

Version 3
Council

Housing Revenue Account Budget Setting Report 2014/15

February
2014

Cambridge City Council



Version Control

Version	for :	Anticipated Content	
1	Draft	Draft content for consultation	
2	Community Services Scrutiny Committee 16 January 2014	Member Scrutiny Amendments to Executive proposals Opposition budget amendment proposals	
2	Housing Management Board 16 January 2014	Member Scrutiny and Tenant and Leaseholder Input	
Current	3	Council Meeting 27 February 2014	The Executive Councillor for Housing's recommended final budget proposals
	4	FINAL	Final version for publication following Council

Cambridge City Council

Housing Revenue Account

Budget Setting Report

2013/14 to 2017/18

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Section 1

Introduction

Background

Continued operation in a 'self-financing' environment requires the Housing Revenue Account to support, and potentially repay, a significant level of housing debt whilst also ensuring ongoing delivery of quality housing services. As at April 2013, the authority was supporting a housing debt of £214,753,250. The level of debt supported by the Housing Revenue Account is expected to increase to allow for the delivery of new and re-developed affordable housing, until the current debt cap of £230,839,000 is reached.

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

The level of investment in housing services is dependent upon the anticipated income streams for the Housing Revenue Account, with the most significant of these being the rental income for the housing stock.

In a self-financing environment, local decision making can drive the level of investment in the housing stock, with agreed spending priorities in line with local demand. The authority has the ability to set rents at a local level, although it does need to be recognised that the government still issues guidance for setting rents, which local authorities are expected to adhere to. However, any decision to increase rents at a lower rate than assumed in the original self-financing settlement will require some form of remedial action to mitigate the financial impact if the authority still wishes to be in a position to deliver the existing HRA Business Plan.

With greater flexibility over longer-term decision making at a local level, the Housing Revenue Account needs to continually review priorities for investment, delivering an appropriate 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)
- Support for, and potential repayment of, housing debt

To achieve this, it is imperative 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 and incorporates changes in internal methods of operation and external factors, both in the context of local priorities.

Purpose, Scope and Key Dates

Purpose

At its meeting on 24 October 2013, following consideration at both HMB and Community Services Scrutiny Committee, the Council considered the Housing Revenue Account (HRA) Mid-Year Financial Review for 2013/14. The mid-year review of factors affecting the housing service took into consideration emerging changes in both local and national policy priorities and the implications of anticipated changes in the current economic climate. The approved HRA Mid-Year Financial Review set out the agreed financial strategy for the HRA, and confirmed the framework for the detailed budget work to develop proposals for the 2014/15 budget.

As part of the preparation of the HRA Budget Setting Report, the range of assumptions on which the HRA Mid-Year Financial Review was based, was reviewed in light of the latest information available to determine whether any aspects of the strategy needed to be revised. The outcome of this exercise has provided the basis for the finalisation of the HRA budget and setting of rents for 2014/15.

This document provides detail of the outcomes of the review of key assumptions that has been undertaken, and sets out the detailed budget recommendations for consideration at meetings of both HMB and Community Services Scrutiny Committee on 16 January 2014, and ultimately at Council on 27th February 2014.

Scope

The HRA Budget Setting Report is designed to complement 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 Financial Review, 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 Mid-Year Financial Review & Budget	5 years	Detailed budget & rent setting
Longer-Term Budget 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.

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

Key Dates

The key member decision-making dates are as follows:

Date	Task
2013	
1 October	The Executive Councillor for Housing considered HRA Mid-Year Financial Review and incorporated HMB, including Tenant and Leaseholder Representative, views in recommendations to Council
10 October	Community Services considered HRA Mid-Year Financial Review

Date	Task
24 October	Council approved HRA Mid-Year Financial Review 2013/14 to 2042/43
2014	
16 January	Executive Councillor for Housing considers Community Services Scrutiny Committee views, before making recommendations to Council in respect of the capital aspects of the HRA Budget Setting Report
16 January	Executive Councillor for Housing considers HMB, including Tenant and Leaseholder Representative, views, before approving HRA revenue budgets and rent levels, presented as part of the HRA Budget Setting Report
27 February	Council approves HRA Budget Setting Report

Review of Key Factors

The work on the 2014/15 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 Business Plan of February 2012 and the latest updates in assumptions made as part of the HRA Mid-Year Financial Review in October 2013.

For the Housing Revenue Account the approved budget strategy included:

- A financial model that initially anticipated set-aside of resource to allow debt repayment from the point at which the first of 20 loans reach maturity, pending review of alternative treasury management options, to be presented as part of this budget report.
- 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 a 10-year period.
- The delivery, subject to viability of 250 new and re-provided homes in the initial 5 year period.
- The potential for delivery of additional homes in years 6 to 30 of the Business Plan.
- The identification of a general savings requirement of 2% in general management expenditure for 2014/15 and beyond, alongside an adjustment in responsive repairs expenditure in line with anticipated stock changes. For 2014/15 the general management

savings requirement is equivalent to £113,000, and the revenue repairs expenditure is anticipated to be reduced by £27,030.

- A priority policy fund for 2014/15 to 2017/18 at a 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
Local Policy Context for budget setting	2	
National Policy Context and External Factors	3	
HRA Resources:		
Rent Income	4	Based on rent increases in line with government guidelines and local policy decision
Service Charge Income	4	Based on recovering full anticipated costs of service delivery
Other Income (Garages / Shops)	4	Latest projections in rent and void levels
Grant Income		Latest projections in external funding
Earmarked Funds	4	Latest projections of key funds
HRA Spending Proposals:		
2013/14 Revised Budget	5	Based on January 2014 scrutiny committee reports
Post HRA Business Plan Update Approvals	5	Based on decisions made under urgency powers and those proposed in the October 2013 and January 2014 cycle of meetings
2014/15 Budget Proposals including:		
Non-cash limit items	5	Based on latest projections / detailed estimates
Bids and savings proposals	5	Based on January 2014 scrutiny committee reports
Overall position against savings targets	5	Based on January 2014 scrutiny committee reports
PPF bids	5	Based on January 2014 scrutiny committee reports
Treasury Management Strategy	7	Review of debt repayment approach

Section 2

Local Policy Context and Priorities

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 1/4/2013	Estimated Stock Numbers as at 1/4/2014
General Housing – Social	6,607	6,405
General Housing - Affordable	0	20
Sheltered Housing	520	506
Supported Housing	24	24
Temporary Housing (Individual Units / HMO's / EA)	65	85
Miscellaneous Leased Dwellings	19	18
Shared Ownership Dwellings	86	86
Total Dwellings	7,321	7,144

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	Actual Stock Numbers as at 1/4/2013	Estimated Stock Numbers as at 1/4/2014
Bedsits	112	112	98
1 Bed Flat / Maisonette	1,638	1,630	1,515
2 Bed Flat / Maisonette	1,267	1,260	1,256

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2012	Actual Stock Numbers as at 1/4/2013	Estimated Stock Numbers as at 1/4/2014
3 Bed Flat / Maisonette	41	42	40
1 Bed House / Bungalow	188	189	167
2 Bed House / Bungalow	1,136	1,130	1,122
3 Bed House	2,269	2,248	2,236
4 Bed House	95	95	95
5 Bed House	7	7	7
6 Bed House	2	2	2
Sheltered Housing	525	520	520
Total Dwellings	7,280	7,235	7,058

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

Stock Category	Actual Stock Numbers as at 1/4/2013	Estimated Stock Numbers as at 1/4/2014
Modern or Refurbished Schemes		
1 Bed Flat	399	399
2 Bed Flat	51	51
1 Bed Bungalow	3	3
2 Bed Bungalow	2	2
Schemes Undergoing / Awaiting Modernisation		
Bedsit	14	2
1 Bed Flat	51	49
Total Sheltered Dwellings	520	506

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 2013, the Council retained the freehold and managed the leases for 1,092 leasehold flats.

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 2013, reaffirmed the 'Vision for the City' and agreed how the Council would work towards meeting the vision during 2013/14 and beyond.

Council and Housing Vision

Council Vision

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.

2013/14 Detailed Agenda

- Shaping the Cambridge of the future
- Addressing our financial challenges
- Responding to Welfare Reform
- Seeking a new deal for the Greater Cambridge area

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.

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.

The Council's Vision is translated, from a housing perspective, into three 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 related advice to help prevent homelessness.

The Council as a Housing Provider

The Council is the main provider of housing in Cambridge.

In keeping with the overall Vision for the Council the principles behind why the Council provides housing are as follows.

- To provide housing of all kinds and to remain flexible in its provision of housing services to meet the prevailing needs of the local community over time.
- To have direct influence on meeting local housing need that is not met by the market, as a significant, community-based provider of affordable housing.
- For policy direction and decision-making to be a co-production between democratically elected councillors and resident representatives.
- To draw upon the wider skills, expertise and knowledge of the Council to deliver a 'One Council' response to residents.

Tenant and Leaseholder Consultation

STAR Survey 2012 – Satisfaction Levels

The last satisfaction survey was undertaken in February 2012.

The overall satisfaction in services provided by the landlord increased to 83% from 82% in 2008 (72% to 76% on a net satisfaction basis) and of the 13 key questions asked, 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%.

STAR Survey – Identification of Tenant Investment Priorities

In the 2012 STAR satisfaction survey, respondents were asked to rank a number of areas of potential investment in their order of priority, with the top five 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 2014 – Planning ahead

The Resident Involvement Service has subsequently taken forward a series of actions around tenant satisfaction; with the hope of working to positively influence the 30% of tenants who in 2012 were 'neutral' on whether they felt their views were acted upon by the Council, and to ensure that Resident Involvement becomes a force driving performance in the housing service.

Some of the key activity has included:

- Ensuring that the new post of Resident Involvement Facilitator focuses on developing residents' groups on estates to be an independent tenant voice.
- Running a series of features in Open Door, engaging residents with the results and impacts of the 2012 STAR survey, including:
 - Tenants' top 5 priorities from STAR, and how we're delivering them
 - The new RI Facilitator ensuring we are listening to and acting on tenants' views on estates
 - Community/Environment Days and the Cambridge Standard: showing how we listen to and act on tenants' views
 - Open Door postal surveys on deciding spending direction, designed with residents
 - Features showing how residents are now involved in the whole STAR cycle
 - Features showing how we've improved our complaints system, and resulting service improvements

In June 2014, the authority will repeat the STAR Survey, seeking views from tenants and leaseholders on issues around satisfaction, repairs and maintenance priorities, financial concerns and service access limitations, as well as taking the opportunity to gather up-to-date contact and diversity information.

Three separate surveys will be sent out to all general needs tenants, sheltered scheme residents and leaseholders, with the results for each group presented separately. This differs from the survey undertaken in 2012, where representative samples of residents were sent survey forms. Resident representatives will be involved in designing the 2014 STAR survey, including setting the questions.

Partnership Working and Shared Services

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

Cambridge City Council has been actively involved in the submission of a bid to Central Government for a City Deal. The bid has involved a partnership of Cambridge City Council, Cambridgeshire County Council, South Cambridgeshire District Council, The University of Cambridge and the Greater Cambridge Greater Peterborough Enterprise Partnership, and if successful will see significant investment in the greater Cambridge area in respect of transport, infrastructure and housing.

The 2013 Autumn Statement announced the Government's commitment to delivering a City Deal, although this will still require the Government to change current legislation. The work to formulate the bid has fostered closer working with South Cambridgeshire District Council in terms of new build affordable housing development.

The ongoing increased investment in our housing stock as part of the 30-Year HRA Business Plan 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.

Discussions are underway to explore opportunities to work in partnership with Cambridgeshire County Council and other support providers, to ensure, where possible, that council tenants continue to receive support services from a support provider with strong links to their landlord.

Section 3

National Policy Context & External Factors

National Policy Context

National Rent Setting Policy for Social and Affordable Rents

As part of the Comprehensive Spending Review in 2013, government announced plans for future rent policy for social housing. Following these announcements, Communities and Local Government issued a consultation on 31st October 2013 seeking the views of local authorities and registered housing providers on the following proposals:

- The continuation of the basic formulaic methodology for calculating formula rents for social housing.
- A new rent policy to apply for 10 years from April 2015.
- A move from the historic inflationary increase in rent levels of RPI (Retail Price Index) plus 0.5% to using CPI (Consumer Price Index), at the preceding September, plus 1%.
- That rent convergence will not be extended beyond 2014/15.
- The expectation that local authorities will have either reached formula rent by April 2015, or will increase rents to formula rent levels upon re-let after this point.
- The expectation that landlords will charge “affordable rents” (up to 80% market rent inclusive of service charge) for new build properties built either with HCA funding or as part of the one for one replacement programme. At re-let, affordable rents should be re-based to ensure that they remain at 80% of current market rent (the Council’s Tenancy Strategy calls for affordable rents to be no higher than local housing allowance levels, which are currently approximately 65% of market rents).
- The ability to charge tenants in social rented housing with high incomes (over £60,000 a year), a fairer level of rent.
- Continuation of the limit rent and the application of rent rebate subsidy limitation where a local authority charges actual rents that exceed limit rents on average.

The commitment to a long term rent policy is intended to provide certainty and stability for both social landlords and investors, and is designed to support providers in securing private finance.

“The proposed new policy is intended to ensure that all social tenants, in future, see their rent increase on the same basis. It will also help control the housing benefit bill, which is a key priority for Government”.

Local authorities are expected to have regard to guidance issued by Government on rent policy when setting rents. The consultation runs from 31st October 2013 to 24th December 2013, with the response to the consultation to follow in January 2014.

Affordable Rents

Government grant available for new affordable homes has been reduced significantly. To secure grant, providers continue to be required to charge Affordable Rents (up to 80% market rents) on new homes, with the aim that the additional income will fund additional new affordable housing.

For the 146 new and re-developed homes currently being built through the Affordable Housing Development Programme, the authority has negotiated rent levels at or around 65% of local market rents and within Local Housing Allowance levels.

Tenancy Strategy and Tenure Reform

The Council agreed a Tenancy Strategy in June 2012, providing advice for Registered Providers on 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. A local Tenancy Policy for the Council's tenants was also agreed.

Following a review of the policy, a report will be presented to Housing Management Board in January 2014, recommending and seeking approval for specific circumstances where fixed term tenancies could be considered, and utilised, by the authority.

Lettings Reform

Following the introduction of new national guidance on allocations in June 2012, the authority reviewed its Lettings Policy at Community Services Scrutiny Committee on 17th January 2013

and subsequently required all applicants on the register to re-apply for housing. The Home-Link re-registration process and the Council's housing register review took place between January and June 2013.

Housing Register Review

From a high of 8,850 at 31st December 2012 the number on the register as at 10th December 2013 stood at:

- 1,833 live applications (13% band A, 25% band B, 30% band C, 29% band D and 3% band D*)
- 2,487 pending applications, awaiting validation of various proofs which pertain to the application (2% band A, 18% band B, 29% band C, 50% band D and 1% band D*)

A D* classification means that applicants have sufficient resources to find their own alternative housing option.

Housing Need

Delivery of affordable housing in Cambridge has been driven to date by the Affordable Housing Supplementary Planning Document (AHSPD), which shows what the dwelling mix should be for new homes between 2011 and 2031, based on a continuation of trends from 1991 to 2010. For Cambridge this showed a mix as follows (Reference point - SHMA Chapter 12 published May 2013):

Property Size	% Mix per AHSPD
Bedsit / 1 Bed	6%
2 Bed / 3 Bed (2 Bed & 2 Reception rooms)	33%
3 Bed / 4 Bed (3 Bed & 3 Reception rooms)	43%
4 Bed / 4+ Bed	19%
Total	100%

Following the review of the housing register, the identified need for specific types / sizes of accommodation at December 2013, for applicants at bands A and B only, was as follows:

Property Size	% of Band A & B Applicants on the Housing Register with Identified Need
1 Bed	45%
2 Bed	39%
3 Bed	11%
4 Bed	5%
Total	100%

In light of the changes in housing benefit and removal of the spare room subsidy, recognition needs to be given to the provision of one-bedroom accommodation that is delivered to appropriate space standards.

With all of the information now available, consideration needs to be given to the appropriate mix of housing to be delivered on all future new build sites.

Future Reviews

The Council will be using the Home-Link IT system provider *Locata* to assist with an automated review process so that the register can remain as current as possible and to be in a position to best reflect the housing needs of the local population. This process is due to start in January 2014 and will operate thereafter on a regular rolling programme.

Welfare Reforms

In respect of under-occupation cases, Discretionary Housing Payments continue to be considered by the Housing Benefits Service, with time-limited top up payments being awarded in specific circumstances from a finite allocation of resource, allowing tenants the time to make alternative housing arrangements. In some cases, tenants are registered with Homelink, and are actively looking to downsize to a property which suits their household size in Housing Benefit terms. DHP can be awarded to meet the additional rent payments whilst this takes place. At the end of August 2013, it was estimated that 45% of residents affected were paying the additional rent due, with an estimated £29,000 of arrears relating to households affected by the social sector size criteria reduction.

The Benefit Cap, (a cap of £500 per week for families, and £350 per week for a single person), introduced from 15th July 2013, currently impacts 12 City Council tenants, based upon the

cases notified to us by the Department for Work and Pensions (DWP) at the time of writing this report.

The introduction of Universal Credit has been further delayed, with additional pilot projects taking place during the autumn of 2013. Introduction in Cambridge is now anticipated to be from March 2015.

From the point of introduction, new claimants for Job Seekers Allowance (working age and income based), Income Support, Employment & Support Allowance (income related), Child Tax Credit, Working Tax Credit and Housing Benefit, will claim Universal Credit. Claimants will be paid directly, and will receive monthly payments, in arrears, administered centrally by the DWP. Pensioners continue to be excluded from these arrangements at present.

If residents build up excessive arrears, anticipated to be in the region of 8 weeks, there is expected to be the opportunity for the creditor to make an application for a direct payment, with rent being paid to the landlord directly by DWP, until the point at which the arrears have been cleared.

The full impact of these reforms remains unquantifiable at present, but the experience of many of the pilot authorities is a significant increase in both rent arrears and collection and recovery costs.

Supporting People

There is still future uncertainty in respect of the funding, managed on a county-wide basis by Cambridgeshire County Council, for the provision of support services in the city.

Cambridge City Council are currently contracted to deliver support services in sheltered housing, extra care housing and temporary accommodation across the housing stock. The current contracts have been operating under temporary extensions whilst the County Council decided upon the most appropriate delivery vehicle for the future.

In respect of support services for older people, the County Council have confirmed that they do not intend to issue a formal tender, but instead expect to work directly with the City Council to deliver services in line with agreed criteria and discussions are already underway to progress

this. It is likely that discussions regarding the provision of support services in temporary housing may take the same direction.

The table below summarises the current funding received for the provision of support services, highlighting the current contractual position for the authority.

Contract	No. of Contract Units	Contract Status	Budgeted Support Income 2013/14 (£)	Estimated Support Income 2014/15 (£)	Risks / Ongoing Assumptions
Temporary Housing	60	Block Gross Contract Extension expires 31/3/2014.	132,070	TBC	Initial discussions underway re the potential to deliver services collaboratively
Sheltered Housing	468	Fixed Price Contract Re-extension expires 31/3/2014	212,450	TBC	Formal discussions underway re the delivery of services collaboratively
Community Alarms	44	Fixed Price Contract Anticipated to expire 31/3/2014 in line with sheltered housing contracts.	9,310	TBC	Potential to contract direct with each landlord in isolation or let a contract county-wide.
Ditchburn Place (Extra Care)	36	Fixed Price Contract Extension expires 31/3/2015.	45,740	45,740	Extension carries financial risks for the General Fund, as care is currently being subsidised by the City Council.
Total Maximum Support Income (Gross of Voids)			399,570	TBC	

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 - Annual Inflation

The table below shows the movement in each of the main measures of inflation over the last 10 years:

Year	RPI % Annual Inflation	RPI(X) % Annual Inflation	CPI % Annual Inflation	CPI(Y)% Annual Inflation	BCIS
2004	3.1	1.9	1.1	1.0	2.0
2005	2.7	2.5	2.5	2.6	10.5
2006	3.6	3.2	2.4	2.6	3.2
2007	3.9	2.8	1.8	1.7	4.8
2008	5.0	5.5	5.2	5.4	4.2
2009	-1.4	1.3	1.1	2.2	-10.4
2010	4.6	4.6	3.1	1.5	-6.3
2011	5.6	5.7	5.2	3.7	4.8
2012	2.6	2.6	2.2	2.1	-1.8%
2013	3.2	3.2	2.7	2.8	9.3%

Inflation Rates - Monthly Inflation

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

Year	RPI % Monthly Inflation	RPI(X) % Monthly Inflation	CPI % Monthly Inflation	CPI(Y)% Monthly Inflation
October 2012	3.2	3.1	2.7	2.7
November 2012	3.0	2.9	2.7	2.7
December 2012	3.1	3.0	2.7	2.7
January 2013	3.3	2.3	2.7	2.7
February 2013	3.2	3.2	2.8	2.8
March 2013	3.3	3.2	2.8	2.9
April 2013	2.9	2.9	2.4	2.6
May 2013	3.1	3.1	2.7	2.9
June 2013	3.3	3.3	2.9	3.1
July 2013	3.1	3.2	2.8	2.9
August 2013	3.3	3.3	2.7	2.8
September 2013	3.2	3.2	2.7	2.8
12 Month Average	3.2	3.1	2.7	2.8

Fluctuation in inflation rates has remained relatively static over the last 12 months, with small increases and decreases affecting the average rates only marginally.

The work undertaken in 2013, culminating in approval of the HRA Mid-Year Financial Review in October 2013, assumed the use of 2.5% in general inflation (CPI) for 2014/15 and beyond. It is not proposed that any change is made in relation to these assumptions as part of the budget setting process for 2014/15.

The rate of inflation applied in respect of rent increase as part of the 2014/15 budget setting process will be RPI at 3.2%, plus 0.5%, in line with the current government guidelines. The rate of RPI assumed as part of the HRA Mid-Year Financial Review was 3%, resulting in marginally higher rental income than originally anticipated. The financial modelling assumption for future rent increases will adopt the rate of CPI plus 1% in line with the current government consultation, where the assumptions made by government have already been incorporated as part of the national spending review.

Interest Rates on Lending

The Council's General Fund lends externally, on a short-term basis, any cash balances that are held at any point within the financial year. In respect of any revenue balance held by the Housing Revenue Account or balance held in the Major Repairs Reserve, the General Fund is required to pay the interest earned across to the Housing Revenue Account.

The level of interest that the authority has been able to earn in recent years remains low, with interest receivable by the Housing Revenue Account therefore being minimal in comparison to sums earned 5 to 10 years ago. On this basis, it is prudent to ensure that funds are invested appropriately to receive the greatest return, and in the current financial climate, consideration should be given to the Housing Revenue Account investing in property, where it can be demonstrated that investment can generate a higher return than funds invested elsewhere.

Status	Year	Interest Rate Earned on Balances
Actual Rates Earned	2008/09	5.35%
	2009/10	1.36%
	2010/11	0.57%
	2011/12	0.72%
	2012/13	0.81%
Estimated Rates	2013/14	0.64%
	2014/15	0.64%
	2015/16	1.25%
	2016/17	1.25%
	2017/18	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%.

The borrowing requirement currently identified in the next 5 years of the HRA Business Plan will be considered internally before external funding is sought. However, assumptions of the rates chargeable to the HRA have been made in line with lending rates available externally from the PWLB for prudence.

The authority can access a certainty rate with the Public Works Loans Board, which is renewed on an annual basis, with the current agreement confirmed until 31st October 2014. This allows the authority access to a 20 basis point reduction against the standard PWLB rates in respect of any new borrowing.

The tables below show the interest rates available as at November 2013. The first table indicates the certainty rate that will be available until 31st October 2013, with the assumption that the authority would only be able to secure the standard rates after this time.

Loan Length (Years)	Interest Rate (Certainty Rate for New Loans – Available to 31 st October 2015)		
	EIP	Annuity	Maturity
5 Years	1.78%	1.78%	2.61%
10 Years	2.61%	2.66%	3.70%
15 Years	3.26%	3.37%	4.13%
20 Years	3.70%	3.82%	4.30%
25 Years	3.96%	4.09%	4.37%
30 Years	4.13%	4.23%	4.40%
35 Years	4.23%	4.32%	4.40%
40 Years	4.30%	4.37%	4.38%
45 Years	4.34%	4.39%	4.37%
50 Years	4.37%	4.40%	4.36%

Loan Length (Years)	Interest Rate (Standard New Loan Rate)		
	EIP	Annuity	Maturity
5 Years	1.98%	1.98%	2.81%
10 Years	2.81%	2.86%	3.90%
15 Years	3.46%	3.57%	4.33%
20 Years	3.90%	4.02%	4.50%
25 Years	4.16%	4.29%	4.57%
30 Years	4.33%	4.43%	4.60%
35 Years	4.43%	4.52%	4.60%
40 Years	4.50%	4.57%	4.58%
45 Years	4.54%	4.59%	4.57%
50 Years	4.57%	4.60%	4.56%

Right To Buy Sales

Following changes in the right to buy legislation in April 2012, the authority continues to experience an increased level of right to buy activity.

In 2012/13, 135 right to buy applications were received, with 41 of the applications proceeding to completion of the sale of the property. In the first 7 months of 2013/14, the Council has received 64 right to buy applications, with 29 completions having taken place, indicating that although the higher level of sales is continuing and possibly increasing in the short term, there is a slight slowing of interest for the future.

The Chancellor's Autumn Statement 2013 noted that the 2012 reforms to the right to buy scheme delivered a step-change in the level of sales (8,400 from 3,740 nationally from 2011/12 to 2012/13), and announced further support for the scheme. This will take the form of the introduction of Right To Buy Agents to help buyers complete their home purchase, together with the provision of £100m to establish a national fund to improve applicants' access to mortgage finance.

Given that the authority is yet to see the full detail of the proposals, it is difficult to predict what effect the new measures will have on the future of right to buy applications within the city. It is therefore proposed to include a profile of sales based upon a tapering of interest in the scheme until an ongoing level of 15 is achieved by 2018/19. This assumption will be reviewed in light of experience as part of the September 2014 HRA Mid-Year Financial Review process.

Status	Year	Right to Buy (RTB)			Rent to Mortgage (RTM)			Total
		House	Flat	Bedsit	House	Flat	Bedsit	
Actual Sales	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
	2012/13	26	15	0	0	0	0	41
Estimated Sales	2013/14							42
	2014/15							35
	2015/16							30
	2016/17							25
	2017/18							20

Right To Buy Receipts

The authority is subject to a revised agreement with CLG, effective from 1 April 2013, allowing the authority to retain some right to buy receipts, but still subject to a set of specific conditions.

The call on right to buy receipts remains as follows:

- Receipts from assumed sales (10 to 17 sales each year depending upon the year) - split between CLG (75%) and the authority (25%) after allowable deductions, as assumed in

the self-financing settlement. The 25% retained currently funds our General Fund Housing expenditure.

- Receipts from sales over and above the 10 to 17 – the first call on these receipts is a sum considered comparable with the debt (attributable debt) that the authority holds in respect of each dwelling. These receipts can be used for debt repayment, or alternatively could be used for HRA capital purposes, e.g.; investment in new affordable housing.
- Any residual receipt, a one-for one receipt, is retained in line with the agreement with CLG and must be spent to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. The balance must be funded from the Council's own resources or through borrowing. There is a 3-year time limit on spending the balance to deliver new units, with the receipt having to be paid to central government, with interest (at 4% above the base rate) if not spent appropriately.

It should be noted that there are future risks attached in spending the sums retained in respect of the attributable debt element of the formula in the early years, as the government calculates the sum due to CLG on a cumulative basis year on year. If right to buy sales fall in the later years of the business plan, CLG will claw back monies from all right to receipts in-year, until they have arrived at the total sum due to them overall. This could mean that the authority receives no capital receipt from right to buy sales in any one year, thus putting at jeopardy the funding assumed to be available for the general fund housing elements of the Housing Capital Investment Plan in the year in question. Any sums retained in respect of potential debt redemption, could be used to fund general fund housing expenditure in these years, if retained for this purpose.

In respect of one-for-one receipts, it is not possible, under the terms of the agreement with CLG, to use the receipt to fund the development of a dwelling that is already receiving any other form of public subsidy, e.g.; Homes and Communities Agency grant.

As the resource held is capital in nature, the General Fund currently benefits from any interest earned on it. If any unused receipts have to be paid over to central government, the 'penalty' interest payable will far exceed the level of interest that the General Fund will have earned in the interim.

The table below identifies the current one-for-one receipts held by the HRA.

Quarter date for Receipt	Retained one-for-one Receipt Value (Per Quarter)	Total Amount of New Build Expenditure Required for the Quarter	Value of 70% Top Up Funding Required for the Quarter	Deadline for Receipt to be spent on Completed Dwelling	Financial Year for Spend By
30/6/2012	0.00	0.00	0.00	N/A	N/A
30/9/2012	305,694.44	1,018,981.47	713,287.03	30/9/2015	2015/16
31/12/2012	1,052,927.43	3,509,758.10	2,456,830.67	31/12/2015	2015/16
31/3/2013	721,056.95	2,403,523.16	1,682,466.21	31/3/2016	2015/16
30/6/2013	558,506.20	1,861,687.34	1,303,181.14	30/6/2016	2016/17
30/9/2013	646,931.99	2,156,439.96	1,509,507.97	30/9/2016	2016/17
Total	3,285,117.01	10,950,390.03	7,665,273.02		

The proposals for the 2014/15 budget process, presented as part of this HRA Budget Setting Report include recommendations to identify appropriate resource to allow the use of the right to buy receipts retained to date.

The authority has taken steps to begin a review of the balance of investment in the current HRA Business Plan between the provision of services, investment in existing housing stock and in delivering or acquiring new affordable housing, before potentially releasing existing and future one-for-one receipts directly to Central Government, as delivery of new build affordable housing is only possible if the authority already has the 70% top up funding or the ability to borrow it within its borrowing cap.

The HRA currently has sufficient borrowing capacity to fulfil the existing obligations under the one-for-one agreement for receipt received to the end of September 2013, but consideration needs to be given to either reducing investment in other areas of the housing service or moving away from set-aside of resource to repay debt, if future one-for-one receipts are to spent appropriately; particularly if the measures in the Autumn Statement result in increased levels of right to buy sales.

Section 4

Housing Revenue Account Resources

Rent Arrears and Bad Debt Provision

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

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)
31/3/2009	£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
31/3/2013	£661,246	1.86%	£862,042

Maintaining and improving the performance with regard to collection of rent income is key in the delivery of the Housing Revenue Account Business Plan.

Performance in the collection of current tenant debt was maintained in 2012/13. Performance in the early part of 2013/14 has been maintained, when compared with the profile in 2012/13, despite the economic climate, changes imposed with the removal of the spare bedroom subsidy and the initial impact of the benefit cap, introduced in July 2013. Officers continue to work proactively with all tenants, but particularly those affected by the benefit changes, in an attempt to minimise the financial impact on the Housing Revenue Account and maintain or improve upon the current level of rent arrears by the end of 2013/14.

The position is anticipated to worsen during 2014/15, with the introduction of Universal Credit, based on the initial experience of pilot authorities seeing a marked increase in the level of rent arrears.

To ensure ongoing proactive work in respect of rent collection and arrears recovery in a challenging environment, the budget proposals presented in this report incorporate the recommendation that the two dedicated Welfare Reform Assistant Housing Officer posts, originally approved for 2 years from 1st April 2013, be included on an ongoing basis. The staff will be employed to specifically to manage rent arrears and work with the DWP to facilitate direct payment if, and when, arrears levels exceed 4 weeks on a case by case basis.

From 2014/15, a higher level of contribution into the bad debt provision has previously been incorporated, assuming the need to collect 100% of rent from some point during 2014/15. As part of the 2014/15 mid-year financial review process, further consideration will be given to whether this is increased further in light of the experience of the pilot authorities.

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 2013, the provision for bad debt stood at £1,204,518, representing 79% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2012/13 was £368,335, representing a void loss of 1.11%, compared with £354,050 in 2011/12, representing a void loss of 1.15%.

Void levels currently combine general voids, where re-let is applicable and a large number of dwellings where the void will ultimately result in demolition of the dwelling as part of the re-development programme, where properties are vacated well in advance of works commencing.

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
31/3/2009	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
31/3/2013	56	0	98	154

The level of general voids at 31st March 2013 was only 0.76%, but it is considered prudent to continue to assume an ongoing void level of 1% in general and sheltered housing, recognising the release of a considerable amount of new build affordable housing on the southern fringe, and the decision to refurbish Ditchburn Place in 3 phases.

Changes in Council Tax discounts and exemptions from April 2013 mean that the HRA is negatively impacted far sooner than previously experienced in respect of Council Tax liability for an empty dwelling.

Whereas previously, the HRA received a six month exemption for zero occupancy, followed by a 50% discount for an empty unfurnished dwelling, the exemption now only applies for one month, after which full Council Tax is payable. This not only impacts the existing housing stock, but also means that Council Tax will be payable on new build schemes one month after they are deemed complete by the Council Tax Inspector.

Officers are introducing amended practices in an attempt to mitigate this cost, but it is not practicably possible to eradicate the increased costs altogether.

Rent Restructuring

The HRA Self-Financing debt settlement assumed that all local authorities complied with government guidelines for setting rents, and imposed rent increases over a period of time, until target rents were arrived at.

The government consultation on rent setting from April 2015 introduces a different dynamic to the assumptions made, both as part of the HRA self-financing debt settlement, and our resulting HRA Business Plan.

In April 2014, local authorities are expected to continue to adhere to the rent restructuring principles, with increases for tenants of Cambridge City Council being a combination of two factors:

- An inflationary increase (inflation of 3.2% using the Retail Price Index at September 2013 plus 0.5%)
- A £2.00 per week increase to close the gap between the target rent and the actual rent, assuming that convergence is intended to be April 2015

Under the terms of the guidance currently being consulted upon, from April 2015, social rented tenants of Cambridge City Council would receive an inflationary increase (inflation using the Consumer Price Index at September plus 1%) only, with no move towards target rents.

The guidance does however assume that the authority moves the rent level for all void / vacant properties straight to target rent upon re-let.

Adhering to this expectation, residents of Cambridge City Council will continue to move towards a target rent for each property at April 2014, with the continued protection of the limit on any individual increase, of inflation (based upon the retail price index of the preceding September) plus 0.5% plus £2.00 per week.

With target rents for Cambridge City Council still considerably above actual rents, it will be many years before target rents are achieved in totality, assuming rents are only increased when property becomes void. Currently, only 1.8% of the housing stock has reached target rent levels, despite decisions to increase energy efficient void properties directly to target from April 2013.

At April 2013, the average actual rent was representative of 93% of the average target rent. It is currently estimated that the average actual rent will be representative of 95% of the average target rent by April 2014, assuming government guidelines continue to be adhered to.

From April 2015, it is estimated that in the region of 4% of properties will move to target rent when dwellings are void, although this percentage will decrease over time, as properties already at target rents become void and are re-let again. With lifetime tenures, under this methodology, a proportion of the housing stock will not achieve target rent during the life of the business plan.

At the start of 2013/14, the average target rent for the general housing stock was £99.81, the limit rent was £96.50 and the average actual rent being charged was £92.78. Limit rent is set by government, and is the rent level over which the HRA would need to pay rent rebate subsidy limitation to the General Fund, impacting the level of subsidy received from the Department for Work and Pensions for housing benefit payments. For April 2014, the government are yet to announce the limit rent, with an indication in the CLG Rent Consultation that this will be announced as part of the response to the consultation.

If the government followed the existing trajectory in line with the current rent restructuring guidelines, the limit rent would be approximately half way between where it is currently and target rent from April 2014, and would match target rent from April 2015, with rent rebate subsidy limitation no longer existing. It is currently unclear from the consultation the basis upon which limit rent will be set for April 2014 and beyond.

There is still some discretion in the government's current rent restructuring regime in how rents are set at a local level, with an option to use an element of flexibility in the calculation of target rents (5% for general stock housing and 10% for sheltered housing), as long as the average rent does not exceed limit rent. This option has not been exercised locally to date.

Rent Policy

The local rent setting policy was last updated in January 2013.

The policy allows for the transition of energy efficient void properties direct to target rent before re-let. Based upon activity in 2013/14 to date, approximately 51% of void dwellings have been re-let at target rents. This is lower than anticipated, due to a number of properties having an energy efficiency rating below C, coupled with the inability to inspect and assess all void dwellings before they are nominated to and re-let. Re-inspections are not currently being undertaken at the end of a void period, as by this point a property has usually been offered.

The recent consultation on national rent setting policy has prompted a review on the process for moving rents for void properties to target rent, and the current methodology may need to change.

In the first 6 months of 2013/14, the rent for approximately 128 properties has moved directly to target rent. If this trend were to continue, it could be estimated that 3.5% of the housing stock would move directly to target rent in any one financial year.

Using the actual differential between target and actual rents in respect of the properties moved direct to target rent in 2013/14 to date, an additional £80,000 could be recovered in a full year, with this annual sum reducing in 2014/15 as actual rents move nearer to target rents under the current rent restructuring formula.

Rent Setting

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

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

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

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

On balance, it is considered most appropriate to assume that the authority continues to follow government guidelines in the setting of rents for 2014/15, applying the final year of the phased rent restructuring regime, as assumed in both the Self-Financing and HRA Business Plans.

Based on the assumption that April 2014 will be the last year that rent restructuring will apply, and will therefore become the intended year of convergence and assuming the outcome of the consultation is as currently proposed, any occupied property below target rent would be increased either to target rent from April 2014, or by the limit of inflation (using RPI of 3.2% as at September 2013) plus half a percent plus £2.00 per week on a 52 week basis, whichever is the lower.

This will result in an average rent increase for Cambridge City Council general and sheltered tenants of 5.76%, equivalent to £5.36 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.

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 to determine whether there is any benefit to identifying these charges separately.

Building cleaning and window cleaning services are subject to review currently, with the expectation that new arrangements will be in place from October 2014.

Service charges are currently levied for the following services:

- Caretaking (General Housing)
- Communal Cleaning
- Estate Services Champion (General Housing)
- Window Cleaning

- TV Aerials
- Door Entry
- Passenger Lifts
- Gas Servicing
- Electrical / Mechanical Maintenance (Sheltered / Temporary Housing)
- Grounds Maintenance (Sheltered)
- Premises (Sheltered / Temporary Housing)
- Cleaning (Extra Care Housing)
- Utilities (Sheltered / Temporary Housing)
- Support (Sheltered / Supported Housing)
- Paving Maintenance (New Schemes with un-adopted highways)

Proposed service charge levels for 2014/15 are detailed at Appendix B.

Other Sources of Income

Garages

The Housing Revenue Account currently owns 1,834 residential garages, and manages a further 23 on behalf of the General Fund. 133 of these garages are currently identified for demolition as part of the affordable housing development programme schemes approved to date.

Following identification of issues surrounding both the condition and occupancy levels of HRA garages, a member / officer working group met and proposed a number of changes, which were approved at HMB in June 2013.

The key changes included:

- Revised tenancy conditions
- A variable charging structure
- Agreement for a detailed cost appraisal for the St Matthews Street garage site
- Confirmation that a programme of 135 garages would be refurbished during 2013/14, with an estimated 110 in 2014/15, which are still subject to identification

The approved garage charging structure for 2013/14 is as follows:

Category	Rent £ per rent week	VAT £ per rent week	Total Charge £ per rent week
Tenant of City Homes (for storing a motorised vehicle)	9.13	0.00	9.13
Other Resident with Garage within ½ mile of address (for storing a motorised vehicle)	9.13	1.83	10.96
Other Resident (Within Cambridge City) with Garage over ½ mile of address (for storing a motorised vehicle)	11.13	2.23	13.36
Public Body/Charity (for storing a motorised vehicle)	15.40	3.08	18.48
Non Cambridge City resident or Business / Commercial / General Storage Use	17.40	3.48	20.88
Tenant of City Homes (For general storage)	17.40	3.48	20.88
City Homes Use	17.40	0.00	17.40

The changes in charging structure were effective from 7th October 2013, once all the necessary communications and formal notice had been provided to garage tenants. Early indications are that the increase in charges for garages being used for storage purposes, or by those residing over half a mile from the garage are likely to offset the under-achievement in garage rental income against the budget for 2013/14 that would otherwise have been reported as part of this Budget Setting Report. It is currently assumed that this trend will continue in to 2014/15, although this will need to be closely monitored to ensure that occupancy levels do not drop, and potentially improve as a direct result of both investment in 2013/14 and marketing.

The fixed term Garage Project Officer will work closely with Estates and Facilities to ensure the recommendations in respect of garage investment are completed in 2013/14 and 2014/15. The officer will also work pro-actively to ensure that tenants are paying for, and using their garages appropriately.

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 2013/14 the income generated by the commercial property portfolio is anticipated to be in the region of £398,000, increasing to £408,000 from 2014/15.

Some small businesses are experiencing difficulties in terms of financial viability for their operation, and as such the HRA is currently experiencing bad debt and difficulty in letting commercial property as a direct result.

Interest / Investment Income

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

Rates have been at historically low levels for the last 4 years, and recovery is still anticipated to be slow.

Other External Funding

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

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

- Supporting People Grant – The level of funding via the Supporting People Programme has reduced significantly over the last 10 years. Discussions are taking place in respect of new ways of working with the County Council from 2014/15, but the expectation is that the County Council will be seeking to deliver wider services at no extra, or possibly a reduced, cost.

Earmarked & Specific Funds

Earmarked Funds – Revenue Reserves

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

Repairs & Renewals

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

Major Repairs Reserve

This reserve currently contains any balance of historic major repairs allowances (MRA) funding for the period up to 31st March 2012. From April 2012, the fund is being 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 small survey sampling, i.e. 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 Reserve

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.

It is anticipated that the fund accumulated at the end of 2013/14 will be paid to the Pension Fund, so that this will form part of the triennial revaluation of the Pension Fund. Revised employer contribution rates from 2014/15 have yet to be determined by the Fund's actuaries,

but it is not anticipated at this stage that there will be a requirement for a higher level of contribution by the City in 2014/15, based on the action taken in 2011.

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

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, should the authority choose to redeem debt.

To ensure that this is possible, resource is being 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. Alternatively this reserve may be used to fund investment in expansion of the housing portfolio, with a conscious decision to re-finance debt at loan maturity.

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. This is considered further in Section 7.

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 to hold contributions based on the potential liability of such posts, where required.

Earmarked Funds – Capital Receipts

Right to Buy Attributable Debt Ear-Marked Capital Receipt

The HRA is eligible to retain an element from all right to buy receipts over and above those assumed in the initial self-financing settlement, in recognition of the debt which the authority 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, or reinvest as deemed appropriate.

Right to Buy Retained one-for-one 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 Council 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.

Section 5

Housing Revenue Account Budget

Post-HRA Business Plan Update Approvals

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

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

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

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

Revised Budget 2013/14

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

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

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

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

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

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

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

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

Non-Cash Limit Budgets

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

Proposal Type	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Non-Cash Limit items	(674,990)	(860,390)	(860,390)	(860,390)

Budget Proposals Summary

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

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

Service Reviews

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

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

Performance against Savings Target

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

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

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

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

Overall Budget Position and Priority Policy Fund (PPF)

Overall Budget Position

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

Proposal Type	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Net Savings Requirement (HRA Mid-Year Financial Review October 2013)		140,030	140,030	140,030	140,030
2013/14 Revised Budget	71,800				
Unavoidable Revenue Bid		370,230	364,890	364,890	364,890
Service Reviews		(32,400)	(35,400)	(35,400)	(35,400)
Saving		(484,000)	(522,120)	(522,120)	(522,120)
Net Position (Under) / Over Cash Limit	71,800	(6,140)	(52,600)	(52,600)	(52,600)
Non-Cash Limit items	0	(674,990)	(860,390)	(860,390)	(860,390)
Overall Net Position Including Non- Cash Limit Items (Under) / Over	71,800	(681,130)	(912,990)	(912,990)	(912,990)

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

Review of Priority Policy Fund (PPF) Funding

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

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

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

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

HRA Priority Policy Fund 2014/15	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Funding available	(150,000)	(150,000)	(150,000)	(150,000)
Bids into Fund	135,600	197,600	197,600	197,600
Shortfall / (Unused) Funding	(14,400)	47,600	47,600	47,600

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

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

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

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

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

Given the demand for PPF at a higher level than allowed for, it is proposed to offset this against the over-achievement against the HRA Net Savings Requirement for 2014/15 and beyond. This would still leave a net over-achievement against the anticipated net direct spend of £20,540 for 2014/15, reducing to £5,000 per annum from 2015/16 onwards, allowing approval of the proposed budget as presented.

The effects of this would be as follows:

Proposal Type	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Reduction required to meet Cash Limit	0	140,030	140,030	140,030	140,030
Service Reviews	0	(32,400)	(35,400)	(35,400)	(35,400)
Savings	(223,200)	(484,000)	(522,120)	(522,120)	(522,120)
Unavoidable Revenue Bids	295,000	370,230	364,890	364,890	364,890
Net Savings Position above / (below) Savings Requirement	71,800	(6,140)	(52,600)	(52,600)	(52,600)
PPF Funding	0	(150,000)	(150,000)	(150,000)	(150,000)
PPF Bids	0	135,600	197,600	197,600	197,600
Net PPF Position – Above / (Below) Available Funding	0	(14,400)	47,600	47,600	47,600
Net Position above / (below) Overall Cash Limit for the HRA	71,800	(20,540)	(5,000)	(5,000)	(5,000)
Non-Cash Limit Adjustments	0	(674,990)	(860,390)	(860,390)	(860,390)
Net Position for the HRA above / (below) overall assumptions	71,800	(695,530)	(865,390)	(865,390)	(865,390)

Section 6

Capital and Asset Management

Asset Management

An Asset Management Strategy, detailing the anticipated investment need across the Housing Revenue Account asset base was approved in February 2012, 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, whilst also creating new affordable housing assets to both meet housing need and generate future revenue streams, is key to maintaining a financially viable HRA.

The exercise to review the priorities for investment has begun during 2013/14, but a balance must be struck between 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 the limited available resource.

Stock Condition

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

Work is in progress in respect of identifying the investment need in the communal areas of both sheltered and flatted accommodation, with findings anticipated to be incorporated as part of the update of the HRA Asset Management Plan in February 2015.

Until the outcome 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 in the interim. 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 2013 at 96.5%, compared with 96% achieving the desired standard at 1 April 2012. There were 253 properties that were considered to be non-decent (in addition to the 845 refusals), with another 53 anticipated to become non-decent during 2013/14.

Delivering and maintaining decent homes for social housing tenants has been both a national requirement and a local commitment since the inception of the decency standard in 2004.

To be decent, a home must meet the current statutory minimum standard for housing, must be in a reasonable state of repair, must have reasonably modern facilities and services must provide a reasonable degree of thermal comfort.

The decent homes standard is a minimum standard, which all social landlords should meet. Landlords are not expected to make a home decent if it is against the wishes of an individual tenant, and instead are expected to meet the standard at the next opportunity, i.e. when the property becomes void.

As part of the HRA 30-Year Business Plan and Asset Management Plan, approved in February 2012, the authority reduced the assumed lives of a number of decent homes elements, with the intention of moving from a basic decent homes standard to a full investment standard.

This decision has been revisited in light of the need to balance investment between existing dwellings, housing services and the supply of additional affordable housing, with a recommendation to increase the assumed life of the boiler element to 10 years, where the change is not expected to have a detrimental impact on the authority's ability to maintain decency. Other elements of the programme will be reviewed in the coming year, with replacement programmes for kitchens, bathrooms and windows to be reconsidered.

The table below shows the original, current and proposed local asset lives for each decent homes element.

Element	Option	Original Life Assumed	Current Life Assumed	Proposed Life Assumed
Balcony		80	80	80
Balustrade/railing	Metal, timber, concrete, glass, melamine	80	80	80
Bathroom		40	30	30
Boiler		15	8	10
Canopy	Timber, concrete, GRP, metal	40	40	40
Chimney	Pointing & Render	50	50	50
Communal door	GRP, timber, PVCu, composite, steel, mixed	40	40	40
Communal lift		20	20	20
Door entry		15	15	15
Drainage		25	25	25
Electrics		30	30	30
Enclosure doors	GRP, timber, PVCu, composite, steel, mixed	40	40	40
Front/Back door	GRP, timber, PVCu, composite, steel	40	40	40
Garage		80	80	80
Garage door	Timber, composite, steel other	30	30	30
Garage rainwater goods		15	15	15
Garage roof	Metal, asbestos, concrete, felt, other	30	30	30
Glazed areas	PVCu, timber, metal, aluminium, SDG	40	40	40
Heating	Gas warm air, electric warm air, electric storage heaters	30	30	30
Heating	Other, solid fuel, electric ceiling heater	30	30	30
Heating	Gas boilers & radiators	40	40	40
Kitchen	Small, medium or large	30	20	20
Roof covering	Flat	30	30	30
Roof covering	Pitched	50	50	50
Roof structure		50	50	50
Shed door	GRP, Timber, PVCu, composite, steel, mixed, other	30	30	30
Shed roof	Metal, asbestos, corrugated sheets, felt, other	30	30	30
Shed windows	Timber, PVCu, metal, other	30	30	30

Element	Option	Original Life Assumed	Current Life Assumed	Proposed Life Assumed
Smoke detector		15	15	15
Wall Finish	Brick, render, cladded, tile hung, metal sheet	60	60	60
Wall structure	Brick, block, timber, concrete, combination, other	80	80	80
Water heating	On/off peak immersion, gas/electric instantaneous, communal	15	15	15
Window	PVCu	40	25	25
Window	Timber, metal, aluminium, part PVCu	40	40	40

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 2013/14 to 2017/18 is included at Appendix M.

The Asset Management Plan will be subject to a 3-year review in February 2015.

New Build Affordable Housing

New Build & Re-Development

The Council is currently investing in 146 new and re-developed homes in the city, utilising £2,587,500 of Homes and Communities Agency grant, being delivered as part of the 3-year affordable housing programme.

Jane's Court is the first of the programme to reach completion, resulting in a scheme of 14 market sale units and 20 affordable homes. The affordable housing consists of two 1-bed flats and eighteen 2-bed flats, which will be let to residents over the age of 50.

The remaining 12 schemes that have provisional committee approval are expected to be delivered between now and March 2015, to ensure the Council complies with the conditions of the Homes and Communities Agency grant. At the time of writing this report, approximately

90% of residents affected by the re-development programme have been re-housed and 12 of the 19 leasehold re-purchases required have taken place.

As each scheme receives specific committee approval, the indicative cost of the scheme is incorporated into the Housing Capital Investment Plan. As the scheme design progresses and planning approval is sought, revised and more accurate scheme costs are available. As part of the HRA Mid-Year Financial Review, the latest scheme appraisal costs were incorporated into the financial models, and therefore the Housing Capital Investment Plan. These costs will still not be the finally agreed contractual sums that the authority enters into, which will be incorporated at the earliest opportunity once known.

Scheme	HRA MFR Approved Social Housing Units	Affordable Housing Scheme Cost (Cash Spend)	Affordable Housing Scheme Cost (Notional Spend = Estimated Notional Land Value)	HCA Grant and Area Committee (**) Funding	Estimated Notional Land Value	HRA MFR Net Funding Approved (Capital Cost net of Grant and Land Transfer)
Seymour Court / Jane's Court	20	1,232,900	1,500,000	(354,460)	(1,500,000)	878,440
Latimer Close	12	1,462,860	825,750	(212,680)	(825,750)	1,250,180
Barnwell Road	12	1,307,430	627,800	(212,680)	(627,800)	1,094,750
Campkin Road	20	2,806,100	1,229,920	(354,460)	(1,229,920)	2,451,640
Colville Road	19	1,641,650	1,071,710	(336,740)	(1,071,710)	1,304,920
Water Lane	14	1,632,290	899,820	(248,120)	(899,820)	1,384,170
Aylesborough Close	21	2,915,860	814,650	(372,180)	(814,650)	2,543,670
Stanesfield Road (**)	4	724,910	54,980	(170,890)	(54,980)	554,020
Wadloes Road	6	752,870	109,220	(106,340)	(109,220)	646,530
Atkins Close (Garage Site)	8	742,850	246,960	(141,780)	(246,960)	601,070
Hawkins (Garage Site)(*)	5	549,030	140,060	(35,390)	(140,060)	513,640
Fulbourn (Garage Site)(*)	4	323,560	298,290	(70,890)	(298,290)	252,670

Scheme	HRA MFR Approved Social Housing Units	Affordable Housing Scheme Cost (Cash Spend)	Affordable Housing Scheme Cost (Notional Spend = Estimated Notional Land Value)	HCA Grant and Area Committee (**) Funding	Estimated Notional Land Value	HRA MFR Net Funding Approved (Capital Cost net of Grant and Land Transfer)
Ekin Road (Garage Site)(*)	4	474,030	148,080	(70,890)	(148,080)	403,140
Total	149	16,566,340	7,967,240	(2,687,500)	(7,967,240)	13,878,840

(*) Some of the above schemes are still at viability stage, and therefore have not yet received formal planning approval. As such, it is not guaranteed that schemes will proceed if they prove to be either financially or technically unviable. The net funding approval identified above assumes delivery of a 60/40 split of affordable versus market housing across the programme. Following decisions made as part of the scheme proposals presented to committee in October 2013, consideration will be given to the option of delivering 100% affordable housing on these sites, with delegations for final approval of the option which delivers the best results in place. The Housing Capital Investment Plan, an updated version of which is attached at Appendix M, incorporates the funding for new build schemes as identified in the table above, recognising the need for gross spend on the affordable housing scheme, land values and grant receipts to be shown separately, but arriving at the net cash cost to the Council as per the table above.

The assumption has been made in the Housing Capital Investment Plan, as part of this Budget Setting Report, that the appropriate level of investment will be included in 2014/15 to allow the authority to purchase the 13 proposed market units on the 4 garage sites included in the current Affordable Housing Development Programme, for use as social housing. This would not only deliver 13 additional affordable housing dwellings, but would also enable appropriate utilisation of the earliest retained right to buy receipts, thus avoiding payment of these to central government. If this option is not possible or deemed financially unviable once fully investigated, the identified investment will be instead be transferred to another development that qualifies for use of the right to buy receipt, or will be used to purchase dwellings on the open market within the same timeframe (during 2014/15). A report will be presented in early 2014 in this regard.

Work is underway with Hill Partnerships, preparing for the development of the Clay Farm site, which will include 104 new Affordable Housing dwellings which the City Council will own and manage. Funding for the scheme has previously been ear-marked in the HRA Business Plan, but a detailed scheme specific proposal will be presented for consideration at Community Services Committee in January 2014, before approval is sought from Council in February 2014. The report provides a number of options for investment, asking for delegated authority to be given to agree the final mix and funding package. The assumption made as part of this Budget Setting Report, is that the authority will deliver 104 homes, comprising 78 affordable rented dwellings and 26 shared ownership dwellings.

The scheme is anticipated to be partially funded using retained right to buy receipts, with the prudent assumption made in the Housing Capital Investment Plan, that only receipts retained to date are initially committed to the scheme. It is assumed that the balance of the costs will be met from existing HRA resource and borrowing, ensuring that the scheme is financially viable and can continue even if future right to buy sales decline significantly. However, if right to buy receipts continue to be realised, the level of retained receipt used to fund the Clay Farm scheme will be increased up to the maximum of 30% of the costs of delivering the affordable rented housing on the site, as shared ownership housing is not a valid use of this resource.

Delivery of the affordable housing accommodation on the Clay Farm site is expected in phases beginning in summer of 2015, with completion by summer of 2016.

Funding has also been earmarked in 2016/17 for investment that is anticipated to ensure that the authority can appropriately spend the balance of anticipated retained right to buy receipts. With the current assumptions in respect on right to buy sales, the authority would expect to not only be able to maximise the level of right to buy receipts invested in Clay Farm (30% of the affordable rented element), but also to be in a position to need to spend a further £2.4 million in the delivery of new affordable housing by 2017/18, thus avoiding the need to pay any retained receipts to government before the end of the current budget period (31st March 2018).

City Deal

The City Deal aims to secure hundreds of millions of pounds of additional funding for investment in transport infrastructure and homes to support high quality economic and housing growth over the coming decades.

This extra funding is expected to come from the local area keeping a share of the additional tax income that will be generated as a result of future growth (an idea known as “Gain Share”).

As part of the City Deal, it is proposed that this will be combined with a revised package of funding to support the delivery of affordable housing, along with new measures to allow skills funding to be used in different ways which will target training more at the particular needs of local employers.

As the detailed work on City Deal is progressed the implications for the HRA Business Plan will be reviewed for inclusion in the September 2014 Housing Revenue Account Mid-Year Financial Review.

Asset Disposals & Acquisitions

Consideration continues to be given to the acquisition or disposal 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 acquisition or disposal (outside of the currently approved 3-Year Affordable Housing Programme).

Potential Acquisition / Disposal / Change of Use	Comment	Status
24 Elizabeth Way	Consideration being given to potential alternative use or market disposal of this vacant dwelling	Under Investigation
18A Magrath Avenue	Dwelling requires significant investment. Potential for market disposal of dwelling or sale to neighbouring leaseholder who would seek to acquire the freehold for the block	Under Investigation

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 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 the erection of new dwellings being a clear preference.

Shared Ownership Acquisitions and Disposals

Following a recent review of the current shared ownership scheme, a report is being taken to HMB and Community Services Scrutiny Committee in January 2014, with a recommendation that the Council continues to provide shared ownership within the City; recognising the value shared ownership brings to ensuring that a range of housing options are available to residents, particularly supporting the growing number of people who are unable to access social housing but cannot afford to purchase on the open market.

The report has recognised that a range of marketing methods needs to be employed to ensure that as-wide-a market as possible is reached, and that the properties go to those most in need.

Providing a percentage of shared ownership properties on the Council's new development sites would help to subsidise the development of properties for rent. Government grant will be sought to support the cost of developing new shared ownership homes.

The report being presented to Community Services in January 2014 in respect of the development of the affordable housing on the Clay Farm site, incorporates assumptions that the authority will deliver a proportion of the accommodation as shared ownership housing, subject to viability.

In respect of the existing shared ownership stock, the report proposes a business case is prepared each time a dwelling is offered back to the Council, to determine the best future use for the dwelling, which may be:

- Buy back and sell a share to another applicant
- Buy back to use as general rented stock
- Buy back and sell the whole property on the open market
- Advise the seller to sell their share sold on the open market

Decisions in this regard will be made following assessment of the dwelling against a number of criteria, including costs, identified need, size, type and condition of the property, housing market conditions, planning restrictions and any other factors considered relevant.

Capital Bids

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

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

Also incorporated into the Housing Capital Investment Plan at Appendix M is the financial impact of the following changes:

- Amending the asset life for boilers in line with the proposals on pages 50 and 51 of this document, from the previous 8, to a 10 year life cycle.
- Re-phasing of £15,000 of resource for communal floor coverings, from 2014/15 into 2013/14, to allow for completion of works to a whole block whilst the necessary equipment is erected on site.

- Re-phasing of £500,000 from 2014/15 to 2021/22 and £850,000 from 2015/16 to 2022/23 in respect of window replacements, recognising that it is too early to move to a full investment standard for this element, based upon limited experience of early failures.
- Re-phasing of £250,000 from 2014/15 into 2015/16 in respect of the communal areas uplift, as the full programme of required works is not yet complete, and therefore the authority would not expect to spend the enhanced allocation previously included for this year.
- Funding for the development of 104 units of affordable housing on the Clay Farm site, in line with the assumptions being made in the report being presented to Community Services Scrutiny Committee in January 2014. Funding has been incorporated, assuming delivery of 75% affordable rented housing and 25% shared ownership housing. Any decision made under delegated powers to deliver a differing proportion of shared ownership housing, will result in both a different level of upfront investment, and also ongoing revenue returns. The impact of such a decision would be incorporated into the HRA Business Plan at the next available opportunity.
- Funding for the purchase of the 13 market housing units currently anticipated to be delivered on the 4 garage sites in the affordable housing development programme, to both deliver 100% affordable housing, but also utilise the earliest retained right to buy receipts, thus negating the need to pay any sum over to CLG with the associated interest that would fall due. If the purchase of the market units is not viable upon detailed investigation, the resource will either be transferred to another scheme or will be used to purchase properties on the open market, to increase the supply of affordable housing.
- Earmarking of the required level of additional funding for new build investment in 2016/17 and 2017/18 to ensure that the anticipated level of future retained right to buy receipts can be appropriately utilised. This funding has not yet been allocated to specific schemes, but consideration will be given to where investment could be best made to deliver new homes in this time frame, with the fall back position that existing properties can be purchased on the open market if required.

Section 7

Treasury Management Strategy

Background

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

When approving 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 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 2013, the Housing Revenue Account was supporting two forms of borrowing, internal and external.

External Borrowing

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

The loans have varying maturity dates, with the first £10,678,600 due to be repaid on 28th March 2038, and the last on 28th March 2057.

Internal Borrowing

In addition to the external loans attributable to the HRA, there remain 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 internal borrowing as part of the Item 8 Debit to the HRA. The interest rate payable by the HRA can be determined by the authority, but must be deemed reasonable and stand up to external scrutiny from auditors.

Future Borrowing

The Housing Revenue Account is still subject to an overall debt cap, notified to the authority as part of the HRA Self-Financing Settlement, at a level of £230,839,000. With existing HRA debt of £214,748,250, the authority currently retains borrowing headroom of £16,090,750, which is committed as part of the Housing Capital Investment Plan, contributing to the finance available for the delivery of the current affordable housing development programme, Clay Farm and housing required using the earliest one-for-one right to buy receipts.

The 30-Year HRA Business Plan now includes the assumption that the HRA will undertake borrowing during 2014/15 and 2015/16, to reach the debt cap by the end of 2015/16.

As part of the lead-in to borrowing resource during 2014/15, consideration will be given to both the type and source of borrowing to be taken out, in the context of the financial environment at the time.

Borrowing Options

Borrowing Source	Current View
Internal Borrowing	Although there is still capacity to undertake an element of internal borrowing, 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. The preference of the HRA is likely to be for longer-term borrowing, with pay back over the first 30 to 35 year life of an asset, as this frees up surpluses in the shorter term which can be re-invested in the delivery of new homes. However, consideration will be given to this borrowing route for any additional borrowing required. 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 still worthy of further consideration, although the appetite did not exist locally in respect of the initial debt settlement borrowing.
PWLB Borrowing	The authority has re-registered for entitlement to a certainty rate with PWLB, realising a 20 basis point reduction against the published rates available. This opportunity is now available for borrowing until 31/10/2014, 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 consideration of any existing internal resource or inter-authority borrowing available.

The PWLB offer a variety of borrowing options. 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, i.e. 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

The longer-term nature and preference for fixed term loans that exist in respect of future HRA borrowing for the delivery of new assets, means that internal borrowing from the General Fund is unlikely.

Internal borrowing may be an appropriate source for any short term borrowing requirement, where pay back of investment is anticipated in shorter timescales. This may be the case for any spend to save initiatives or small one-off development or acquisition opportunities. This has the advantage of retaining the money paid as interest within the Council overall. If the interest rate charged was the same as available externally so the HRA had no direct benefit, the General Fund would receive investment income that could exceed the levels available from the market.

The continuation of the PWLB Certainty Rate, available now until the end of October 2014, equivalent to a 20 basis point reduction in the standard PWLB rates, provides an incentive for the authority to consider external PWLB borrowing as a viable option.

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 the length of loan required and the prevailing rates at the date the funds are required.

Loan Portfolio

Due to the debt cap currently in place, additional HRA borrowing is limited. The sums in question 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.

Debt Repayment / Re-Investment

Set-Aside for Repayment of HRA Debt

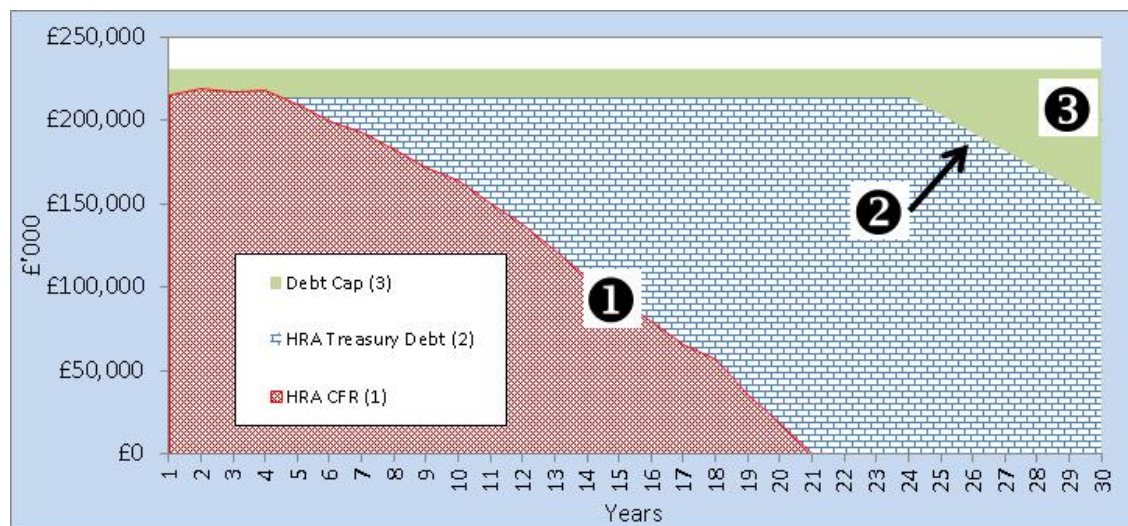
Based on the final self-financing determination, the Council was required to borrow to fund a payment of £213,572,000 to the Government on 28 March 2012. Following significant exploration of the funding options available to the Council the authority took out a portfolio of 20 maturity loans, with varying annual maturity dates, with the first maturing in March 2038, as detailed in the table below:

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

The initial Business Plan for the HRA was drafted on the basis that funding would be set-aside over the period of these loans to enable them to be repaid on maturity. Although the Business Plan recognised that there was an alternative approach, whereby these loans could effectively be re-financed on maturity and the funding that would have been set-aside for their repayment used instead to fund additional spending (most likely in the form of additional house-building), it was felt that this should only be considered after the new Self-Financing HRA had been successfully implemented; providing greater financial certainty.

The review of this aspect of the HRA Business Plan has now been undertaken, and the potential of the alternative approach has been explored.

The graph below shows the debt position resulting from the current policy (i.e. fund existing approvals (as identified in Section 6) and set-aside funds to repay loans on maturity).



This shows 3 specific elements:

- (1) Level of Debt for which no provision has yet been built up in order to repay on maturity
- (2) Provision set-aside to repay current debt on maturity (could be used instead to fund new house building)
- (3) 'Space' up to Debt Cap for new borrowing (or need to refinance through new borrowing if (2) is used to fund new house building)

Whilst this confirms that it is possible to use the funding that would otherwise be set-aside to repay the current debt on its maturity, this would result in a significant potential risk in that re-financing of each loan would have to be undertaken upon maturity, irrespective of the prevailing market / PWLB rates for suitable loans at that point.

This was anticipated, in part, by arranging an initial debt portfolio spread evenly across 20 years in order to restrict the sum maturing at each point. However, in order to further mitigate these risks, the authority could:

- ensure that the surplus is invested in income generating assets, which are then maintained appropriately to ensure an ongoing revenue stream sufficient to support the ongoing debt
- consider taking short loans if rates are unusually high, or more prudently;
- set-aside funding to enable its use to repay any loan which matures at a time of high interest rates. Modelling has been undertaken based on retaining the equivalent of 5 tranches of the existing PWLB loan portfolio (approximately £53.4 million)

Given the continued level of need for additional affordable housing, and the priority ascribed to building new homes under the 2012 STAR survey, the review has identified the potential to provide additional homes within the HRA using the set-aside funding.

In considering the potential use of the available set-aside amounts for the provision of additional HRA housing, assumptions need to be made over the cost of providing each new dwelling. Critical factors in this will be whether:

- a) land is available at all, or available at nil cost, ie; provided by developers as part of their affordable housing contribution. The worst case scenario assumes the purchase of existing dwellings for conversion to use as affordable housing.
- b) HCA grant is available.

This will affect the levels of new dwellings that can be provided in addition to existing approvals (but within the overall levels contained within the new Local Plan), ranging from 810 (where existing market dwellings are purchased and there is no HCA grant), to around 2,230 (where land is provided at nil cost and HCA grant is available for all units), over the period from

years 5 to 30 in the Business Plan. This is based on setting-aside 20% of the original PWLB loan sum as cover against high rates at the point of re-financing existing loans.

The scenarios considered include the following assumptions, where appropriate:

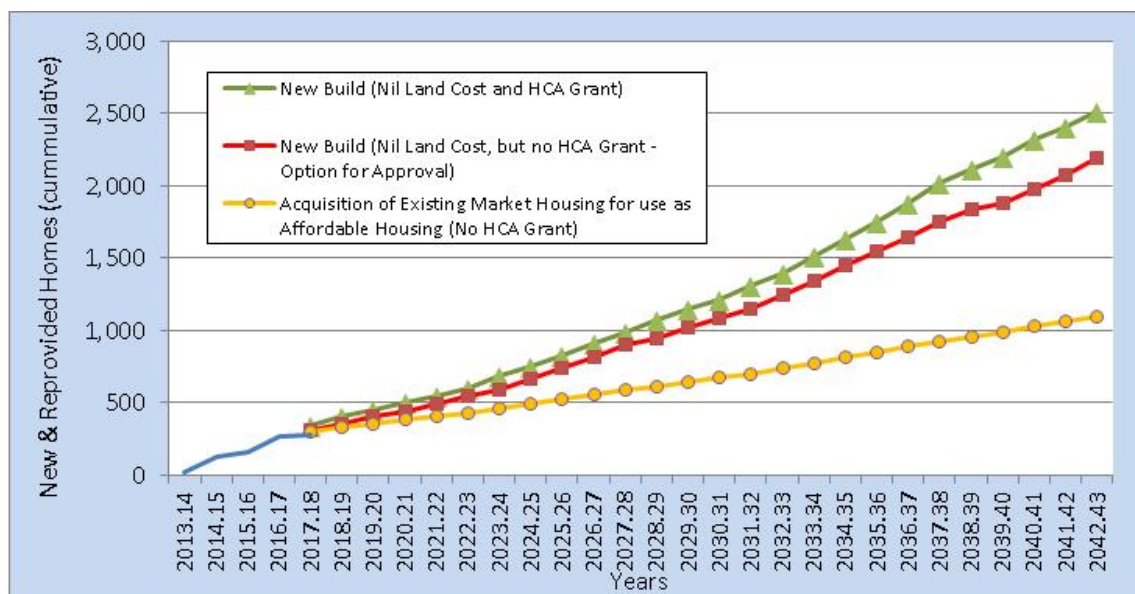
- Build Cost (including fees and infrastructure costs) - £150,000 per unit
- Built to code level 4 or above
- Acquisition Cost - £300,000 per unit, where applicable
- HCA Grant - £15,000 per unit where, applicable
- 100% affordable rented units, with rental income no greater than the LHA rates
- Voids and bad debts as per existing HRA stock
- Management, maintenance and major repairs broadly in line with existing stock assumptions

The graph below depicts 3 potential scenarios for the delivery of additional affordable housing over the life of the plan. The options include a worst case scenario, where it is assumed that existing market housing is purchased and converted to use as affordable housing, delivering around 810 affordable homes and a best case scenario where it is assumed that land is provided at nil cost as part of developer's contributions and that HCA grant is awarded for all of the units delivered.

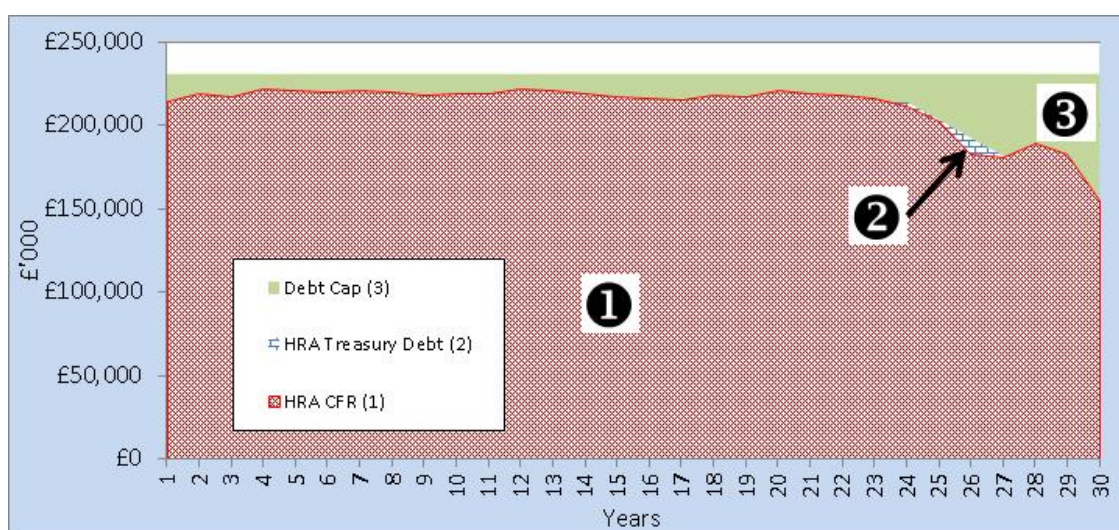
The third scenario depicted, and the option incorporated into the HRA budget, for approval as part of this Budget Setting Report, includes the following assumptions:

- Build Cost (including fees and infrastructure costs) - £150,000 per unit
- Built to code level 4 or above
- Land at nil cost as part of developer's contribution to delivery of affordable housing
- No HCA Grant
- 100% affordable rented units, with rental income no greater than the LHA rates
- Voids and bad debts as per existing HRA stock
- Management, maintenance and major repairs broadly in line with existing stock assumptions;

This delivers around 1,910 new affordable homes during the period between years 5 and 30 of the HRA Business Plan.



The resulting change to the debt chart is shown below:



Given the high levels of current, and anticipated future, demand for affordable housing in the City, it is recommended that 80% of the funding originally earmarked for set-aside to repay existing loans on maturity is instead used to deliver additional homes. This approach, and the amount of homes deliverable, will be reviewed as part of subsequent Business Plans to reflect any changes in circumstances.

To facilitate the planned consideration of this alternative delivery model, any surplus generated since April 2012 has not been formally set-aside, but has simply been held in an ear-marked reserve to allow for either repayment of debt or future re-investment.

Premature Repayment of PWLB Debt

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

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

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 most appropriate long-term benefit of any surplus generated might be to re-invest in increasing the supply of income generating assets, redemption of debt at this stage is unlikely.

Treasury Management Summary

In summary, in respect of the HRA's approach to treasury management and additional borrowing against the headroom, it is recommended that:

- Resource is set-aside over the life of the existing loan portfolio to redeem 25% of the original PWLB debt, should the authority so choose.
- All other HRA in-year surpluses are re-directed into investment to increase the supply of affordable housing, subject to the availability of sites and the financial viability of schemes proposed
- Fixed rate loans are considered as opposed to the variable alternative
- Consideration is given, particularly for short-term scenarios, to borrowing from the General Fund or other public sector organisations, alongside 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 a target of 30 years, with 35 years as the maximum
- Multiple loans should be considered if clear financial benefit can be demonstrated

Section 8

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 2014/15 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 is included in this report at Appendix N.

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

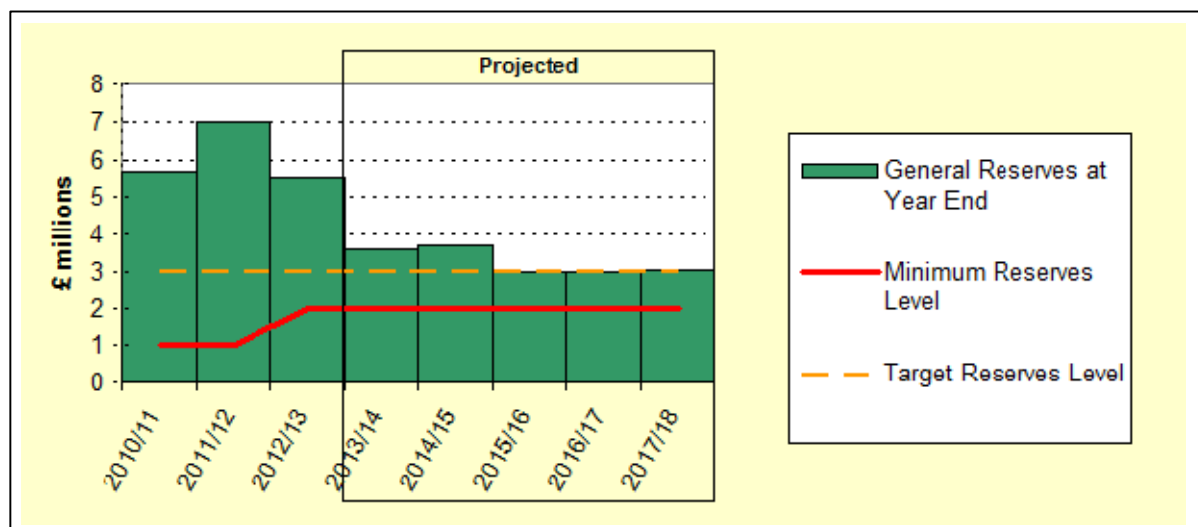
Housing Revenue Account General Reserves

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

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

For the Housing Revenue Account the intended target level of reserves remains at £3m, with a minimum level of reserves of £2m.

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



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.

In making financial assumptions, it is recognised that 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 always undertaken to give context to the financial impact that a change in an assumption will make.

Appendix K provides details of the key sensitivities modelled in the preparation of the HRA Budget Setting Report 2014/15.

Options and Conclusions

Overview

The budget for 2014/15 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 services (i.e. housing management, responsive and void repairs)
- Spend on discretionary services (i.e. support)
- Support for, and potential repayment of a proportion, of housing debt

Options

The work undertaken as part of the 2014/15 budget process to date has resulted in the development of proposals for the base budget of the Housing Revenue Account.

During January 2014, Housing Management Board and Community Services will have considered the budget proposals, prior to the Executive Councillor for Housing making decisions and further recommendation for the final HRA Budget for 2013/14 to 2017/18 to Council for consideration and approval.

The HRA Budget Setting Report 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
- Approval of the revised approach to re-investing a significant proportion of in-year surpluses in income generating assets, as opposed to fully redeeming HRA debt

The meeting of Council on 27th February 2014 will consider the final proposed Capital 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 2014/15. As part of the 2014/15 budget process, significant savings were identified, particularly in the revenue aspects of the repairs service. Savings were partially offset by pressure from unavoidable revenue bids, which were identified across a number of areas of the housing service.

The level of savings required was driven by the need to ensure that housing debt be supported, whilst also releasing resource for strategic re-allocation through the PPF bid process.

This ensures that the Housing Service is in a position to respond to new challenges and to meet changing demands and tenant / leaseholder aspirations.

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

The cash limit for 2014/15 (including PPF's) was over-achieved in 2014/15 by £20,540, reducing to an ongoing over-achievement against the cash limit from 2015/16 of £5,000 per annum, resulting in the ability to present a sustainable budget for the period 2014/15 to 2017/18.

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

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

Appendix A

Business Planning Assumptions (Highlighting Changes)

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

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

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

Appendix B

Service Charges

	Charges 2013/14	Charge Basis	Charges 2014/15
General Stock			
Caretaking Charge	£0.80 to £5.30	Per Week Over 48 Weeks	A
Communal Cleaning	£1.08 to £4.60	Per Week Over 48 Weeks	A
Estate Services Champion	£0.76	Per Week Over 48 Weeks	A
Window Cleaning	£0.01 to £1.53	Per Week Over 48 Weeks	A
Door Entry	£0.14 to £1.66	Per Week Over 48 Weeks	B
Passenger Lifts	£0.45	Per Week Over 48 Weeks	B
Gas Maintenance / Servicing	£2.07	Per Week Over 48 Weeks	B
Digital TV Aerial Charge	£0.49	Per Week Over 48 Weeks	A
General Sheltered Schemes			
Premises Charge	£0.67 to £20.19	Per Week Over 48 Weeks	A
Communal Heating / Lighting	£2.29 to £8.25	Per Week Over 48 Weeks	A
Individual Heating / Lighting	£4.86 to £12.09	Per Week Over 48 Weeks	A
Water	£2.24 to £3.15	Per Week Over 48 Weeks	A
Grounds Maintenance	£0.90 to £2.27	Per Week Over 48 Weeks	A
Electrical / Mechanical Maintenance	£2.63 to £4.80	Per Week Over 48 Weeks	B
Ditchburn Place			
Premises Charge	£2.83 to £52.54	Per Week Over 48 Weeks	A
Communal Heating / Lighting	£0.67 to £5.42	Per Week Over 48 Weeks	A
Individual Heating / Lighting	£6.50 to £10.49	Per Week Over 48 Weeks	A
Water	£3.91 to £6.49	Per Week Over 48 Weeks	A

Catering	£90.38	Per Week Over 48 Weeks	A
Grounds Maintenance	£1.86	Per Week Over 48 Weeks	A
Electrical / Mechanical Maintenance	£2.47	Per Week Over 48 Weeks	B
Launderette Charges - Wash	£3.00	As Requested	A
Temporary Accommodation			
Premises Charge	£48.12 to £55.36	Per Week Over 48 Weeks	A
Individual Heating / Lighting	£14.05 to £23.88	Per Week Over 48 Weeks	A
Water	£6.89	Per Week Over 48 Weeks	A
Electrical / Mechanical Maintenance	£3.55 to £7.18	Per Week Over 48 Weeks	B
Independent Living Services			
Private Lifelines - In City	£4.65	Per Week Over 52 Weeks	£4.65
Private Lifelines - Out City	£7.53	Per Week Over 52 Weeks	£7.53
Keysafe / Keyholding Charge	£1.88	Per Quarter	£1.88
Warden Agencies	£4.04	Per Week Over 52 Weeks	£4.04
Monitoring Charge	£0.32	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	£25.00
Registering sub-let details	£50.00	As Requested	£50.00
Initial Administration Fee/Survey for Application to purchase Loft Space	N/A	As Requested	£150.00

Key	
A	<p>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 2014/15.</p>
B	<p>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 3.7% (RPI at September 2013 plus 0.5%) for future years.</p>
	<p>Service charges levied for support activities will be subject to alteration as a result of the savings requirement, or tender / community budgeting negotiation outcomes, as arrived at by the County Council Supporting People Team.</p> <p>Charges for the optional household contents insurance scheme will continue to be determined by the insurer but notified to tenants by the Council.</p>

Appendix C

HRA Earmarked & Specific Funds (£'000)

Repairs & Renewals

Housing Revenue Account	Opening Balance	Contributions	Expenditure to Oct	Current Balance
General Management	(1,088.5)	(141.8)	0.3	(1,230.0)
Special Services	(1,019.9)	(138.3)	42.9	(1,115.3)
Repairs and Maintenance	(40.9)	(12.4)	0.0	(53.3)
Totals	(2,149.3)	(292.5)	43.2	(2,398.6)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to Oct	Current Balance
MRR	(5,111.5)	0.0	0.0	(5,111.5)

Shared Ownership

	Opening Balance	Contributions	Expenditure to Oct	Current Balance
Shared Ownership	(300.0)	0.0	0.0	(300.0)

Tenants Survey

	Opening Balance	Contributions	Expenditure to Oct	Current Balance
Tenants Survey	(35.3)	(6.2)	0.0	(41.5)

Aerial – Roof Space Rental

	Opening Balance	Contributions	Expenditure to Oct	Current Balance
Aerial Income	(96.5)	(17.7)	3.3	(110.9)

Pension Reserve

	Opening Balance	Contributions	Expenditure to Oct	Current Balance
Pension Reserve	(192.7)	(197.3)	0.0	(390.0)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to Oct	Current Balance
Debt Set-Aside	(1,090.4)	0.0	0.0	(1,090.4)

2014/15 Budget - HRA 2013/14 Revised Budget

Page 1 of 2

Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Revised Budget

Housing Revenue Account

RB3341 (IA170-1)	Expansion of Internal Audit Shared Service	(1,000)	0	0	0	0	Steve Crabtree	
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Expansion of Internal Audit shared service to include South Cambridgeshire District Council. (Linked to SR3391 and General Fund portion of savings: SR3327).

RB3359	(Savings in operational costs for the Community Safety (Anti-Social Behaviour) Team	(2,800)	0	0	0	0	Julia Hovells	
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Operational savings are proposed in this service area, predominantly relating to a decision to utilise an ASB database system procured and funded externally, as opposed to implementing and supporting a solution in-house. (Linked to RB3442 in the General Fund).

RB3361	(Reduction in caretaking budgets due to vacancies held	(40,100)	0	0	0	0	Robert Hollingsworth	
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Two new vacant caretaker posts have not been recruited to, pending the outcome of the building cleaning review and associated consultation.

RB3367	(Increased costs of gas maintenance contract.	58,400	0	0	0	0	Bob Hadfield	
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The budget required for the gas maintenance contract has been reviewed, taking into consideration the number of properties that now have gas appliances installed, the value of contract increases in inflationary terms and the need to recognise a bonus related element that is incorporated into the existing contract. See also UR3368

RB3376	(Estates & Facilities Restructure Staff Exit Costs	65,000	0	0	0	0	Bob Hadfield	
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The restructure of Estates & facilities will deliver ongoing savings from 2014/15, with the need to fund exit costs for staff in 2013/14 to facilitate this. (Linked to S3379).

RB3377	(Reduction in Estates and Facilities staff costs capitalised for 2013/14	150,400	0	0	0	0	Bob Hadfield	
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The proportion of staff costs that can be capitalised for 2013/14 has been reviewed based upon the most up to date time allocations available, resulting in an anticipated reduction in the value. This will be directly offset by a reduction of the same value in the fees budget included as part of the Housing Capital Investment Plan, delivering a nil net effect overall. (See also UR3378).

RB3390	(Internal Audit - One-off Employee Cost Savings	(7,000)	0	0	0	0	Steve Crabtree	
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2014/15 Budget - HRA Non-Cash Limit Items

Page 1 of 2

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

Housing Revenue Account

NCL3374	() Additional rent income		0	(151,000)	(151,000)	(151,000)	(151,000)	Julia Hovells
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A combination of the level of RPI at September 2013 (3.2%), a low level of voids and the decision to move energy efficient void properties straight to target rent results in a higher level of rent income than anticipated in 2014/15.

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

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

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

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

NCL3452	() Reduction in net interest costs and debt arrangement fees		0	(430,790)	(430,790)	(430,790)	(430,790)	Julia Hovells
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A significant reduction in the estimated interest costs that the HRA will incur in 2014/15 is anticipated, as a direct result of re-phasing the first significant spend for Clay Farm into 2015/16, when build costs are incurred as the first phase of dwellings is released. This assumes that the authority borrows at current PWLB rates, from the beginning of 2014/15 in order to fund other aspects of the affordable housing re-development programme.

2014/15 Budget - HRA Non-Cash Limit Items

Page 2 of 2

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

Total Non-Cash Limit Items in Housing Revenue Account		0	(674,990)	(860,390)	(860,390)	(860,390)		
Total Non-Cash Limit Items		0	(674,990)	(860,390)	(860,390)	(860,390)		
Report Total		0	(674,990)	(860,390)	(860,390)	(860,390)		

2014/15 Budget - HRA Cash Limit Items

Page 1 of 6

Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Reduction required to Cash Limit

Housing Revenue Account

RCL3436	() HRA Savings Target, to include reduction in repairs in line with anticipated stock changes		0	140,030	140,030	140,030	140,030	Julia Hovells
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The savings target for the HRA for 2014/15 onwards is equivalent to 2% of general management costs (£113,000) and a reduction in response repairs in line with anticipated stock changes (£27,030).

Total Reduction required to Cash Limit in Housing Revenue Account

0	140,030	140,030	140,030	140,030
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Total Reduction required to Cash Limit

0	140,030	140,030	140,030	140,030
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2014/15 Budget - HRA Cash Limit Items

Page 2 of 6

Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Unavoidable Revenue Bids

Housing Revenue Account

UR3362	() Reduction in anticipated commercial property rental income		0	9,600	9,600	9,600	9,600	Julia Hovells	U
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The timing of rent reviews and an increase in the void period for commercial property owned by the HRA is anticipated to result in a lower than expected rental yield from 2014/15. (See also RB3433).

UR3365	() Increased costs for Ditchburn Place		0	14,100	14,100	14,100	14,100	Laura Wilderspin	U
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The costs of the night service which relate to premises activity have increased by £12,400, recognising that not only 50% of the contracted night staff should be charged to the HRA, but also 50% of the cost of relief night staff who cover leave and sickness absence. The service will also lose the potential for guest room income of £1,700, once the refurbishment programme begins.

UR3368	() Increased costs of gas maintenance contract.		0	61,100	61,100	61,100	61,100	Bob Hadfield	U
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The budget required for the gas maintenance contract has been reviewed, taking into consideration the number of properties that now have gas appliances installed, the value of contract increases in inflationary terms and the need to recognise a bonus related element that is incorporated into the existing contract. (See also RB3367).

UR3373	() Increased costs for the provision of building based services at Jane's Court		0	12,500	12,500	12,500	12,500	Julia Hovells	U
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The creation of Jane's Court will result in additional costs, such as building cleaning, window cleaning and grounds maintenance in managing the housing scheme. This cost will be directly offset by additional service charge income, where costs are passed on to tenants and residents. (Linked to S3372).

UR3378	() Reduction in Estates and Facilities staff costs capitalised for 2014/15 onwards.		0	166,200	166,200	166,200	166,200	Bob Hadfield	U
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The proportion of staff costs that can be capitalised from 2014/15 onwards has been reviewed based upon the most up to date time allocations available, resulting in an anticipated reduction in the value. This will be directly offset by a reduction of the same value in the fees budget included as part of the Housing Capital Investment Plan, delivering a nil net effect overall. (See also RB3377).

UR3382	() Reduction in anticipated service charge income		0	6,210	870	870	870	Julia Hovells	U
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2014/15 Budget - HRA Cash Limit Items

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Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Unavoidable Revenue Bids

A marginally lower level of net income is anticipated from 2014/15 due predominantly to the planned refurbishment works at Ditchburn Place, which will be carried out in phases and a reduction in income from leaseholders, where lower repairs costs in 2012/13 have a direct impact on income received in 2014/15, when retrospective adjustments are made for prior year actual costs. This is broadly offset by an assumed increase in caretaking service charges, from the point at which the two new vacant posts are recruited to.

UR3383	()		0	40,200	40,200	40,200	40,200	Frances Swann	U
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The decision to increase the supply of temporary accommodation units from 60 to 85 in 2013 will result in an increase in costs for things such as gas, water & electricity for the service area. These additional costs will be met by service charges from the tenants directly. (Linked to S3384).

UR3440	()		0	60,320	60,320	60,320	60,320	Robert Hollingsworth	
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A review of the costs of building cleaning provided by Streets and Open Spaces in sheltered schemes and communal areas of flats has identified an under-recovery in the costs passed to the HRA, and therefore on to tenants and leaseholders. It has been assumed that the increase in costs will not be passed on to residents until the outcome of the building cleaning tender, now anticipated to be in April 2015. (Linked to S3441).

Total Unavoidable Revenue Bids in Housing Revenue Account		0	370,230	364,890	364,890	364,890			
Total Unavoidable Revenue Bids		0	370,230	364,890	364,890	364,890			

2014/15 Budget - HRA Cash Limit Items

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Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Service Reviews

Housing Revenue Account

SR3325 (IA172-1)	Reduction to the Size of the Internal Audit Team		0	(12,900)	(12,900)	(12,900)	(12,900)	Steve Crabtree
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A review has been undertaken to evaluate the level and nature of the audit function with a view to reducing the size of the team without materially affecting the level of audit assurance. (Linked to SR3328 - General Fund portion of savings).

SR3388 (ICT215-1)	Further ICT Facilities Management Contract Cost Reductions		0	(9,200)	(9,200)	(9,200)	(9,200)	James Nightingale
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Further contract savings are deliverable arising from the reduced support effort in moving to a Windows environment. (Linked to SR3311 - General Fund portion of savings).

SR3389 (ICT214-1)	Reduce Size of ICT Client Team		0	(8,500)	(11,500)	(11,500)	(11,500)	James Nightingale
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This proposal would reduce the size of the ICT Client Team by one post, and will reduce the level of support for departments and the number of projects undertaken accordingly. (Linked to SR3312 - General Fund portion of savings).

SR3391 (IA170-1)	Expansion of Internal Audit Shared Service		0	(1,800)	(1,800)	(1,800)	(1,800)	Steve Crabtree
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Expansion of Internal Audit shared service to include South Cambridgeshire District Council. (Linked to RB3341 and General Fund portion of savings: SR3327).

Total Service Reviews in Housing Revenue Account		0	(32,400)	(35,400)	(35,400)	(35,400)		
Total Service Reviews		0	(32,400)	(35,400)	(35,400)	(35,400)		

2014/15 Budget - HRA Cash Limit Items

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Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Savings

Housing Revenue Account

S3358	() Savings in operational costs across HRA General Management service areas.		0	(2,700)	(2,700)	(2,700)	(2,700)	Julia Hovells
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Operational savings are proposed across this service area, relating to reductions in travel, stationery and postage costs.

S3370	() HRA General and Special Salary Savings		0	(35,100)	(12,900)	(12,900)	(12,900)	Julia Hovells
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Net savings anticipated in the salaries for staff working in HRA General and Special service areas due to recruitment to vacancies at lower spinal column points and staff at top of grades not being entitled to incremental progression.

S3371	() Reduction in operational costs for the Independent Living Service		0	(15,900)	(15,900)	(15,900)	(15,900)	Frances Swann
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A reduction in overall staff in this service area following a restructure of the management team, combined with procurement savings, has resulted in the ability to reduce budgets for training, telephones, car and cycle allowances and cleaning costs.

S3372	() Increased service charge income in respect of Jane's Court		0	(12,500)	(12,500)	(12,500)	(12,500)	Julia Hovells
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The creation of Jane's Court will result in additional service charge income from tenants and residents in the housing scheme. This income will be directly offset by additional unavoidable expenditure for the services provided.(Linked to UR3373).

S3379	() Staff savings in Estates and Facilities		0	(98,500)	(98,500)	(98,500)	(98,500)	Bob Hadfield
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A restructure of the Estates and Facilities Service in 2012 incorporated two fixed term posts to undertake the Repairs & Maintenance Improvement Plan Project. Once complete, the posts will be deleted, resulting in an ongoing additional restructure saving of £62,340. This is coupled with a saving of £36,160 where funding was included for 5 new posts as part of the 2012 MTS at a higher level than was required following evaluation of the proposed roles and successfully recruiting to the vacancies. (Linked to RB3376).

S3381	() HRA Responsive Repairs Saving		0	(73,300)	(73,300)	(73,300)	(73,300)	Bob Hadfield
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Savings in the responsive repairs budget anticipated as a result of the Repairs Improvement Plan.

S3384	() HRA Temporary Accommodation Saving		0	(40,200)	(40,200)	(40,200)	(40,200)	Frances Swann
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2014/15 Budget - HRA Cash Limit Items

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Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Savings

The decision to increase the supply of temporary accommodation units from 60 to 85 in 2013 will result in additional income being received from service charges for things such as gas, water & electricity directly from the tenants. (Linked to UR3383).

S3386	()	HRA Void Repairs Saving	0	(205,800)	(205,800)	(205,800)	(205,800)	Bob Hadfield
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A reduction is proposed in the voids budget based upon a combination of a reduced cost per void property and a reduction in void numbers. This will need to be reviewed if void numbers and costs fluctuate at any point in the future.

S3441	()	Increase in service charge income for building cleaning services	0	0	(60,320)	(60,320)	(60,320)	Robert Hollingsworth
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A review of the costs of the building cleaning service provided by Streets and Open Spaces in sheltered schemes and communal areas of flats has identified an under-recovery in costs. This additional cost is anticipated to be passed on to residents in the form of an increase in service charge onll after the conclusion of the building cleaning tender, which is now anticipated to be from April 2015. (Linked to UR3440).

Total Savings in Housing Revenue Account		0	(484,000)	(522,120)	(522,120)	(522,120)	
Total Savings		0	(484,000)	(522,120)	(522,120)	(522,120)	
Report Total		0	(6,140)	(52,600)	(52,600)	(52,600)	

2014/15 Budget - HRA PPF Funding and Bids

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Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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PPF Funding**Housing Revenue Account**

FPPF3437	() Priority Policy Space Funding for 2014/15	0	(150,000)	(150,000)	(150,000)	(150,000)	Julia Hovells	
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PPF funding of £150,000 is included for 2014/15 on an ongoing basis.

**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)

2014/15 Budget - HRA PPF Funding and Bids

Page 2 of 3

Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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PPF Bids

Housing Revenue Account

PPF3364	() Cost of support and maintenance for the Cambridge Public Sector Network and Wireless installations in Housing Offices		0	7,300	7,300	7,300	7,300	Julia Hovells	H
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As part of a wider Council initiative it is proposed to introduce the new Cambridge Public Sector Network for IT access at the two area housing offices, 116 Chesterton Road and Ditchburn Place, to improve operational efficiency. The project will have ongoing support and maintenance implications, which are requested as part of this PPF bid.

PPF3366	() Additional finance staffing input for the Housing Service		0	44,600	44,600	44,600	44,600	Robert Hollingsworth	M
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Reductions in staffing made as part of the support services and Estates and Facilities restructures, coupled with the additional workload as a result of self-financing for the HRA, necessitate consideration of additional staffing resource to ensure that the finances for both the repairs service and the re-development programme can be managed effectively.

PPF3375	() Funding for two Repairs Apprentices		0	15,000	15,000	15,000	15,000	Bob Hadfield	M
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Funding is requested to allow the recruitment of two Repairs Apprentices, allowing the authority to support the training and development for young people in the workplace.

PPF3385	() HRA Tenancy Sustainment Officer PPF Bid		0	67,300	67,300	67,300	67,300	Lynda Kilkelly	H
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It is proposed that additional resource be identified to work with households where chaotic lifestyles or mental health are of a concern, supporting the tenant to sustain their tenancy. This bid will fund two posts, one entirely HRA funded and the other funded 75 % HRA and 25% General Fund, with the General Fund element coming from existing Homelessness Prevention Grant funding.

PPF3387	() HRA Welfare Reforms Officer PPF Bid		0	0	62,000	62,000	62,000	Robert Hollingsworth	H
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It is proposed to retain the two FTE Assistant Housing Officers dealing with the ongoing issues associated with welfare reforms, on a permanent basis, after the current fixed term funding expires.

PPF3432	() Costs of annual support and maintenance for enhancements to the Orchard Housing Management System		0	1,400	1,400	1,400	1,400	Robert Hollingsworth	M
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2014/15 Budget - HRA PPF Funding and Bids

Page 3 of 3

Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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PPF Bids

Proposed capital investment to enhance the Orchard Housing Management System to add a customer management facility will result in additional ongoing support and maintenance costs.

Total PPF Bids in Housing Revenue Account	0	135,600	197,600	197,600	197,600
Total PPF Bids	0	135,600	197,600	197,600	197,600
Report Total	0	(14,400)	47,600	47,600	47,600

2014/15 Budget - HRA Capital Bids

Page 1 of 2

Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Unavoidable Capital Bids

Housing Revenue Account

UC3467	() Emergency works to the water main at Kingsway flats	48,000	0	0	0	0	John Horwood	
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Leaks have been identified in the 3 water mains serving Kingsway flats, which has prompted the need for immediate, unanticipated, but unavoidable action and corresponding investment.

UC3471	() Increase in budget for major voids / major works in 2014/15	0	150,000	0	0	0	Bob Hadfield	
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Decent homes and structural issues with a particular housing dwelling and surrounding block, necessitates a bid for resource to remedy the problems that exist.

Total Unavoidable Capital Bids in Housing Revenue Account	48,000	150,000	0	0	0	0		
Total Unavoidable Capital Bids	48,000	150,000	0	0	0	0		

2014/15 Budget - HRA Capital Bids

Page 2 of 2

Reference (RO Ref)	Item Description	2013/14 Budget £	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	2017/18 Budget £	Contact	Officer Priority (Bids)
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Capital Bids

Housing Revenue Account

C3363	() Cost of installation for the Cambridge Public Sector Network and Wireless in Housing Offices		0	76,000	0	0	0 Julia Hovells	H
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As part of a wider Council initiative it is proposed to introduce the new Cambridge Public Sector Network for IT access at the two area housing offices, 116 Chesterton Road and Ditchburn Place, to improve operational efficiency.

C3431	() Costs of purchase and implementation of an enhancement to the Orchard Housing Management System		0	9,000	0	0	0 Robert Hollingsworth	M
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This capital investment will enhance the Orchard Housing Management System to add a customer management facility, which will improve efficiency in dealing with customer contacts and therefore the customer experience.

C3455	() Reduction in Internal Capital Fees	(150,400)	(166,200)	(166,200)	(166,200)	(166,200)	Bob Hadfield	
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A review of the time staff spend between capital and revenue activity has resulted in a reduction in the time charged to capital budgets as internal fees. This results in a direct reduction in the level of revenue financing of capital required, releasing the revenue resource to fund the staff from revenue instead. (Linked to RB3377 and UR3378).

Total Capital Bids in Housing Revenue Account		(150,400)	(81,200)	(166,200)	(166,200)	(166,200)		
Total Capital Bids		(150,400)	(81,200)	(166,200)	(166,200)	(166,200)		
Report Total		(102,400)	68,800	(166,200)	(166,200)	(166,200)		

Appendix I

New Build Investment Cashflow – Scheme Specific and Outline Approvals

New Build / Re-Development Scheme	2012/13 Actuals	2013/14 Budget	2014/15 Budget	2015/16 Budget
	£'0	£'0	£'0	£'0
New Build / Re-Development Cash Expenditure (Net of Developer's Cross Subsidy / Notional Land Value)				
Seymour Court / Jane's Court	984,590	248,310	0	0
Latimer Close	276,920	634,520	551,420	0
Barnwell Road	129,660	496,370	681,400	0
Campkin Road (Phase 1)	188,310	1,642,810	974,970	0
Colville Road (Phase 1)	87,390	651,650	902,610	0
Water Lane	29,960	725,960	876,380	0
Aylesborough Close	42,880	1,549,490	1,323,490	0
Stanesfield Road	8,410	452,530	263,970	0
Wadloes Road	0	250,960	501,910	0
Atkins Close (Garage Site)	1,300	246,320	495,230	0
Hawkins Road (Garage Site)	0	0	549,030	0
Fulbourn Road (Garage Site)	0	0	323,560	0
Ekin Road (Garage Site)	0	0	474,030	0
Market Housing on Garage Re-Development Sites	0	0	2,875,000	0
Clay Farm	0	0	143,850	8,104,820
Total New Build/ Re-Development Expenditure	1,749,420	6,898,920	10,936,850	8,104,820
New Build / Re-Development Grant & Area Committee Funding				
Seymour Court / Jane's Court	(167,240)	(187,220)	0	0
Latimer Close	0	(106,340)	(106,340)	0
Barnwell Road	0	(106,340)	(106,340)	0
Campkin Road (Phase 1)	0	(177,230)	(177,230)	0
Colville Road (Phase 1)	0	(168,370)	(168,370)	0
Water Lane	0	(124,060)	(124,060)	0
Aylesborough Close	0	(186,090)	(186,090)	0

New Build / Re-Development Scheme	2012/13 Actuals	2013/14 Budget	2014/15 Budget	2015/16 Budget
	£'0	£'0	£'0	£'0
Stanesfield Road (Incl. 100k Area C'ttee Grant)	0	(135,450)	(35,450)	0
Wadloes Road	0	(53,170)	(53,170)	0
Atkins Close (Garage Site)	0	(70,890)	(70,890)	0
Hawkins Road (Garage Site)	0	0	(35,390)	0
Fulbourn Road (Garage Site)	0	0	(70,890)	0
Ekin Road (Garage Site)	0	0	(70,890)	0
Total New Build / Re-Development Funding	(167,240)	(1,315,160)	(1,205,110)	0
Balance to be Funded from HRA Resources or Borrowing (Incl. Retained RTB Receipts)	1,582,180	5,583,760	9,731,740	8,104,820
	2014/15	2015/16	2016/17	Total
Anticipated use of Retained Right to Buy Receipts				
Balance for use as at 30/9/2013 (Q2 – 2013/14)				3,285,120
Market Housing on Garage Sites	862,500			862,500
Clay Farm (75% Affordable Rented Housing)	21,900	1,211,300	1,189,420	2,422,620
Balance remaining				0

Appendix J

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
<p>Implications of new legislation / regulation or changes to existing are not identified.</p> <p>Funding is not identified to meet the costs associated with changes in statutory requirements.</p> <p>HRA Debt Settlement could be re-opened by Government</p> <p>Ability to move properties to target rent is constrained by legislative changes</p>	<ul style="list-style-type: none"> • Effective processes are in place for the HRA to ensure that implications are identified and raised • Additional / specific funding enhancements for new services are earmarked for that purpose, to ensure effective implementation • The Council has processes in place to manage the demands of local and national housing agendas, including the Vision Statement and HRA Business Plan • Impact of proposed changes to national rent policy is incorporated into financial planning. • Consideration could be given to remedial action in 2014/15.
Housing Portfolio & Spending Plans	
<p>The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets.</p>	<ul style="list-style-type: none"> • 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

Risk Area & Issue arising	Controls / Mitigation Action
Financial planning lacks appropriate levels of prudence	
<p>Business Planning assumptions are wildly inaccurate</p> <p>Financial policies, in general, are not sufficiently robust</p> <p>Funding to support the approved Capital & Revenue Projects Plan is not available</p>	<p>Council has adopted key prudence principles, reflected in:</p> <ul style="list-style-type: none"> • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt
External income / funding streams	
<p>Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure</p> <p>Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms</p> <p>Rent income is under-achieved due to a major incident in the housing stock</p> <p>Changes to the right to buy rules and pooling regulations result in a continued significant increase in sales and commitment to deliver replacement units or pay over receipts with interest</p> <p>The economic downturn reduces the ability to fund capital pressures from the sale of assets</p>	<ul style="list-style-type: none"> • 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 • Increased resources identified for income management. Performance closely monitored to allow further positive action if required. • Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of incident • Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity • Policy on applying general capital receipts for strategic disposals only at point of receipt

Risk Area & Issue arising	Controls / Mitigation Action
Use of resources including Projects and Partnerships	
<p>There is ineffective use of the resources available to the HRA</p> <p>Failure to deliver Major Housing / Development Projects, i.e. return on capital, project on time etc.</p>	<ul style="list-style-type: none"> • 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 Key Sensitivity Analysis

For indicative purposes, all of the following sensitivities have been modelled against the recommended option, where 25% of the surplus is set-aside, with the balance being re-invested in new affordable housing, during the life of the business plan.

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Interest Rates for additional borrowing	PWLB fixed rate maturity loan at 4.5%	Assume fixed rate loans, with increase of 2% in interest rates from the outset.	The number of new affordable homes deliverable over the life of the plan is estimated to reduce by approximately 50.
General Inflation	General Inflation using CPI at 2.5% for expenditure	Volatility in the economy could lead to an increase in external costs. 1% increase in general inflation for expenditure only for the life of the plan.	Debt cap is breached in year 10, and investment plan is not deliverable. The number of new build units that could be delivered would reduce by approximately 470 homes.
Rents Inflation	RPI at 3.2% for 2014/15, then CPI at 2.5% from 2015/16	Volatility in the economy could lead to an increase in inflation as measured by CPI. 1% increase in rents base inflation, with no increase in costs from 2015/16 for the life of the plan.	There would be the ability to deliver approximately 680 additional new affordable homes over the life of the plan.
Capital Investment Real Increase Inflation	Capital Investment Inflation at 1% above CPI	A real increase of 1% is allowed for building inflation. Assume that real inflationary increase required is 2% from 2015/16 as the building industry recovers further.	Debt cap is breached in year 15, and investment plan is not deliverable. The number of new build units that could be delivered would reduce by approximately 300 homes.
Investment Income	Business Plan assumes interest on balances increasing to only 1.5% by 2017/18	Rates may fail to recover as anticipated, fall further or recover at a greater pace. Assume ongoing rate does not recover beyond 1%.	£1.2 million reduction in balances over the life of the plan.
Housing Rent Collection and Welfare Benefit Reforms	Budgeted costs based on historic levels of activity, but an increased level of transactional collection costs, with 2 additional staff employed on an ongoing basis	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 additional staffing built into the base, an ongoing increase in bad debt of an additional 1% per annum from 2015/16.	The number of new affordable homes deliverable over the life of the plan is estimated to reduce by approximately 70.

Appendix L

HRA Summary Forecast 2013/14 to 2017/18

Description	2013/14 £0	2014/15 £0	2015/16 £0	2016/17 £0	2017/18 £0
Income					
Rental Income (Dwellings)	(34,184,090)	(36,026,200)	(38,117,430)	(40,195,190)	(41,535,570)
Rental Income (Other)	(1,038,110)	(1,064,000)	(1,090,600)	(1,117,870)	(1,145,810)
Service Charges	(2,121,530)	(2,203,270)	(2,325,650)	(2,383,790)	(2,443,390)
Contribution towards Expenditure	(352,570)	(88,260)	(88,340)	(88,420)	(88,500)
Other Income	(409,030)	(403,930)	(414,030)	(424,380)	(434,990)
Total Income	(38,105,330)	(39,785,660)	(42,036,050)	(44,209,650)	(45,648,260)
Expenditure					
Supervision & Management - General	4,764,720	5,053,960	5,237,710	5,495,560	5,666,180
Supervision & Management - Special	2,319,670	2,375,290	2,437,980	2,506,580	2,581,550
Repairs & Maintenance	7,320,570	7,104,020	7,367,300	7,667,220	7,962,860
HRA Subsidy	0	0	0	0	0
Depreciation – t/f to Major Repairs Res.	9,811,240	10,301,160	10,414,470	10,814,380	10,817,770
Debt Management Expenditure	0	20,580	21,490	22,430	23,300
Other Expenditure	526,540	752,920	822,900	894,950	960,940
Total Expenditure	24,742,740	25,607,930	26,301,850	27,401,120	28,012,600
Net Cost of HRA Services	(13,362,590)	(14,177,730)	(15,734,200)	(16,808,530)	(17,635,660)
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(79,420)	(57,360)	(89,600)	(85,290)	(102,200)
HRA (Surplus) / Deficit for the Year	(13,442,010)	(14,235,090)	(15,823,800)	(16,893,820)	(17,737,860)
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,501,770	7,647,710	7,695,330	7,765,290	7,860,320
Housing Set Aside	0	0	2,351,830	0	1,237,630
Depreciation Adjustment	(2,280,780)	(2,394,240)	(2,505,660)	(2,582,610)	(2,348,040)
Direct Revenue Financing of Capital	10,096,960	8,911,130	8,964,810	11,723,350	10,977,440
(Surplus) / Deficit for Year	1,875,940	(70,490)	682,510	12,210	(10,510)
Balance b/f	(5,495,490)	(3,619,550)	(3,690,040)	(3,007,530)	(2,995,320)
Total Balance c/f	(3,619,550)	(3,690,040)	(3,007,530)	(2,995,320)	(3,005,830)

Appendix M

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend					
Assessment Centre	151	0	0	0	0
Disabled Facilities Grants	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195
Long Term Vacants	20	20	20	20	20
Total General Fund Housing Capital Spend	916	765	765	765	765
HRA Capital Spend					
Decent Homes					
Kitchens	970	618	598	292	466
Bathrooms	243	522	525	119	61
Central Heating / Boilers	2,116	1364	606	1,794	1,357
Insulation / Energy Efficiency	159	100	100	100	100
External Doors	278	129	108	63	88
PVCU Windows	373	502	500	912	915
Wall Structure	36	621	63	114	105
Wall Finishes	346	319	230	165	167
Wall Insulation	200	100	100	100	100
External Painting	0	0	0	0	0
Roof Structure	300	800	687	322	300
Roof Covering	2584	215	210	274	658
Chimneys	90	12	2	1	
Electrical / Wiring	183	91	181	317	120
Smoke Detectors	8	19	109	9	26
Sulphate Attacks	102	102	102	102	102
Major Voids / Major Works	98	201	48	53	53

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
HHSRS Contingency	150	100	100	100	100
Other Health and Safety Works	50	50	50	50	50
Other External Works	0	3	5	0	0
Rising Damp / Penetrating Damp	0	0	0	0	0
Capitalised Officer Fees – Decent Homes	439	439	439	439	439
External Professional Fees	19	22	22	22	22
Decent Homes Backlog	0	2,131	1,066	3,019	2,663
Decent Homes Planned Maintenance Contractor Overheads	1,038	818	551	809	760
Total Decent Homes	9,782	9,278	6,402	9,176	8,652
Other Spend on HRA Stock					
Garage Improvements	346	300	300	300	100
Asbestos Removal	200	200	200	200	100
Disabled Adaptations	864	878	878	878	878
Tenants Incentive Scheme	21	21	21	21	21
Communal Areas Uplift	594	796	796	546	546
Fire Prevention / Fire Safety Works	1060	300	300	300	300
Hard surfacing on HRA Land - Health and Safety Works	250	250	280	150	150
Hard surfacing on HRA Land - Recycling	147	0	0	0	0
Communal Areas Floor Coverings	185	185	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	122	122	122	122	122
Lifts and Door Entry Systems	29	13	13	13	13
Fencing	100	100	100	100	100
Cemetery Lodge	49	0	0	0	0
Hanover / Princess Laundry	2	0	0	0	0
East Road Garage Lighting	4	0	0	0	0
TV Aerials	0	0	0	0	0
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	442	311	295	257	226
Total Other Spend on HRA stock	4,415	3,476	3,305	2,887	2,556

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
HRA New Build / Re-Development					
Roman Court	1,193	41	0	0	0
3 Year Affordable Housing Programme	6,899	7,918	0	0	0
3 Year Affordable Housing Programme (Notional Spend – Land Value)	3,009	4,959	0	0	0
Market Housing on Garage Sites	0	2,875	0	0	0
New Build - Clay Farm	0	144	8,105	7,961	0
New Build - Unallocated Retained RTB Receipts	0	0	0	2,408	0
New Build - Investment of HRA Surpluses	0	0	0	4,500	6000
Total HRA New Build	11,101	15,937	8,105	14,869	6,000
Cambridge Standard Works					
Cambridge Standard Works	372	200	200	200	200
Total Cambridge Standard Works	372	200	200	200	200
Sheltered Housing Capital Investment					
Emergency Alarm Service	15	0	0	0	0
Ditchburn Place	1,912	1,900	0	0	0
Brandon Court	0	0	0	0	0
Total Sheltered Housing Capital Investment	1,927	1,900	0	0	0
Other HRA Capital Spend					
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	191	9	0	0	0
Cambridge Public Sector Network	0	76	0	0	0
Shared Ownership Repurchase	300	300	300	300	300
Right of First Refusal Buy Back	520	330	0	0	0
Commercial Property	232	30	30	30	30
Total Other HRA Capital Spend	1,243	745	330	330	330
Total HRA Capital Spend	28,840	31,536	18,342	27,462	17,738

Description	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Total Housing Capital Spend at Base Year Prices	29,756	32,301	19,107	28,227	18,503
Inflation Allowance and Stock Number Adjustment for Future Years (*)	0	538	1,137	2,464	2,536
Total Inflated Housing Capital Spend	29,756	32,839	20,244	30,691	21,039
Housing Capital Resources					
Right to Buy Receipts	(441)	(495)	(516)	(522)	(527)
Other Capital Receipts (Land and Dwellings)	(400)	0	0	0	0
Notional Land Receipts (New Build Schemes)	(3,009)	(4,959)	0	0	0
Major Repairs Reserve	(9,698)	(10,851)	(7,909)	(8,232)	(8,470)
Direct Revenue Financing of Capital	(10,097)	(8,911)	(8,965)	(11,723)	(10,977)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(1,615)	(1,505)	(878)	(2,076)	(300)
Retained Right to Buy Receipts	0	(884)	(1,211)	(1,912)	0
Disabled Facilities Grant	(262)	(262)	(262)	(262)	(262)
Prudential Borrowing	0	(4,469)	0	(5,461)	0
Total Housing Capital Resources	(25,522)	(32,336)	(19,741)	(30,188)	(20,536)
Net (Surplus) / Deficit of Resources	4,234	503	503	503	503
Capital Balances b/f	(8,277)	(4,043)	(3,540)	(3,037)	(2,533)
Use of / (Contribution to) Balances in Year	4,234	503	503	503	503
Capital Balances c/f	(4,043)	(3,540)	(3,037)	(2,533)	(2,031)

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

Appendix N

Equalities Impact Assessment

1. Title of strategy, policy, plan, project, contract or major change to your service:
Housing Revenue Account Budget 2014/15
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, ensuring that maximum resource is available for re-investment in new affordable housing, debt can be supported and a proportion redeemed if required when loans mature, and the authorities housing stock can be 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)
<input checked="" type="checkbox"/> Residents (See below) <input type="checkbox"/> Visitors <input checked="" type="checkbox"/> 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)
<input type="checkbox"/> New <input checked="" type="checkbox"/> Revised <input type="checkbox"/> Existing
5. Responsible directorate and service
Directorate: Customer & Community Services Services: 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 two vacant caretaker posts pending the outcome of the building cleaning review has the potential to impact negatively on all residents in a block where the need for the service has been identified, but particularly on older people or those with a disability, where there is a greater dependence upon others to ensure that the living environment is both clean and safe.

An increase in the cost of the gas maintenance contract could impact on residents where gas appliances have been installed in a property where they did not exist before. This will positively impact on the level of thermal warmth in the dwelling, which will be a benefit particularly for older people, those with a disability and those with young children, but will result in an additional service charge for the resident.

A proposed reduction in the operational costs for the Independent Living Service, following a restructure of the senior management team, has the potential for an adverse impact on the standards of service to older residents in sheltered housing. To mitigate this, the formal restructure of the service has been implemented in such a way that it sought to ensure that service standards are maintained.

The increased costs of the current building cleaning service in sheltered housing has the potential to impact negatively on residents at the point at which they are asked to pay higher service charges. The impact of this increased cost to the HRA has been mitigated in the short term by ensuring that costs are not passed on until the formal market testing and possible tender process has been completed, by which point a new specification for services will have been consulted upon and agreed with stakeholders, and the costs will have been externally validated.

The proposal to fund two Repairs Apprentices positively impacts on the provision of learning for young people who might not otherwise have the opportunity to gain employment skills,

and therefore employment opportunities in the longer-term.

The County Council's intention to introduce community budgeting for support services in sheltered housing may result in a reduced level of direct service, as services are expected to be provided to a wider client group within reduced contract resources. A bid for additional funding from the HRA in 2013/14 sought to mitigate the impact on the residents in our sheltered schemes, by providing the opportunity to deliver enhanced housing management services. This will need to be reviewed in light of recent discussions with the County Council.

(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)

A revised budget proposal not to fill two vacant caretaker posts pending the outcome of the building cleaning review has the potential to impact negatively on all residents in a block where the need for the service has been identified, but particularly on older people or those with a disability, where there is a greater dependence upon others to ensure that the living environment is both clean and safe.

An increase in the cost of the gas maintenance contract could impact on residents where gas appliances have been installed in a property where they did not exist before. This will positively impact on the level of thermal warmth in the dwelling, which will be a benefit particularly for older people, those with a disability and those with young children, but will result in an additional service charge for the resident.

An increase in the number of temporary housing units provided in our own stock is anticipated to positively impact on our ability to support and house vulnerable people, and possibly those with mental health problems, who find themselves homeless.

A Priority Policy Fund bid to employ dedicated staff to work to help sustain tenancies for those with chaotic lifestyles or mental health problems, will positively impact this particular client group, minimising the likelihood that vulnerable households will find themselves intentionally homeless.

(c) Gender

There are no discrete implications for this equalities group.

(d) Pregnancy and maternity

An increase in the cost of the gas maintenance contract could impact on residents where gas appliances have been installed in a property where they did not exist before. This will positively impact on the level of thermal warmth in the dwelling, which will be a benefit particularly for older people, those with a disability and those with babies and young children, but will result in an additional service charge for the resident.

An increase in the number of temporary housing units provided in our own stock is anticipated to positively impact on our ability to support new and expectant mothers who find themselves homeless.

(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 level of inflation applicable to the rent increase for 2014/15 is higher than was anticipated, which may have a detrimental impact, particularly for those on low incomes. The additional income does however facilitate investment in the delivery of additional housing services and new affordable homes, which is anticipated to have positive impact across all groups.

Removal of two fixed term project posts following completion of the Repairs & Maintenance Improvement Plan has the potential to negatively impact monitoring of the anticipated continued improvement of the Repairs Service. To mitigate the impact of a decline in service level which goes un-monitored, the Service Manager will ensure that other staff are tasked with the ongoing monitoring and reporting of service standards.

A reduction in the budget for both response repairs and void works delivers savings which can be re-invested in other housing services. The performance of the Repairs Service will however need to be carefully monitored to ensure that there is no decline in response times, re-let times or service standards, to ensure particularly that there is no delay in housing those in priority need. To mitigate this, the introduction of mobile working is anticipated to improve response times, and increase the number of appointment slots available for response repairs for residents.

The increased costs of the current building cleaning service in flats has the potential to impact negatively on residents at the point at which they are asked to pay higher service charges. The impact of this increased cost to the HRA has been mitigated in the short term by ensuring that costs are not passed on until the formal market testing and possible tender process has been completed, by which point a new specification for services will have been consulted upon and agreed with stakeholders, and the costs will have been externally validated.

The introduction of the Cambridge Public Sector Network, providing faster IT access across housing offices, is anticipated to positively impact on the ability of back office staff to respond to queries, and therefore improve the customer experience.

The purchase and implementation of an additional module to the Orchard Housing Management System to deliver a customer management facility, will improve the efficiency of operation for staff and will directly benefit residents in terms of customer experience.

A Priority Policy Fund bid to employ dedicated staff to work to help sustain tenancies for those with chaotic lifestyles, will positively impact residents, minimising the likelihood that vulnerable households will find themselves intentionally homeless, whilst also mitigating any negative impact for surrounding neighbours.

An increase in the number of temporary housing units and a resulting increase in the costs of managing and maintaining 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.

The proposal to continue 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
<ul style="list-style-type: none">• 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: Catherine Buckle, Business Development Officer Robert Hollingsworth, Head of City Homes Alan Carter, Head of Strategic Housing Bob Hadfield, Head of estates & Facilities
Date of completion: 2/12/2013
Date of next review of the assessment: December 2014

Action Plan

Equality Impact Assessment title: HRA Budget Setting Report

Date of completion:

Equality Group	Age
Details of possible disadvantage or negative impact	<p>1) Decision not to fill two vacant caretaker posts pending outcomes of the building cleaning review may leave estates and communal areas in a lesser condition of cleanliness than aspired to.</p> <p>2) Higher rents and services charges negatively impact the ability of some residents to pay for services or maintain their lifestyle.</p> <p>3) Uncertainty in the future delivery of support services for older people and reductions in operational budgets in this area, could have a negative impact on the quality / level of support received by tenants.</p>
Action to be taken to address the disadvantage or negative impact	<p>1) Housing Officers to monitor communal areas in light of blocks and estates where identified need for service is not currently being met.</p> <p>2) City Homes to monitor arrears that may relate to rent and service charge increases, and ensure remedial action and support is in place for those who need it.</p> <p>3) A bid in the HRA budget process in 2013/14 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.</p>
Officer responsible for progressing the action	<p>1) Robert Hollingsworth, Head of City Homes</p> <p>2) Robert Hollingsworth, Head of City Homes</p> <p>3) Robert Hollingsworth, Head of City Homes</p>
Date action to be completed by	<p>1) April 2014 ongoing</p> <p>2) April 2014 ongoing</p> <p>3) Ongoing</p>

Equality Group	Disability
Details of possible disadvantage or negative impact	<p>1) Decision not to fill two vacant caretaker posts pending outcomes of the building cleaning review may leave estates and communal areas in a lesser condition of cleanliness than aspired to.</p> <p>2) Higher rents and services charges negatively impact the ability of some residents to pay for services or maintain their lifestyle.</p>
Action to be taken to address the	<p>1) Housing Officers to monitor communal areas in light of blocks and estates where identified need for service is not currently being</p>

disadvantage or negative impact	met. 2) City Homes to monitor arrears that may relate to rent and service charge increases, and ensure remedial action and support is in place for those who need it. Engagement of dedicated staff to support those with mental health problems will help to ensure that vulnerable residents gain all the financial assistance to which they are entitled.
Officer responsible for progressing the action	1) Robert Hollingsworth, Head of City Homes 2) Robert Hollingsworth, Head of City Homes
Date action to be completed by	1) April 2014 ongoing 2) April 2014 ongoing

Equality Group	Gender
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	Pregnancy and maternity
Details of possible disadvantage or negative impact	1) Higher rents and services charges negatively impact the ability of some residents to pay for services or maintain their lifestyle.
Action to be taken to address the disadvantage or negative impact	1) City Homes to monitor arrears that may relate to rent and service charge increases, and ensure remedial action and support is in place for those who need it. .
Officer responsible for progressing the action	1) Robert Hollingsworth, Head of City Homes
Date action to be completed by	1) April 2014 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) Higher rents and services charges negatively impact the ability of some residents to pay for services or maintain their lifestyle. 2) Identified savings in repairs staffing and direct repairs and void budgets may have an unexpected detrimental impact on service levels or void turnaround times.
Action to be taken to address the disadvantage or negative impact	1) City Homes to monitor arrears that may relate to rent and service charge increases, and ensure remedial action and support is in place for those who need it. 2) Introduction of the new mobile working solution is anticipated to improve service levels and ongoing monitoring of performance against the Repairs Improvement Plan will ensure that any slippage in performance is detected early and addressed promptly.
Officer responsible for progressing the action	1) Robert Hollingsworth, Head of City Homes 2) Bob Hadfield, Head of Estates and Facilities
Date action to be completed by	1) April 2014 ongoing 2) April 2014 ongoing