request a write off be considered.

- **Request for Write Off Form** - The request for write off form can be produced directly from The Housing Management System, pre-populates with a large amount of the data required from the rent account to facilitate the write off. This form should then be completed by the requesting officer, detailing the action taken and justification / reason for the request, attaching any relevant evidence or supporting documentation. The requesting officer should then sign the form. A separate request form will need to be completed for each tenant debt put forward.

- **Write Off Batch Header Form** – When the requests for write off forms have been completed they should be listed in batches on the Write Off Batch Header Form. Batches of debts should be prepared in line with the approval limits / bandings contained within this policy. This form should also be signed by the requesting officer and all documentation passed to the finance section of the Hobson Business Team.

- **Finance Verification** - On receipt of the completed write off documentation, a finance officer will check the paperwork and evidence provided and the reason for write off, to ensure that all arrears recovery options have been explored prior to the submission. The finance officer will then sign and log the case and reference the batch.

- **Approval Stages** – Dependent upon the value banding of the batch, requests are then passed to the next stage for approval, in line with the approval limits in section 6 of this policy. The write off's are considered and / or approved by one or two of the following depending on value; Director of Customer and Community Services, Director of Resources, Executive Councillor for Housing and Housing Management Board.

6 Policy Approval Limits / Bandings

The following approval limits exist and where it is necessary to forward the write off's to the Scrutiny Committee (Housing), a report must be provided with a summary of the cases to be considered detailing a brief history of each individual case.

- **£0.00 - £500.00** – Director of Customer and Community Services
- **£500.01 - £1000.00** – Director of Resources
- **£1000.01 - £2000.00** – Director of Resources and Executive Councillor for Housing.
- **£2000.01 and above** – Director of Resources and Executive Councillor for Housing (following pre-scrutiny at Housing Management Board).

7 Review of Write Off Policy

The Council will update and review the policy in accordance with any changes in legislation relating to the collection of debt or any other housing legislation.

The bad debt provision will be reviewed annually as part of the HRA Business Planning and Budget Setting processes.

The policy will be reviewed by officers at a minimum of every 3 years, with any changes being presented to Housing Management Board for pre-scrutiny and approval by the Executive Councillor for Housing.

Policy Date January 2013

Review Date January 2016

Appendix A (2)

Housing Revenue Account

Rent Setting Policy

1 Introduction

The purpose of this policy is to explain how Cambridge City Council will set rent levels for its properties.

2 Policy Statement

Cambridge City Council's Rent Setting Policy focuses around the following statements of principle:

The Council will set rents in accordance with Government rent restructuring policies and guidance.

Rents are set at a level that ensures that the Council can meet its landlord obligations to tenants, maintaining stock to the Decent Homes Standard, while delivering a financially viable Housing Revenue Account over the longer term.

Rents are set to ensure that the Council moves actual rent levels towards rent restructured target rents in line with the Government's target date for convergence.

3 Policy Objectives

The objectives of the rent setting policy are:

- To identify how Cambridge City Council will set rents for general stock properties
- To identify how Cambridge City Council will set rents for shared ownership properties
- To identify how Cambridge City Council will set rents for garages and parking spaces

- To comply with the Government's rent restructuring policy
- To identify the process for providing statutory notice to tenants of proposed changes in rent levels

4 Background

Rent restructuring was introduced with effect from April 2002, following the Government's policy statement in December 2000 when Ministers published "The Way Forward for Housing".

The Government's aim is to ensure consistency in the calculation of rent across local authorities and other Registered Providers (RP's), ensuring that social rents are more affordable, fairer and less confusing for all tenants.

The rent restructuring policy requires rents to be set based upon formula driven by a combination of relative county earnings and relative property values.

5 Detailed Implementation

In line with the rent restructuring policy, Cambridge City Council calculates a 'target' rent for each individual property based on the Government's 'target' rent formula as set out below:

- 70% based on the average county-level manual earnings compared with the national average manual earnings;

- 30% based on the January 1999 property valuation of an individual property, compared with the national average value of a social housing property;

- An additional 'weighting' based on the number bedrooms in the property.

- A weekly rent cap for properties based upon the number of bedrooms in the property.

Actual rents currently charged below target rents will move towards target rents in accordance with the Government's assumptions for guideline rent convergence.

6 Annual Rent Increases

In line with the Council's tenancy conditions, tenants will be given 4 weeks written notice of any change in rents, which will usually be effective from the annual date for rent increases, being the first Monday in April of each calendar year.

Annual rent increases currently comprise, in line with the guidelines, two elements:

Inflation plus 0.5% across all properties (based on the retail price index (RPI) inflation rate for the preceding September)

Increase (or decrease) in an attempt to ensure rent convergence over the convergence period, under rent restructuring guidelines (limited to a maximum of £2 per week on a 52 week basis)

Rent will be due on each Monday during the rent year (52 or 53 weeks), but will be raised on rent accounts across 48 chargeable weeks for collection purposes.

7 General Needs, Sheltered and Supported Housing

Cambridge City Council does not currently apply the 5% flexibility in formula rents (10% for sheltered / supported housing), but will review this practice on an annual basis, with any change proposed only after consultation.

Rents in respect of void properties with a higher than average energy efficiency rating (a SAP rating of C or above), will be set at target rent before the property is re-let. Rents in respect of other void properties, including mutual exchanges, will continue to be phased towards target rents in line with other properties in the area.

Rents for properties which have undergone a material change, full refurbishment or rebuild, (i.e.; sheltered scheme refurbishment, property extension or conversion) will be set immediately at target rents, reflecting the increased investment and condition of the property.

Rents for all new build properties will be introduced immediately at either target or Homes & Communities Agency approved rent levels, reflecting the initial investment and condition of the property.

8 Shared Ownership Housing

Rents for shared ownership properties will be amended in line with the requirements of the lease.

Target rents will be reduced by 20%, in line with the terms of the shared ownership lease, to reflect the tenant's liability for repairs to the property.

Rents will be increased (or decreased) in line with government guidelines for rent restructuring as far as possible within the terms of the lease, with a maximum increase of inflation (RPI at the preceding September) plus 0.5% plus a proportion of £2 directly relational to the share retained by the Council.

Rents in respect of void properties with a higher than average energy efficiency rating (a SAP rating of C or above), will be set at target rent before the property is re-let. Rents in respect of other void properties will continue to be phased towards target rents in line with other properties in the area.

Rents in respect of void properties with a higher than average energy efficiency rating (a SAP rating of C or above), will be set at target rent before the property is re-let. Rents in respect of other void properties, including mutual exchanges, will continue to be phased towards target rents in line with other properties in the area.

9 Garages

Rent levels for garages and parking spaces will be reviewed annually as part of the budget process, set according to demand.

VAT will be applied to all private garages, ie; garages or parking spaces let to those who are either not housing tenants of Cambridge City Council or are tenants where the garage is not in the immediate proximity of the tenanted dwelling.

10 Monitoring

The setting of all rents will be monitored and reviewed annually by Housing Management Board, with decisions in respect of rent setting being made by the Executive Councillor for Housing.

11 Review of the Rent Setting Policy

The Rent setting policy will be reviewed by officers at a minimum of every 3 years, with any changes being presented to Housing Management Board for scrutiny and approval by the Executive Councillor for Housing.

Policy Date January 2013

Review Date January 2016

Appendix B

Service Charges

	Charges 2012/13	Charge Basis	Charges 2013/14
General Stock			
Caretaking Charge	£0.77 to £5.15	Per Week Over 48 Weeks	A
Communal Cleaning	£1.09 to £4.63	Per Week Over 48 Weeks	A
Estate Services Champion	**£0.75**	Per Week Over 48 Weeks	**A**
Window Cleaning	**£0.01 to £1.53**	Per Week Over 48 Weeks	**A**
Door Entry	**£0.15 to £1.65**	Per Week Over 48 Weeks	**B**
Passenger Lifts	**£0.44 to £0.45**	Per Week Over 48 Weeks	**B**
Gas Maintenance / Servicing	**£2.01**	Per Week Over 48 Weeks	**B**
Digital TV Aerial Charge	**£0.49**	Per Week Over 48 Weeks	**A**
General Sheltered Schemes			
Premises Charge	**£0.54 to £19.92**	Per Week Over 48 Weeks	**A**
Communal Heating / Lighting	**£2.51 to £7.23**	Per Week Over 48 Weeks	**A**
Individual Heating / Lighting	**£4.74 to £10.34**	Per Week Over 48 Weeks	**A**
Water	**£2.21 to £2.97**	Per Week Over 48 Weeks	**A**
Grounds Maintenance	**£0.93 to £2.28**	Per Week Over 48 Weeks	**A**
Electrical / Mechanical Maintenance	**£2.55 to £4.66**	Per Week Over 48 Weeks	**B**
Ditchburn Place			
Premises Charge	**£2.92 to £46.15**	Per Week Over 48 Weeks	**A**
Communal Heating / Lighting	**£0.68 to £5.68**	Per Week Over 48 Weeks	**A**
Individual Heating / Lighting	**£5.58 to £10.99**	Per Week Over 48 Weeks	**A**
Water	**£3.10 to £5.09**	Per Week Over 48 Weeks	**A**

Catering	**£90.38**	Per Week Over 48 Weeks	**A**
Grounds Maintenance	**£1.87**	Per Week Over 48 Weeks	**A**
Electrical / Mechanical Maintenance	**£2.40**	Per Week Over 48 Weeks	**B**
Launderette Charges - Wash	**£3.00**	**As Requested**	**A**
Temporary Accommodation			
Premises Charge	**£48.03 to £55.23**	Per Week Over 48 Weeks	**A**
Individual Heating / Lighting	**£15.38 to £26.15**	Per Week Over 48 Weeks	**A**
Water	**£6.67**	Per Week Over 48 Weeks	**A**
Electrical / Mechanical Maintenance	**£3.44 to £7.04**	Per Week Over 48 Weeks	**B**
Independent Living Services			
Private Lifelines - In City	£4.54	Per Week Over 52 Weeks	**£4.65**
Private Lifelines - Out City	£7.35	Per Week Over 52 Weeks	**£7.53**
Keysafe / Keyholding Charge	£1.84	Per Quarter	**£1.88**
Warden Agencies	£3.95	Per Week Over 52 Weeks	**£4.04**
Monitoring Charge	£0.30	Per Week Over 52 Weeks	**£0.32**
Leasehold Charges for Services			
Solicitors' pre-sale enquiries	£75.00	**As Requested**	£75.00
Copy of lease	From £20.00	As Requested	From £20.00
Re-mortgage Enquiry/Copy of Insurance schedule	£25.00	As Requested	£25.00
Notice of Assignment/Notice of Charge	£75.00	As Requested	£75.00
Deed of Variations	£150.00	As Requested	£150.00
Retrospective consent for improvements	£10.00	As Requested	£10.00
Registering sub-let details	£50.00	As Requested	£50.00

Key	
A	These charges are currently (or will be - in the case of any new charges), based on recovering the actual cost of service provision and the proposal is to continue to recover the full estimated cost of providing these services in 2013/14.
B	These charges were separated out from pooled rent in 2004/05, and therefore can be increased to recover full cost up to a maximum of inflation at 3.1% (RPI at September 2012 plus 0.5%) for future years.
	Service charges levied for support activities will be subject to alteration as a result of the savings requirement, or tender outcomes, as arrived at by the County Council Supporting People Team. Charges for the optional household contents insurance scheme will continue to be determined by the insurer but notified to tenants by the Council.

Appendix C

HRA Earmarked & Specific Funds (£'000)

Repairs & Renewals

Housing Revenue Account	Opening Balance	Contributions	Expenditure to November 2012	Closing Balance
General Management	(951.6)	(139.0)	1.0	(1,089.6)
Special Services	(1,007.4)	(135.6)	22.1	(1,120.9)
Repairs and Maintenance	(28.8)	(12.2)	0.0	(41.0)
Totals	**(1,987.8)**	**(286.8)**	**23.1**	**(2,251.5)**

Major Repairs Allowance

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

Shared Ownership

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

Tenants Survey

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

Aerial – Roof Space Rental

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

Pension Reserve

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

Debt Set-Aside

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

2013/14 Budget - Revised Budget 2012/13

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Revised Budget

Housing Revenue Account

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact
RB3030	**Reduction in the budget for external audit fees**	(5,000)	0	0	0	0	Julia Minns

The Audit Commission audit practice will cease to operate with effect from October 2012. Contracts for the external audit of public sector bodies have been awarded to the private sector following a regionally based tendering exercise and the associated scale fees have been reduced by 40% from those which previously applied. The reduction in 2012/13 represents a part year effect only. (See also S3026).

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact
RB3036	**Savings in City Homes Operational Expenditure**	(20,000)	0	0	0	0	Robert Hollingsworth

It is anticipated that reductions can be made in professional training (£5,000), general training (£5,000), consultants and professional fees (£5,000) and car and cycle allowances (£5,000), where expenditure in recent years has been lower than previously experienced.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact
RB3041	**Savings in Independent Living Service Management costs**	(58,260)	0	0	0	0	Robert Hollingsworth

A vacant post, at a senior level in the Independent Living Service, is currently being held open pending a review of the service structure in light of anticipated changes in the way that support services are funded / provided.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact
RB3046	**Additional costs of repairs and void works to Temporary Housing properties**	13,150	0	0	0	0	Frances Swann

Due to an increased demand for homeless temporary housing units, the costs of repairs and void works for 2012/13 are more than previously budgeted. Unit numbers have increased from approximately 55 to 65 over the last year, with a further increase anticipated.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact
RB3185	**Reduction in budget for Anti-Social Behaviour external legal costs**	(10,000)	0	0	0	0	Lynda Kilkelly

Based upon the experience in recent years of the volume of work passed to external legal firms, it is anticipated that a reduction can be made in the budget for such fees. Any one complex case could cause a problem in any one yaer, but would not be expected to have an ongoing impact.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact
RB3188	**Additional costs of catering services at Ditchburn Place**	9,770	0	0	0	0	Laura Wilderspin

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Revised Budget

A combination of staff sickness and the externalisation of catering services from September 2012 have resulted in an anticipated overspend in costs for the current financial year.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
RB3189	**Re-alignment of the budget for water quality testing**	(14,240)	0	0	0	0	John Horwood	
	Based upon prior years expenditure, it is proposed to re-align the budget for routine water testing in line with current spending.							
RB3191	**Staff savings in Resident Involvement**	(18,520)	0	0	0	0	Sandra Farmer	
	The change in arrangements for resident involvement has resulted in an anticipated underspend in employee costs for the year, with a lead in time to recruiting to the new role, which as recruited to internally, in turn resulted in a follow on recruitment.							
RB3195	**Reduction in garage income**	14,470	0	0	0	0	Andrew Latchem	U
	Garage income is lower than anticipated due to increased voids as part of the HRA new build redevelopment programme.							
RB3197	**Reduction in leasehold service charge income**	40,860	0	0	0	0	Andrew Latchem	U
	Income in respect of leasehold services is expected to be less in 2012/13 as a direct impact of the level of repairs carried out in communal areas in 2010/11, which is reflected in adjustments made to leasehold charges for the current year.							
RB3203	**Re-alignment in budget for TV aerial maintenance**	(26,170)	0	0	0	0	John Horwood	
	Following installation of new equipment in recent years, a formal maintenance contract is not considered necessary, with the lower level of routine repairs to the installations now being met from responsive repair budgets.							
RB3210	**Changes in interest payable and receivable in respect of the HRA for 2012/13**	(21,900)	0	0	0	0	Julia Hovells	
	Changes in the both the assumed level of internal borrowing and in the anticipated year end HRA balances, result in a net reduction in cost to the HRA.							
Total Revised Budget in Housing Revenue Account		**(95,840)**	**0**	**0**	**0**	**0**		

2013/14 Budget - Revised Budget 2012/13

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Revised Budget

Total Revised Budget	(95,840)	0	0	0	0
Report Total	(95,840)	0	0	0	0

2013/14 Budget - Non-Cash Limit Items 2013/14

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Non-Cash Limit Items

Housing Revenue Account

NCL3216	**Adjustment to anticipated rent income for 2013/14**	0	517,580	0	0	0	Julia Hovells	

A lower level of rent income is anticipated in 2013/14, due to a delay in the expected release dates of the first affordable housing new build properties, coupled with loss of rent from an earlier point than expected as residents in properties identified for re-development are re-housed further in advance of works beginning than initially anticipated.

NCL3217	**Reduction in HRA Bad Debt Provision**	0	(6,890)	0	0	0	Julia Hovells	

The provision for bad debt in the HRA is based upon a percentage of the rental income. A reduction in anticipated rental income drives a slightly lower contribution to the fund from 2013/14.

NCL3218	**Reduction in the level of revenue funding of capital for 2013/14**	0	(517,260)	0	0	0	Julia Hovells	

The timing of payments associated with the first of the new build affordable housing programme contracts is such that a lower level of resource is anticipated to be required to fund capital expenditure in 2013/14.

NCL3219	**Net changes in interest payable and receivable by the HRA**	0	(177,510)	0	0	0	Julia Hovells	

Changes in the anticipated profile of additional borrowing against the HRA borrowing headroom are expected to result in less interest payable in 2013/14.

NCL3220	**Reduction in assumed depreciation charges to the HRA**	0	(113,410)	0	0	0	Julia Hovells	

An adjustment has been made to reflect the use of the self-financing settlement assumption of uprated Major Repairs Allowance in place of componentised depreciation, which is allowable for a 5 year transitional period, if we so choose. The approach to depreciation for 2014/15 and beyond, will be considered as part of the HRA Business Plan Update of October 2013, taking into consideration any emerging guidance.

	2012/13	2013/14	2014/15	2015/16	2016/17
Total Non-Cash Limit Items in Housing Revenue Account	**0**	**(297,490)**	**0**	**0**	**0**
Total Non-Cash Limit Items	**0**	**(297,490)**	**0**	**0**	**0**

2013/14 Budget - Non-Cash Limit Items 2013/14

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
Non-Cash Limit Items								
Report Total		0	(297,490)	0	0	0		

2013/14 Budget - Cash Limit 2013/14 to 2016/17

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Reduction required to Cash Limit

Housing Revenue Account

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
RCL3204	**HRA savings target and required reduction in responsive repairs in line with stock reductions**	0	98,190	98,190	98,190	98,190	Julia Hovells	

The general savings target for the HRA for 2013/14 was agreed at £76,880, with an additional requirement to reduce responsive repairs expenditure by £21,310 in line with anticipated stock reductions.

	2012/13	2013/14	2014/15	2015/16	2016/17
Total Reduction required to Cash Limit in Housing Revenue Account	**0**	**98,190**	**98,190**	**98,190**	**98,190**
Total Reduction required to Cash Limit	**0**	**98,190**	**98,190**	**98,190**	**98,190**

2013/14 Budget - Cash Limit 2013/14 to 2016/17

Unavoidable Revenue Bids

Housing Revenue Account

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
UR3038	**Additional staffing resource to manage decant process in respect of HRA New Build and Re-Development Programme**	0	50,090	50,090	0	0	Robert Hollingsworth	U
	Additional 1.5 FTE Assistant Housing Officer resource is expected to be required in 2013/14 and 2014/15, to manage the process of finding alternative accommodation for residents in housing which has been approved for re-development, managing the transfer process and the site until handover to a developer. This cost will be met from the fees associated with the capital budget for new build / re-development.							
UR3045	**Additional costs in managing and maintaining Temporary Housing properties**	0	23,600	23,600	23,600	23,600	Frances Swann	U
	Due to an increased demand for homeless temporary housing units, the costs of repairs, void works and utilities are more than previously budgeted. Unit numbers have increased from approximately 55 to 63 over the last year, with a further increase anticipated.							
UR3187	**Increased costs of asbestos surveys**	0	42,200	42,200	42,200	42,200	John Horwood	U
	The authority, as a landlord, has an obligation to comply with the current asbestos legislation, which requires additional asbestos sampling and testing prior to any works in a property.							
UR3198	**Reduction in leasehold service charge income**	0	30,840	30,840	30,840	30,840	Andrew Latchem	U
	Income in respect of leasehold services is expected to be less in 2013/14 as a direct impact of the level of repairs carried out in communal areas in 2011/12, which is reflected in adjustments made to leasehold charges for the upcoming year.							
Total Unavoidable Revenue Bids in Housing Revenue Account		**0**	**146,730**	**146,730**	**96,640**	**96,640**		
Total Unavoidable Revenue Bids		**0**	**146,730**	**146,730**	**96,640**	**96,640**		

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Service Reviews

Housing Revenue Account

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
SR3113	**Delete vacant Customer Care & Quality Officer post**	0	(16,500)	(16,500)	(16,500)	(16,500)	Robert Hollingsworth	
	Post No: A1249_01, Customer Care & Quality Officer is currently vacant. Not filling the post will result in quality systems / complaints handling / service development work being undertaken elsewhere across the service within existing staffing resources.							
SR3156	**Design, Engineering and Facilities Service. Non replacement of post on retirement.**	0	0	(16,200)	(24,300)	(24,300)	Jim Stocker	
	Retirement of Design, Engineering and Facilities Manager. Member of staff has indicated that they will be taking deferred retirement. (See also SR3155).							
Total Service Reviews in Housing Revenue Account		**0**	**(16,500)**	**(32,700)**	**(40,800)**	**(40,800)**		
Total Service Reviews		**0**	**(16,500)**	**(32,700)**	**(40,800)**	**(40,800)**		

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Savings

Housing Revenue Account

Reference	Item Description	2012/13	2013/14	2014/15	2015/16	2016/17	Contact
S3026	**Reduction in the budget for external audit fees**	0	(10,000)	(10,000)	(10,000)	(10,000)	Julia Minns

The Audit Commission audit practice will cease to operate with effect from October 2012. Contracts for the external audit of public sector bodies have been awarded to the private sector following a regionally based tendering exercise and the associated scale fees have been reduced by 40% from those which previously applied. (See also RB3030).

Reference	Item Description	2012/13	2013/14	2014/15	2015/16	2016/17	Contact
S3037	**Savings in City Homes Operational Expenditure**	0	(20,000)	(20,000)	(20,000)	(20,000)	Robert Hollingsworth

It is anticipated that reductions can be made in professional training (£5,000), general training (£5,000), consultants and professional fees (£5,000) and car and cycle allowances (£5,000), where expenditure in recent years has been lower than previously experienced.

Reference	Item Description	2012/13	2013/14	2014/15	2015/16	2016/17	Contact
S3042	**Reduction in communal electricity budgets for the north of the city**	0	(5,000)	(5,000)	(5,000)	(5,000)	Andrew Latchem

Based upon recent expenditure, it is estimated that the cost of communal electricity in the north of the city will be lower than budgeted.

Reference	Item Description	2012/13	2013/14	2014/15	2015/16	2016/17	Contact
S3043	**Removal of residual operational budget for Roman Court**	0	(7,290)	(7,290)	(7,290)	(7,290)	Andrew Latchem

The residual budget for security and utilities at Roman Court will no longer be required once refurbishment works begin. Any budget required in respect of the new scheme will be matched by assumed service charge income.

Reference	Item Description	2012/13	2013/14	2014/15	2015/16	2016/17	Contact
S3044	**Reduction in shrub replacement programme budget allocation**	0	(3,000)	(3,000)	(3,000)	(3,000)	Andrew Latchem

Following higher levels of investment in shrub replacement in previous years, and some targeted investment on estates as part of the Cambridge Standard capital allocation, it is anticipated that shrub beds can be maintained with a lower level of annual investment in the future. The saving can be identified by reducing the investment in replacing shrubs on housing estates by £1,500 in each of the north and south areas of the city.

Reference	Item Description	2012/13	2013/14	2014/15	2015/16	2016/17	Contact
S3186	**Reduction in budget for Anti-Social Behaviour external legal costs**	0	(10,000)	(10,000)	(10,000)	(10,000)	Lynda Kilkelly

2013/14 Budget - Cash Limit 2013/14 to 2016/17

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Savings

Based upon the experience in recent years of the volume of work passed to external legal firms, it is anticipated that a reduction can be made in the budget for such fees. Any one complex case could cause a problem in any one yaer, but would not be expected to have an ongoing impact.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
S3190	**Re-alignment in the budget for water quality testing**	0	(14,870)	(14,870)	(14,870)	(14,870)	John Horwood	

Based upon prior year expenditure, it is proposed to re-align the budget for routine water testing in line with required spending.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
S3192	**Net salary adjustments and other minor operational savings**	0	(1,970)	(1,970)	(1,970)	(1,970)	Julia Hovells	

This represents the net impact of budgeting for actual staff in post compared to global assumptions made in salary budgets for spinal points and increments, coupled with minor savings and efficiencies in other operational expenditure

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
S3194	**Capitalisation of staff costs associated with HRA New Build programme**	0	(50,090)	(50,090)	0	0	Julia Hovells	

A bid has been included to allow recruitment of additional staff to undertake the decant of existing HRA properties to facilitate the HRA 146 New Build programme. The revenue bid will be fully offset by the ablity to charge these costs to the new build capital projects in the form of fees.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
S3206	**Reduction in reactive repairs in line with anticipated reductions in stock numbers**	0	(21,310)	(21,310)	(21,310)	(21,310)	Bob Hadfield	

A saving in responsive repairs is proposed to meet the assumed saving in the HRA Business Plan in respect of reductions in spend in line with reduced stock numbers.

	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £
Total Savings in Housing Revenue Account	**0**	**(143,530)**	**(143,530)**	**(93,440)**	**(93,440)**
Total Savings	**0**	**(143,530)**	**(143,530)**	**(93,440)**	**(93,440)**
Report Total	**0**	**84,890**	**68,690**	**60,590**	**60,590**

2013/14 Budget - PPF Bids 2013/14 to 2016/17

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

PPF Funding

Housing Revenue Account

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
FPPF3205	**Priority Policy Funding for the HRA for 2013/14**	0	(150,000)	(150,000)	(150,000)	(150,000)	Julia Hovells	
Total PPF Funding in Housing Revenue Account		**0**	**(150,000)**	**(150,000)**	**(150,000)**	**(150,000)**		
Total PPF Funding		**0**	**(150,000)**	**(150,000)**	**(150,000)**	**(150,000)**		

2013/14 Budget - PPF Bids 2013/14 to 2016/17

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

PPF Bids

Housing Revenue Account

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
PPF3039	**Citywide Garage Project Officer**	0	33,390	33,390	0	0	Sandra Farmer	M

A review of housing garages across the city has resulted in a recommendation to employ a dedicated officer for 2 years, to manage the programme of works, review pricing structures, market and manage garages, making best use of the garage stock and any land available for re-development. The effectiveness of this approach will be reviewed after 2 years to determine whether continued investment in staffing might generate higher rental yield on a longer-term basis.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
PPF3040	**Additional staffing resource to minimise the impact of the introduction of the Welfare Reforms**	0	66,780	66,780	0	0	Robert Hollingswor th	H

It is anticipated that a proactive approach to supporting households that will be adversely affected by benefit caps, reduction in benefit due to under-occupation and the introduction of universal credit, will minimise the impact for the authority in the longer term. Up front investment is expected to aid income management and minimise any increase in rent arrears. It is proposed that a review of the benefit of these roles be carried out at the end of an intial 2 year period.

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
PPF3196	**Bid to enable delivery of enhanced housing management services in sheltered housing**	0	0	39,270	39,270	39,270	Robert Hollingswor th	H

If it is not viable for the authority to bid to continue to deliver support services in sheltered housing, as procured by the County Council, an enhanced level of housing management activity is proposed to supplement the anticipated low level of support that will be provided under the new support arrangements. Funding has already been approved to allow this to happen in 2013/14, but not yet beyond this date.

	2012/13	2013/14	2014/15	2015/16	2016/17
Total PPF Bids in Housing Revenue Account	**0**	**100,170**	**139,440**	**39,270**	**39,270**
Total PPF Bids	**0**	**100,170**	**139,440**	**39,270**	**39,270**
Report Total	**0**	**(49,830)**	**(10,560)**	**(110,730)**	**(110,730)**

2013/14 Budget - Capital Bids 2012/13 to 16/17

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)

Unavoidable Capital Bids

Housing Revenue Account

Reference	Item Description	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Contact	Officer Priority (Bids)
UC3199	**Bid to meet the costs of leasehold repurchase at Water Lane and Aylesborough Close**	0	728,500	0	0	0	Alan Carter	U
	A report to Community Services in October 2012 obtaining approval for the redevelopment of Water Lane and Aylesborough Close did not include in the cost implications the cost of buying back ex-council dwellings from the existing leaseholders.							
UC3202	**Capital bid to allow re-roofing of Campkin Road shops**	108,000	0	0	0	0	John Horwood	
	The HRA owns and manages a number of shops and other commercial premises. The flat roof on the shops in Campkin Road requires urgent re-roofing.							
Total Unavoidable Capital Bids in Housing Revenue Account		**108,000**	**728,500**	**0**	**0**	**0**		
Total Unavoidable Capital Bids		**108,000**	**728,500**	**0**	**0**	**0**		
Report Total		**108,000**	**728,500**	**0**	**0**	**0**		

Appendix I

New Build Investment Cashflow – Scheme Specific and Outline Approvals

New Build / Re-Development Scheme	2012/13	2013/14	2014/15	2015/16
	£'0	£'0	£'0	£'0
New Build / Re-Development Expenditure (Net of Developer's Cross Subsidy)				
Seymour Court / Street	19,070	534,930	0	0
Latimer Close	596,450	770,140	0	0
Barnwell Road	157,070	609,080	452,010	0
Campkin Road (Phase 1)	629,270	1,430,070	400,400	0
Colville Road (Phase 1)	150,010	620,820	941,620	0
Water Lane	119,770	119,770	1,186,250	0
Aylesborough Close	366,000	424,180	1,523,430	0
Stanesfield Road	0	696,050		0
Residual 146 Programme Schemes	0	872,640	290,880	0
Clay Farm	0	0	10,246,930	3,415,640
Total New Build/ Re-Development Expenditure	**2,037,640**	**6,077,680**	**15,041,520**	**3,415,640**
New Build / Re-Development Grant Funding				
Seymour Court / Street	(175,000)	(175,000)	0	0
Latimer Close	0	(210,000)	0	0
Barnwell Road	0	(140,000)	(140,000)	0
Campkin Road (Phase 1)	0	(157,500)	(157,500)	0
Colville Road (Phase 1)	0	(183,750)	(183,750)	0
Water Lane	0	(122,500)	(122,500)	0
Aylesborough Close	0	0	(280,000)	0
Stanesfield Road	0	(87,500)	0	0
Residual 146 Programme Schemes	0	(227,500)	(227,500)	0
Clay Farm (Grant assumed, not awarded)	0	0	(910,000)	(910,000)
Total New Build / Re-Development Funding	**(175,000)**	**(1,303,750)**	**(2,021,250)**	**(910,000)**
Balance to be Funded from HRA Resources or Borrowing	**1,862,640**	**4,773,930**	**13,020,270**	**2,505,640**

Appendix J

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 for the HRA 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 and CIH
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of 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 HRA 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 K

Business Planning Revised Assumptions

Key Area	Assumption	Comment
General Inflation	2.4%, then 2.5%	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 2018/19.
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% of gross pay budget for office-based staff.
Rent Increase Inflation	3.1%, then 3%	Rent increases assumed in line with government guidelines of RPI at preceding September of 2.6% plus 0.5%. Assume RPI at 2.5% from September 2013.
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 from 2013/14 at a rate of 4%. Current rates for 25 to 50 years range from 3.98% to 4.11%, with the certainty rate being 20 basis points lower.
Internal Borrowing Interest Rate	4%	Assume the same rate as available externally for modelling purposes from 2013/14, 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	40, 42, then 28 per annum ongoing	An increase in the assumptions of 10 to 17 per annum in the CLG settlement model, with 40 now assumed in 2012/13, increasing to 42 in 2013/14, then reducing slightly to 28 per annum for the remaining life of the plan, recognising that some of the current increased activity is an immediate response to the legislative changes.
Right to Buy	Settlement	Right to buy receipts assumed in the debt settlement included in

Key Area	Assumption	Comment
Receipts	sales included from the model.	the model, assuming the receipts will be utilised partly for general fund housing purposes. Assumed additional receipts received have been included, with the assumption that they are required to be utilised to deliver new affordable housing or be repaid to CLG after 3 years, in line with agreement with CLG.
Void Rates	1% plus specific properties, 1.25%, then 1%	Assumes general void rate of 1% for 2013/14 plus removal of specific dwellings identified for re-development, with higher global figure of 1.25% assumed for 2014/15 recognising remainder of the sheltered housing refurbishment programme and Roman Court development 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 the latter part of 2013/14. Assumes an extension of the existing rent payment profile across the entire housing stock.
Rent Collection Transactional Costs	An increase in collection 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 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 for a 5 year period, 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 for 5 years, 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 2013/14 and beyond.

Appendix L

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 £9.711 million.
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 during the life of the plan,
Rents Inflation	RPI at 2.6% for rents base for 2013/14, then 2.5%	Volatility in the economy could lead to an increase in inflation as measured by RPI. 1% increase in rents base inflation from 2014/15 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 2017/18 in line with existing external procurements. Assume that real inflationary increase of 1% is not required from 2018/19 for the remainder of the plan, assuming benefits of re-procurement from 2014/15	Ability to repay debt remains the same, but with £30 million additional balances by year 30.
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	£3.4 million reduction in balances over the life of the plan, with no change in ability to redeem the debt.
Right to Buy Sales (Revenue Impact)	Numbers assumed to increase to 40 in 2012/13, 42 in 2013/14, then reduce to 28 per annum from 2015/16	The increase in discount levels could result in a greater long-term impact than is being anticipated, with no experience to draw from. Assume sales remain at 40 per annum ongoing	The ability to repay debt is extended by one year.

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 remains low at 1%, as opposed to 1.5%.	£4.1 million reduction in balances over the life of the plan, with no change in ability to repay the debt.
Housing Rent Collection and Welfare Benefit Reforms	Budgeted costs based on historic levels of enforcement activity, but an increased level of transactional collection costs, with additional staffing for 2 years bid for	Economic climate may require an ongoing 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 and fixed term staffing built into the base, ongoing additional staffing costs of £134,000 per annum from 2015/16.	Ability to repay the debt is deferred by one year, with £7.94 million reduction in balances over the life of the plan.

Appendix M

HRA Summary Forecast 2012/13 to 2016/17

Description	2012/13 £0	2013/14 £0	2014/15 £0	2015/16 £0	2016/17 £0
Income					
Rental Income (Dwellings)	(32,843,550)	(34,073,000)	(35,683,010)	(37,912,500)	(40,073,480)
Rental Income (Other)	(1,010,620)	(1,047,410)	(1,073,600)	(1,100,440)	(1,127,950)
Service Charges	(2,254,420)	(2,104,180)	(2,156,780)	(2,210,700)	(2,265,970)
Contribution towards Expenditure	(453,390)	(414,140)	(422,370)	(430,800)	(439,430)
Other Income	(40,500)	(58,070)	(59,520)	(61,010)	(62,540)
Total Income	**(36,602,480)**	**(37,696,800)**	**(39,395,280)**	**(41,715,450)**	**(43,969,370)**
Expenditure					
Supervision & Management - General	4,613,710	4,956,920	5,133,510	5,394,940	5,669,190
Supervision & Management - Special	2,310,500	2,311,650	2,251,540	2,321,370	2,393,530
Repairs & Maintenance	7,243,910	7,117,230	7,351,830	7,698,830	8,094,710
HRA Subsidy	0	0	0	0	0
Depreciation – t/f to Major Repairs Res.	9,578,490	9,603,470	9,685,900	9,945,200	10,294,800
Debt Management Expenditure	20,000	20,000	20,580	21,490	22,430
Other Expenditure	419,760	672,300	775,650	887,870	1,004,470
Total Expenditure	**24,186,370**	**24,681,570**	**25,219,010**	**26,269,700**	**27,479,130**
Net Cost of HRA Services	**(12,416,110)**	**(13,015,230)**	**(14,176,270)**	**(15,445,750)**	**(16,490,240)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(94,180)	(104,770)	(148,070)	(152,750)	(144,250)
Mortgage Interest Receipts (in above)	0	0	0	0	0
HRA (Surplus) / Deficit for the Year	**(12,510,290)**	**(13,120,000)**	**(14,324,340)**	**(15,598,500)**	**(16,634,490)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,505,850	7,474,240	7,670,770	7,835,450	7,653,290
Debt Redemption Premium	301,330	0	0	0	0
Housing Set Aside	1,090,400	0	0	2,242,370	5,744,960
Depreciation Adjustment	(2,214,080)	(2,242,080)	(2,044,210)	(2,069,960)	(2,095,720)
Direct Revenue Financing of Capital	10,438,140	7,162,340	8,711,540	7,577,890	5,347,670
(Surplus) / Deficit for Year	**4,611,350**	**(725,500)**	**13,760**	**(12,750)**	**15,710**
Balance b/f	(6,974,040)	(2,362,690)	(3,088,190)	(3,074,430)	(3,087,180)
Total Balance c/f	**(2,362,690)**	**(3,088,190)**	**(3,074,430)**	**(3,087,180)**	**(3,071,470)**

Appendix N

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	470	550	550	550	550
Private Sector Housing Grants and Loans	115	195	195	195	195
Long Term Vacants	20	20	20	20	20
Total General Fund Housing Capital Spend	**1,716**	**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	3,808	2,131	1,065	3,019
Planned Maintenance Contractor Overheads	791	796	781	792	799
Total Decent Homes	**10,658**	**9,003**	**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	506	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	**4,690**	**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
3 Year Affordable Housing Programme (Cash Spend)	2,038	6,078	4,795	0	0
3 Year Affordable Housing Programme (Notional Spend – Equal to Land Value of Market Housing)	1,500	5,308	1,134	0	0
Clay Farm	0	0	10,247	3,416	0
Total HRA New Build	**4,250**	**11,977**	**16,217**	**3,416**	**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	1,900	1,900	0	0
Brandon Court	508	0	0	0	0
Total Sheltered Housing Capital Investment	**664**	**1,900**	**1,900**	**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	210	30	30	30	30
Total Other HRA Capital Spend	**1,100**	**660**	**660**	**330**	**330**
Total HRA Capital Spend	**21,868**	**26,889**	**30,973**	**15,934**	**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	**23,584**	**27,654**	**31,738**	**16,699**	**13,344**
Inflation Allowance and Stock Number Adjustment for Future Years	0	0	949	1,246	1,789
Total Inflated Housing Capital Spend	**23,584**	**27,654**	**32,687**	**17,945**	**15,133**
Housing Capital Resources					
Right to Buy Receipts	(398)	(441)	(495)	(516)	(522)
Other Capital Receipts (Land and Dwellings)	(0)	(0)	(0)	(0)	(0)
Notional Land Receipts (Land Value of Market Housing on New Build Affordable Housing Sites)	(1,500)	(5,308)	(1,134)	0	0
Major Repairs Reserve	(3,424)	(12,374)	(7,642)	(7,875)	(8,199)
Direct Revenue Financing of Capital	(10,438)	(7,162)	(8,712)	(7,578)	(5,348)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(475)	(1,604)	(2,321)	(1,210)	(300)
Disabled Facilities Grant	(298)	(262)	(262)	(262)	(262)
Developer's Contributions (Affordable Housing)	(68)	(0)	(0)	(0)	(0)
Prudential Borrowing	0	0	(11,619)	0	0
Total Housing Capital Resources	**(16,602)**	**(27,151)**	**(32,184)**	**(17,442)**	**(14,630)**
Net (Surplus) / Deficit of Resources	6,982	503	503	503	503
Capital Balances b/f	**(9,190)**	**(2,208)**	**(1,705)**	**(1,202)**	**(699)**
Use of / (Contribution to) Balances in Year	6,982	503	503	503	503
Capital Balances c/f	**(2,208)**	**(1,705)**	**(1,202)**	**(699)**	**(196)**

Appendix O
Cambridge City Council Equality Impact Assessment

1. Title of strategy, policy, plan, project, contract or major change to your service:
Housing Revenue Account Budget 2013/14

2. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?
To enable the Council to set a balanced budget for the Housing Revenue Account, which ensures that housing debt can be redeemed when loans mature, whilst also ensuring the authorities housing stock is managed and maintained to an acceptable standard, meeting tenants and leaseholders priorities.

3. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)
☒ Residents (See below) ☐ Visitors ☒ Staff A specific client group or groups (please state): HRA tenants and leaseholders, including vulnerable

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

5. Responsible directorate and service
Directorate: Customer & Community Services Service: Strategic Housing

6. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service?
☐ No ☒ Yes (please give details): This is an assessment of the Housing Revenue Account budget, and therefore

covers all services provided by the authority as a housing landlord to tenants and leaseholders. These services will be provided directly by City Homes, Strategic Housing and Estates & Facilities, with support services provided by other service areas in some cases.

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

(a) Age (any group of people of a particular age, including younger and older people)

A revised budget proposal not to fill a senior management post in the Independent Living Service, has the potential for an adverse impact on the standards of service to older residents in sheltered housing. This has been mitigated by sharing the responsibilities of the post between two other senior managers across City Homes. A formal restructure of the service is currently being considered, which will seek to ensure that service standards are maintained.

The unavoidable bid to maintain the delivery of a fresh meals service for older vulnerable residents in the extra care housing at Ditchburn Place will ensure that this group see no negative impact in service delivery, despite staff sickness and the change to an external contractor.

The reduction in both estimated rental income and revenue funding of capital expenditure in 2013/14 as a result of the longer than anticipated lead in time for the delivery of the initial new affordable housing, may negatively impact older people who require social housing, where the additional supply will not be available as quickly as expected.

The new build affordable housing programme incorporates a considerable amount of re-development, which will require re-location of existing tenants, with the potential for a negative impact on older people in respect of some housing schemes, where there is a prevalence of older tenants. To mitigate the negative impact of having to relocate, home loss payments are made, and the budget process includes an unavoidable bid to employ staff to specifically support tenants through the process. The negative impact on existing older tenants is balanced by the provision of 58 new homes for older people in the programme built to much higher standards of space, accessibility and energy efficiency.

The removal of the residual operational budget for Roman Court recognises that the site is anticipated to be transferred to a contractor for refurbishment works to deliver housing for older people once complete.

The County Council's intention to tender support services in sheltered housing will result in a reduced level of direct service from any new provider, as services are expected to be provided to a wider client group within existing contract resources. A bid for additional funding from the HRA seeks to mitigate the impact on the residents in our sheltered schemes, by delivering enhanced housing management services.

(b) Disability (including people with a physical impairment, sensory impairment, learning disability, mental health problem or other condition which has an impact on their daily life)
The unavoidable bid to maintain the delivery of a fresh meals service for older residents with disabilities in the extra care housing at Ditchburn Place will ensure that this group see no negative impact in service delivery, despite staff sickness and the change to an external contractor. The reduction in both estimated rental income and revenue funding of capital expenditure in 2013/14 as a result of the longer than anticipated lead in time for the delivery of the initial new affordable housing, may negatively impact those who require social housing on medical grounds, where the additional supply will not be available as quickly as expected. The new build affordable housing programme incorporates a considerable amount of re-development, which will require re-location of existing tenants, with the potential for a negative impact on those with mental health issues living in some of the housing schemes. To mitigate the negative impact of having to relocate, home loss payments are made, and the budget process includes an unavoidable bid to employ staff to specifically support tenants through the process. The removal of the residual operational budget for Roman Court recognises that the site is anticipated to be transferred to a contractor for refurbishment works, with a resulting wing to be transferred to a specialist provider for to deliver housing for those with disabilities.

(c) Gender
There are no discrete implications for this equalities group.

(d) Pregnancy and maternity
The reduction in both estimated rental income and revenue funding of capital expenditure in 2013/14 as a result of the longer than anticipated lead in time for the delivery of the initial new affordable housing, may negatively impact women with, or expecting, children who require social housing, where the additional supply will not be available as quickly as expected.

(e) Transgender (including gender re-assignment)
There are no discrete implications for this equalities group.

(f) Marriage and Civil Partnership
There are no discrete implications for this equalities group.

(g) Race or ethnicity
There are no discrete implications for this equalities group.

(h) Religion or belief
There are no discrete implications for this equalities group.

(i) Sexual orientation
There are no discrete implications for this equalities group.

(j) Other factor that may lead to inequality (please state):

The proposal to realise savings in City Homes operational expenditure by reducing budgets for training has the potential to result in vulnerable tenants not receiving the benefit of support in maintaining their tenancies from a workforce trained to a higher standard.

An increase in the number of temporary housing units and a resulting increase in the costs of repairing these units is proposed in response to meeting the need for housing homeless households, to include housing for younger people, pregnant and new mothers and those with mental health, drug and alcohol dependency issues.

Vacancies in the Resident Involvement Team are likely to result in a lower level of resident involvement activity during 2012/13, with the potential for any targeted work with specific equalities groups not being undertaken in year. To mitigate this, a revised work plan has been devised for implementation once all posts have been recruited to.

The proposal to delete the City Homes Customer Care and Quality Officer post has the potential for a negative impact on the ability to monitor and maintain quality across the service, with particular reference to the equalities groups. However, it is anticipated that the duties of this role will be performed by a number of other staff across both City Homes and Strategic Housing, thus mitigating any direct impact on any particular group or individual.

The proposal to provide additional staffing input to support tenants through the welfare benefit changes, is made in an attempt to mitigate the potential impact for both tenants on low incomes and the Council. The funding will enable staffing resource to be targeted at those groups who need support the most.

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

9. Conclusions and Next Steps
• If you have not identified any negative impacts, please sign off this form. • If you have identified potential negative actions, you must complete the action plan at the end of this document to set out how you propose to mitigate the impact. If you do not feel that the potential negative impact can be mitigated, you must complete question 8 to explain why that is the case. • If there is insufficient evidence to say whether or not there is likely to be a negative impact, please complete the action plan setting out what additional information you need to gather to complete the assessment.
All completed Equality Impact Assessments must be emailed to David Kidston, Strategy and Partnerships Manager, who will arrange for it to be published on the City Council's website. Email david.kidston@cambridge.gov.uk.

10. Sign off
Name and job title of assessment lead officer: Julia Hovells, Business Manager / Principal Accountant Names and job titles of other assessment team members and people consulted: David Kidston, Strategy & Partnerships Manager Robert Hollingsworth, Head of City Homes Alan Carter, Head of Strategic Housing Bob Hadfield, Head of estates & Facilities Date of completion: 11/12/2012 Date of next review of the assessment: December 2013

Action Plan

Equality Impact Assessment title: HRA Budget Setting Report
Date of completion:

Equality Group	Age
Details of possible disadvantage or negative impact	1) Reduction in senior management in the Independent Living Service may adversely impact the quality / level of service to older people. 2) Delays in delivery of new affordable housing may negatively impact identification of appropriate accommodation for older people. 3) The tender of support services for older people is likely to have a negative impact on the quality / level of support received by tenants.
Action to be taken to address the disadvantage or negative impact	1) Service to be restructured, with service quality / level considerations being made as part of this process. 2) Brandon Court has been fully refurbished, providing a current supply of housing for older people. 3) A bid in the HRA budget process for enhanced housing management services will go some way to replacing the anticipated reduction in support services provided to sheltered residents. Staff will also work with residents to ensure signposting to other public bodies and voluntary organisations who can provide help and support, whilst actively encouraging expansion of volunteers to assist in our sheltered housing schemes.
Officer responsible for progressing the action	1) Robert Hollingsworth, Head of City Homes 2) Robert Hollingsworth, Head of City Homes 3) Robert Hollingsworth, Head of City Homes
Date action to be completed by	1) September 2013 2) December 2012 3) September 2013

Equality Group	Disability
Details of possible disadvantage or negative impact	1) Delays in delivery of new affordable housing may negatively impact identification of appropriate accommodation for those with a disability.
Action to be taken to address the disadvantage or negative impact	1) Those in need of housing on medical grounds will continue to have a higher priority for allocation to existing limited affordable housing through the Choice Based Lettings Scheme.
Officer responsible for progressing the action	1) Alan Carter, Head of Strategic Housing
Date action to be completed by	1) April 2013 ongoing

Equality Group	Gender
Details of possible disadvantage or	

egative impact	
Action to be taken to address the disadvantage or negative impact	No actions required.
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	**Pregnancy and maternity**
Details of possible disadvantage or negative impact	1) Delays in delivery of new affordable housing may negatively impact identification of appropriate accommodation for women with, or expecting, children.
Action to be taken to address the disadvantage or negative impact	1) All housing applications are assessed, and where the housing need is critical, applicants are awarded top priority (A Band) for housing allocation to existing limited affordable housing through the Choice Based Lettings Scheme.
Officer responsible for progressing the action	1) Alan Carter, Head of Strategic Housing
Date action to be completed by	1) April 2013 ongoing

Equality Group	**Transgender**
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	No actions required.
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	**Marriage and Civil Partnership**
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	No actions required.
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Race or ethnicity
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	No actions required.
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Religion or belief
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	No actions required.
Officer responsible for progressing the action	
Date action to be completed by	

Equality Group	Sexual orientation
Details of possible disadvantage or negative impact	
Action to be taken to address the disadvantage or negative impact	No actions required.
Officer responsible for progressing the action	
Date action to be completed by	

Other	Other factors that may lead to inequality
Details of possible disadvantage or negative impact	1) Reductions in training budgets may impact negatively on the expertise of staff to deal with particular housing management issues.
Action to be taken to address the disadvantage or negative impact	1) The use of residual training budgets will be prioritised accordingly, in an attempt to mitigate any negative impact, with staff with the greatest training need receiving the highest priority.
Officer responsible for progressing the action	1) Robert Hollingsworth, Head of City Homes
Date action to be completed by	1) March 2014

Project Appraisal and Scrutiny Committee Recommendation

Project Name	ECCHO House Refurbishment
Committee	Housing Management Board
Portfolio	Housing
Committee Date	8 January 2013
Executive Councillor	Councillor Catherine Smart
Lead Officer	Andrew Latchem

Recommendation/s

Financial recommendations –

The Executive Councillor is asked to approve commencement of this capital project, where funding is already included in the Housing Capital Investment Plan

- The total maximum cost of the project is estimated to be £95,000.

- The ongoing revenue implications, from April 2014, will result in anticipated additional net revenue income of £4,140 per annum in the Housing Revenue Account. A part year effect, estimated to be £3,100 is anticipated in 2013/14.

Procurement recommendations:

- The works will be procured from the existing Planned and Preventative Maintenance contract with Apollo or reserve contract with Kiers. If the quotations for the work exceeds the estimated contract value by more than 15% the permission of the Executive Councillor and Director of Resources will be sought prior to proceeding.

1 Summary

1.1 The project

The project is to convert an existing building into a two-bedroom bungalow, fully adapted for a disabled household.

Target Start date	**February 2013**
Target completion date	**June 2013**

1.2 The Cost

Total Capital Cost	£95,000

Capital Cost Funded from:

Funding:	Amount:	Details:
Reserves	£0	
Repairs & Renewals	£0	
Section 106	£0	
Other	£95,000	HRA Commercial Property – Major Voids / Improvements. (Existing Housing Capital Plan Budget post HRA BSR virements)

Net Revenue Cost / (Income)

Year 1 (2013/14)	£ (3,100)
Ongoing	£ (4,140)

The anticipated ongoing revenue benefit to the HRA is the net of the assumed rental income for the dwelling of £6,380 less the assumed need to spend in respect of the dwelling in terms of management (£200), routine maintenance (£750) and set-aside for major repairs (£1,290).

The year 1 saving assumes that the property is let from July 2013, although in reality this could be sooner, subject to the completion of the required building works and letting of the property to a suitable occupant.

1.3 The Procurement

The project will be undertaken under the existing Planned Maintenance contract, by one of the two existing planned maintenance contractors, either Apollo or Kier.

2 Capital Project Appraisal & Procurement Report

2.1 What is the project?

The project is to convert an existing building into a two-bedroom bungalow, fully adapted for a disabled household.

ECCHO House is the East Chesterton Community House based in Franks Lane in East Chesterton. It was built about 20 years ago as a local community office for the residents of East Chesterton.

It ceased to be used by housing staff in 1996 when the North Area Housing Office was built at 171 Arbury Road. More recently it has been used by SURESTART, but they have vacated the building, in favour of larger premises.

There is local demand for an adapted bungalow in the area, which may also free up a three-bedroom house.

The building was always designed to be easily converted for residential use, should it no longer be required as office accommodation, and this project would convert the building in to a disabled adapted two bedroom bungalow subject to planning consent. Use of the building as a dwelling is considered a higher priority than continued alternative use.

2.2 What are the aims & objectives of the project?

To provide a two bedroom disabled adapted bungalow for a priority applicant. For the fraction of the cost of a new build disabled bungalow, the conversion would allow us to provide a social housing unit for a disabled household.

2.3 Summarise the major issues for stakeholders & other departments?

The project will involve the Estates and Facilities Team, including the Council's Architects.

2.4 Summarise key risks associated with the project

Key risks associated with the project include vandalism to the building, which is currently vacant. Any delay in the project will impact negatively upon the potential net revenue stream from the new bungalow, at approximately £80.00 per week.

If the project does not take place, the identified need in the area to re-house a disabled household will not be met.

2.5 Financial implications

a. Appraisal prepared on the following price base: 2012/13 – 2013/2014 for works and 2013/14 for revenue financial implications.

2.6 Capital & Revenue costs

(a) Capital	**£**	**Comments**
Building contractor / works	80,200	
Purchase of vehicles, plant & equipment	0	
Professional / Consultants fees	11,000	Planning, Building Regulations, Legal Fees, Architects
IT Hardware/Software	0	
Other capital expenditure	3,800	Section 106 Agreement
Total Capital Cost	95,000	

(b) Revenue	£	Comments
Rent Income	(£6,380)	
Management Costs	200	
Maintenance Costs	750	
Major Repairs Set Aside	1,290	
Total Net Revenue Cost	(4,140)	

2.7 VAT implications

There are no anticipated adverse VAT implications associated with this project, as the resulting dwelling will be let as social housing to a tenant of the Council.

2.8 Other implications

The building is now currently empty and is in a residential street, there is a concern that the building may be subject to vandalism and attract anti social behaviour. The provision of a disabled bungalow meets our commitment to affordable housing and for services to people with disabilities.

2.9 Estimate of staffing resource required to deliver the project

Technical Officers from Estates and Facilities, as well as City Homes and the Architects will staff the project.

2.10 Identify any dependencies upon other work or projects

The building will has received planning consent for change of use to residential, and the works will need to comply with building regulations.

2.11 Background Papers

There are no background papers associated with this appraisal.

2.12 Inspection of papers

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Date prepared:	December 2012

Capital Project Appraisal - Capital costs & funding - Profiling *Appendix A*

	2012/13	2013/14	2014/15	2015/16	2016/17	Comments
	£	£	£	£	£	
Capital Costs						
Building contractor / works	80,200					
Purchase of vehicles, plant & equipment						
Professional / Consultants fees	11,000					
Other capital expenditure:	3,800					
Total Capital cost	**95,000**	**0**	**0**	**0**	**0**	
Capital Income / Funding						
Government Grant						
S106 funding						
R&R funding						
Earmarked Funds						
Existing capital programme funding	95,000					HCIP - Post approval of virement as part of HRA BSR
Revenue contributions						
Total Income	**95,000**	**0**	**0**	**0**	**0**	
Net Capital Bid	**0**	**0**	**0**	**0**	**0**	