Version 3
Council

Housing Revenue Account Mid-Year Financial Review (Business Plan Update)

October 2014

2014/15 to 2043/44

Cambridge City Council

CAMBRIDGE
CITY COUNCIL

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Section 1
Introduction and Local Context

Foreword by the Executive Councillor for Housing

The Mid Year Financial Review is set in the context of the Council's vision of a united Cambridge, One Cambridge – Fair for All, and lays the basis for the detailed, longer-term Housing Revenue Account Budget Review to be started as part of the 2015/16 budget process.

The national context is very challenging. The government's harsh austerity programme makes for difficult choices. Changes to the welfare system have required additional funding to support vulnerable tenants, and this will continue to be a strong focus in the forthcoming review. Grant funding investment per new social home has reduced steadily since 2010 with the expectation that higher rents will make up the difference – a transfer of the debt, in effect, from bricks and mortar to tenants themselves which threatens to widen inequality in an already divided City.

The increase in the Right to Buy discount from April 2012 and the inflexible constraints on spending retained capital receipts within three years whilst requiring councils to match every £1 received with over £2 from its own budget, have already led to a need to find almost £16,000,000 before June 2017 and will continue to put significant pressure on the HRA.

The Council's pride in its role as a social landlord and its belief that social housing is vital to tackling the housing crisis facing so many in the City are at the core of every decision made for the HRA. Our support for the national cross party SHOUT (Social Housing under Threat) campaign has been affirmed by Full Council in July 2014.

Our Cambridge Social Rent Programme recognises that private sector rents in Cambridge are the highest of any city outside London and uses the Local Housing Allowance as a benchmark, to ensure that Cambridge remains a city open to all regardless of income.

Our City Homes Improvement Programme is set to restore pride in our council estates, tackling a legacy of underspend and slippage in the Capital Programme.

We have already begun this process. We have doubled the fencing budget for 2014/15 to tackle open spaces on City Homes estates.

We have committed to ensuring no tenant is evicted solely because of the 'bedroom tax' and to ongoing support through additional staffing and using Discretionary Housing Payments, which has meant in the first year of the legislative change nearly 80% of that funding being used to support those affected.

We have recognised the social value of our strong and established communities by halting the previous administration's planned redevelopment of Lichfield Road and parts of Campkin Road, seeking redevelopment through consensus not imposition. We have been clear that council land is an invaluable and limited asset which must not be used to do deals with private developers that maximise profit at the expense of our current and future tenants.

We will continue to advocate nationally for a lifting of the HRA debt cap and a recognition that the key role Cambridge plays in the UK economy is best served by a City which is diverse and underpinned by social equality, and by sharing prosperity across all wards.

We will prioritise the delivery of new social housing by working with partners such as other local councils and housing associations and investigate all options for funding to free our hands from national constraints.

This is the first year of the new Labour administration, underpinned by our vision of One Cambridge – Fair for All, our commitment to public service and our belief in the key role of social landlords.

Councillor Kevin Price.

Background

The Housing Revenue Account (HRA) Mid-Year Financial Review is to be read in conjunction with the original HRA 30-Year Business Plan approved in February 2012, which sets the scene for the current financial environment and the HRA Budget Setting Report of February 2014.

This report provides an opportunity to consider whether there are any material changes which need to be incorporated in year, into the financial planning for the HRA in advance of the 2015/16 budget setting process, recommending any required changes to the financial strategy. The report makes proposals for the development of both revenue and capital budgets for 2015/16, providing an indication of any change in the impact on the 30-year period of the Business Plan.

These changes may include changes in assumptions made, either as a direct result of changes in external factors, economic climate, national policy and legislation or as a result of decisions taken locally.

The HRA Mid-Year Financial Review incorporates a review of the current year budget position (2014/15), and updated projections for the following 4 years from 2015/16 to 2018/19, to demonstrate the full-year effects of any changes in assumptions and the impact of any changes in service delivery methods.

A key part of the mid-year review processes is the identification of:

- Items which for exceptional reasons require immediate action or approval (which may include net changes to existing budgets).
- Items which provide context for decisions on the strategy or process, influencing:
    - The level at which any Priority Policy Fund (PPF) is set.
    - The level at which the HRA savings target is set.

Timetable

Committee dates in the financial planning and budget preparation timetable are shown below:

Date	Task
2014	
30 September	Executive Councillor for Housing considers HRA Mid-Year Financial Review and incorporates Housing Scrutiny Committee views in recommendations to Council
6 November	Council considers HRA Mid-Year Financial Review
2015	
14 January	Executive Councillor for Housing considers HRA Budget Setting Report, approves rent levels and revenue budgets, following consideration of Housing Scrutiny Committee views, making final capital related recommendations to Council
26 February	Council approves HRA Budget Setting Report

The detailed corporate budget timetable is attached at Appendix A, highlighting the aspects relevant to the Housing Revenue Account.

Section 2
Housing Stock

Housing and Leasehold Stock

Housing Stock (dwelling stock owned and managed in the HRA)

Housing Category (Including Shared Ownership)	Actual Stock Numbers as at 1/4/2014	Estimated Stock Numbers as at 1/4/2015
General Housing	6,531	6,482
Sheltered Housing	520	506
Supported Housing	24	24
Temporary Housing (Individual Units)	49	49
Temporary Housing (HMO's / EA)	21	22
Miscellaneous Leased Dwellings	19	18
Shared Ownership Dwellings	84	83
Total Dwellings	**7,248**	**7,184**

Property Type (Excluding Shared Ownership)	Actual Stock Numbers as at 1/4/2014	Estimated Stock Numbers as at 1/4/2015
Bedsits	107	105
1 Bed	1,782	1,700
2 Bed	2,383	2,410
3 Bed	2,267	2,274
4 / 4+ Bed	105	106
Sheltered Housing	520	506
Total Dwellings	**7,164**	**7,101**

Leasehold Stock

At 1st April 2014, the Council retained the freehold and managed the leases for 1,109 leasehold flats.

Section 3
The National Policy Context and External Factors

External Factors

As part of the Housing Revenue Account Mid-Year Financial Review it is considered prudent to review the most recent assumptions, made as part of the HRA Budget Setting Report approved in February 2014. The impact that external factors, outside of the control of the organisation, have on the operation of the housing business, is key in decision making.

In reviewing financial projections for the future operation of the business, it is imperative that we recognise any significant changes in the assumptions previously made, and react accordingly to include these revised assumptions in our financial models.

A table detailing all of the revised business planning assumptions is included at Appendix C.

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). Having reviewed changes in this measure of inflation over the past 12 months, the average rate of growth was 2.1%, with a downward trend appearing over the last 7 months, with rates now just below 2%.

Recognising the downward trend overall, it is proposed to amend the base inflation rate of 2.5% included in the HRA financial model as part of the HRA Budget Setting Report, instead assuming a rate of 2% in the mid-year review.

Expenditure in respect of building maintenance is inflated in the financial forecasts using the Building Cost Information Service (BCIS) all in tender price index. Figures in recent years have shown this measure of inflation as increasing at lower levels than the standard measures of inflation. Recovery in this industry however now seems clear, with growth in the index over the last 12 months of 6.25%, and forecasts indicating this index will continue to grow at a rate of between 5% and 5.5% per annum. On the basis of the recent recovery, and the predictions provided for the coming 5 year period, it is recommended that the assumption incorporated is that this index runs at 3% above CPI for 5 years and then reverts to 1% above CPI over the longer term and for the remainder of the plan.

Interest Rates on Lending

The Council lends externally, on a short-term basis, any cash balances that are held at any point within the financial year. If the balances held relate to the Housing Revenue Account, the interest earned by the authority is credited to the Housing Revenue Account. From April 2014, a legislative change means that the definition of 'balances' which the HRA is entitled to earn interest upon, has been expanded to include unallocated housing capital receipts. This change will benefit the HRA in financial terms, but will have a corresponding negative impact on the General Fund, which will be incorporated into the General Fund Mid-Year Financial Review.

Although the level of balances which the HRA holds and is now entitled to receive interest upon will be higher, the rate of interest receivable on the investment of these balances and reserves remains very low. Although anticipated to be slow, some recovery in the rates available is still predicted in the longer term. Revised interest rate assumptions are included in Appendix C.

In the medium to long-term, if the HRA holds significant cash reserves, set-aside to repay an element of debt in the future, the authority will need to consider forms of longer-term lending of these larger sums, in order to secure the higher rates that are predicted to be available. The alternative to this would be to explore early repayment of the HRA debt, particularly if the benefit of doing so can be demonstrated to out-perform the interest anticipated to be earned on the retention of the balance until the loan's maturity date.

Interest Rates on Borrowing

The Council secured preferential borrowing rates from the Public Works Loans Board (PWLB), of between 3.46% and 3.53% for the self-financing loan portfolio taken out on 28th March 2012.

Any additional borrowing must be within the level of the current HRA borrowing cap, resulting in maximum borrowing in the region of £16m. The borrowing cap may be increased in future years as a direct result of the authority expressing interest in a Government initiative which seeks to increase the debt cap nationally by up to £300 million in a bid to increase the supply of affordable housing. If successful, the expression of interest could see the HRA debt cap increased by just over £6 million.

There is still the possibility that some of the additional borrowing anticipated in the HRA may be met internally by borrowing from the General Fund, although this is in no way guaranteed, as it would be subject to the availability of the resource at the point at which it is required. The option to internally borrow would be fully explored before any decisions were taken for the authority to prudentially borrow.

For the purpose of financial planning, it has prudently been assumed that the HRA will borrow externally, thus ensuring that the assumed interest rates payable will be sufficient to meet the cost of this borrowing route if required.

The authority has taken advantage of a certainty rate from the Public Works Loans Board (PWLB), ensuring that any prudential borrowing for the HRA can be secured at 20 basis points (0.2%) below the standard PWLB lending rates. The agreement runs for a year at a time, with the current agreement expiring in October 2014. If available again from October 2014 onwards, the authority will again subscribe to this offer to maintain the greatest degree of flexibility possible.

The external borrowing rate assumed in the HRA Budget Setting Report was 4.5%, and having reviewed the rates currently available from the PWLB for maturity loans with a 30 year duration, and without any guarantee that the certainty rate will continue to be available, it is considered prudent to retain this assumption as part of the HRA Mid-Year Financial Review.

Right to Buy Sales

Following changes in right to buy legislation from April 2012, made to reinvigorate the scheme, the authority has seen a significant and sustained increase in right to buy activity.

During 2013/14, 114 right to buy applications were received and recorded, compared with 135 in the previous year. It is difficult to predict whether this level of activity will continue in the medium to long term or whether we will now begin to see the predicted slowing down, but consideration is being given to the staffing resource allocated to this area of activity as part of a review of the Leasehold Service.

In 2013/14, 60 of the applications proceeded to completion of the sale of the property, compared with only 41 in 2012/13. In the first 3 months of 2014/15, 16 completions took place, indicating that the higher level of sales is continuing. Although impossible to accurately predict future sales, based upon the continued higher level of activity in 2014/15 to date and the suggestion, by Central Government, that the qualifying period will be reduced from 5 years to 3 years and the promised introduction of a Right to Buy Agent to support tenants through the purchase process, both of which are likely to prompt another peak in activity, it is considered prudent to increase the assumed level of sales to 60 for 2014/15 in line with sales in 2013/14, to 50 in 2015/16, 40 in 2016/17, 30 in 2017/18, and to 20 sales per annum from 2018/19.

Further legislative changes, debated in Parliament during July 2014, will come into force during July 2014 as part of new Statutory Instruments. These include:

- An annual increase in the maximum right to buy discount value (cash cap), ensuring that the discount keeps pace with inflation. From 21st July 2014 the maximum discount that a prospective purchaser can obtain will increase from £75,000 to £77,000, and will be reviewed annually in April of each year, increasing by CPI at the preceding September. However, if CPI is negative, the maximum discount will not be reduced, but will remain at the previous year's level.
- An increase in the maximum discount rate which can be applied to the purchase of a house under the right to buy, from 60% to 70%, with effect from the end of July 2014. Discounts for houses will continue to start a 35%, increasing by 1% for each year up to the maximum 70%. For flats, the discount starts at 50%, increasing by 2% each year up to the current maximum of 70%.

The annual increase in the maximum discount value (cash cap) will need to be incorporated into future financial projections from this point onwards. The increase in the discount rate for houses to 70% is not expected to impact significantly, as the majority of right to buy purchasers in Cambridge City are limited by the cash cap well before they reach the maximum discount rates.

Right to Buy Receipts

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

The call on right to buy receipts is as follows:

- Receipts from the level of sales assumed in the Self-Financing Settlement are split between CLG (75%) and the authority (25%) after allowable deductions. The 25% retained can be spent on any area of our housing capital programme, but currently funds our General Fund Housing expenditure.
- For any further sales over and above those assumed in the settlement, the first call on the receipts is a sum considered comparable with the debt that the authority holds in respect of each dwelling. These receipts can be used for debt repayment, or alternatively could be used for capital purposes, e.g.; investment in new affordable housing. There is currently nothing legislatively to stop the authority using these receipts for wider capital purposes, although CLG are clear that the intention in allowing the authority to retain the sums is that the HRA has debt relational to the dwellings sold, and should either redeem the debt or create an asset to replace it, thus allowing the debt to continue to be supported.
- Any residual receipt is known as a one for one (1-4-1) receipt, and in line with the agreement with CLG 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 delivery of the new unit, with the receipt having to be paid to central government, with interest (at 4% above the base rate) if not spent appropriately.

In respect of 1-4-1- 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 housing resource held is capital in nature, prior to April 2014, the General Fund benefited from any interest earned on it. Due to a change in legislation, with effect from April 2014, the HRA will benefit from interest earned on all unallocated housing capital receipts. This change has been brought about to recognise that any receipts not re-invested appropriately within the

3 year time frame have to be paid over to central government, with the 'penalty' interest payable at 4% above the base rate, far exceeding the level of interest that is likely to have been earned in the interim. The change in legislation ensures that any interest earned on housing capital balances is available for re-investment in housing activity, assuming that retained right to buy receipts are appropriately spent.

The table below identifies the current 1-4-1 receipts held by the HRA:

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling
30/6/2012	0.00	0.00	0.00	N/A
30/9/2012	305,694.44	305,694.44	1,018,981.47	30/9/2015
31/12/2012	1,052,927.43	1,358,621.87	4,528,739.57	31/12/2015
31/3/2013	721,056.95	2,079,678.82	6,932,262.73	31/3/2016
30/6/2013	558,506.20	2,638,185,02	8,793,950.07	30/6/2016
30/9/2013	648,902.97	3,287,087.99	10,956,959.97	30/9/2016
31/12/2013	939,637.07	4,226,725.06	14,089,083.53	31/12/2016
31/3/2014	1,556,452.02	5,783,177.08	19,277,256.93	31/3/2017
30/6/2014	1,025,279.68	6,808,465.76	22,694,885.87	30/6/2017

It is clear from the above figures, that the authority is required to invest a significant sum in the delivery of new social housing over the next 3 years. For the investment to qualify, money has to be physically expended on a dwelling, but the dwelling itself does not need to be fully complete by the deadline. Although the assumed expenditure to meet the above commitment has been included in the Housing Capital Investment Plan, specific sites now need to be identified that can be delivered within the time frames. If this is not possible, the authority will need to consider the purchase of existing dwellings on the open market or alternatively passing the funding on to a registered provider to deliver the housing, before releasing existing and future 1-4-1 receipts directly to Central Government, as a last resort. A judgement will be made in this regard at the end of each quarter, and funds will be paid to Central Government if they are not deemed appropriately re-investable.

National Housing Policy

National Rent Setting Policy

As part of the Comprehensive Spending Review in 2013, government announced plans for future rent policy for social housing. The proposals were subject to consultation, with the outcome of this published in May 2014, and intended to span the coming 10 years.

There are a number of key changes introduced from April 2015 as part of the outcome to the Rent Policy Consultation, summarised in a document called 'Rents for Social Housing from 2015/16' with associated CLG Guidance issued alongside. The key changes are:

- A change in the inflationary rate used as part of the rent review each year, with a move for both actual and target rents from the historic inflationary rate of RPI (Retail Price Index) plus 0.5% to the use of CPI (Consumer Price Index) plus 1%, for the 10 year period from 2015/16 to 2024/25.
- Cessation of the rent convergence policy for existing tenants from 2015/16.
- Assumption that authorities will move the rent levels for all properties directly to target rent when a property becomes void, thus still achieving rent convergence, but over a longer time frame.
- Assumption that new homes will be let at the higher 'Affordable Rents' of up to 80% market rent levels (inclusive of service charge), if the authority has a Framework Development Agreement in place, or has entered into a Retention Agreement for the ability to retain right to buy receipts.
- Assumption that the rent for properties where the household income exceeds £60,000 per annum should be set at full market rent levels.

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.

Welfare Reforms

The Welfare Reform Act 2012 introduced a number of changes to Housing and other Benefits.

In respect of under-occupation cases, Discretionary Housing Payment (DHP) continues to be considered, with time-limited top-up payments being awarded from a finite resource, supporting the most vulnerable tenants whilst alternative options are considered where appropriate. In some cases, tenants have registered with Homelink, and are actively looking to downsize to a property which suits their household size in terms of this reform. DHP can be awarded to meet the additional rent payments whilst this takes place, but in certain cases where awarded due to a disability, awards are made on an annual basis with a light touch review where circumstances are known to be the same. The DWP has published an interim report on the impact of the removal of the spare room subsidy that shows that nationally just 4.5% of affected claimants have downsized and that overall rent arrears had risen by 16%.

At the end of June 2014, approximately 415 HRA tenants were affected by the under-occupation deduction, with an estimated 80% of those residents affected paying the additional rent due. It is estimated that £37,500 of arrears relate to households affected by this change.

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 15 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.

Housing Benefit will eventually be incorporated into Universal Credit, but implementation delays mean that local authorities will now continue to administer Housing Benefit for much longer than previously anticipated.

From the point of introduction residents will be paid directly, and will receive calendar monthly payments, in arrears, administered centrally by the DWP. Pensioners continue to be excluded from these arrangements at present. In some cases an alternative payment arrangement might be available for those who genuinely cannot manage their monthly payment. This could take the form of a more frequent payment, split payment across the household or a managed payment direct to the landlord. Universal Credit will always be calculated based on a 52 week year.

A DWP report published in May 2014 (Direct Payment Demonstration Project: learning and payment figures from payments 18 and 16) revealed that where tenants were paying their rent, the contact, advice and collection was a very resource intensive exercise, resulting in other landlord services being compromised and it remains concerned about how its tenants will manage direct payment when the wider and cumulative impacts of welfare reform take effect.

The full impact of these reforms remains unquantifiable at present, but the experience of many pilot authorities was a significant increase in both rent arrears and collection and recovery costs. It is anticipated that residents of supported exempt accommodation will have help with their housing costs provided separately to Universal Credit in a similar way to Housing Benefit in the short term.

The current intention is that Universal Credit will be fully available during 2016 with the majority of the remaining Housing Benefit caseload moving to Universal Credit during 2016/17. Local support will be available to help support claimants and will be provided through local partnerships.

Support for Vulnerable People

There is still uncertainty in respect of the longer-term position for funding managed on a county-wide basis by the County Council, for the provision of support services in the city. There is however more clarity now over the shorter-term position for some of the work streams.

Cambridge City Council entered into a new contract for the delivery of support services to older people across the city from 30th April 2014. The contract runs for three years, with an option to extend for up to two further years, but with services delivered on a city-wide basis, and not just to HRA residents as was the case under the previous contract. There are concerns that the demand for support services across the city as a whole is unquantifiable. All existing service recipients will undergo a needs assessment during the first year of the new contract, and support services will then be targeted at those in the greatest need, with signposting to other agencies available for those with lower support needs.

The authority is also contracted to deliver support services in both 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. Discussions are expected to take place with the County Council in the coming months in respect of both of these contracts.

Funding for the provision of alarms, and the telephone response to alarms, in sheltered and older persons housing is being phased out by the County Council, with the expectation that its continued provision across our housing stock will form the basis of a separately identified service charge, which would be payable by all residents benefiting from the service, and not just the proportion who are self-funders, as is the case at present.

The table below summarises the current funding received for the provision of support services:

Contract	No. of Units	Contract Status	Estimated County Support Funding 2014/15 (£)	Risks / Ongoing Assumptions
Temporary Housing	60	Block Gross Contract – Extension Expires 31/3/2015.	100,000	Uncertainty exists around County Council's plans after March 2015.
Older People Support Services	City-Wide	Fixed Price City-Wide Contract – Expires 30/4/2017, with an option to extend for up to 2 further years	180,000 (plus £51,700 TUPE funding for minimum of 1 year)	Risks exist that additional funding for an initially higher staffing level will cease, whilst demand for services across the city will outstrip supply, with services only delivered to those in greatest need.
Sheltered Housing Alarms	470	Contract addendum to extend until 31/3/2016.	9,440	Supporting People funding for alarm services will cease with effect from 31/3/2016
Community Alarms (HRA Stock)	34	Contract addendum to extend until 31/3/2016.	7,830	Supporting People funding for alarm services will cease with effect from 31/3/2016
Ditchburn Place (Extra Care)	36	Block Gross Contract (Part of Care Contract) – Expires 31/3/2015.	45,740 (Accounted for outside of the HRA)	Uncertainty exists around the County Council's plans for care at Ditchburn Place post March 2015
Total County Council Support Funding			**394,710**	

Section 4
Housing Service Mid-Year Budget Issues

2013/14 Outturn

The position at outturn for 2013/14 has been scrutinised and changes to the 2014/15 budget and beyond as part of the HRA Mid-Year Financial Review are recommended as a result. Areas of particular under and over-spending in 2013/14 have been investigated to determine whether variances from the budget were one-off, with appropriate explanation, or demonstrated potential patterns in spending for the future.

2014/15 Budget

In addition to reviewing the prior year outturn, consideration has been given to the impact on 2014/15 budgets of the review of key business planning assumptions, driven by both changes in legislation and in response to an assessment of changes in the current economic climate.

HRA General Management

The key issues affecting estimated general management expenditure for 2014/15 and future years relate to a combination of the changes either being experienced, or anticipated, as part of the Welfare Reforms and the workload anticipated as new build housing is delivered into our housing stock. It is currently difficult to accurately predict the impact that the former of these things will have on the workload of existing staff in City Homes and the Business Team, the increase in collection costs that will occur and the impact that will be experienced in the level of rent arrears, and therefore potentially bad debt for the HRA. The impact on workload in respect of the delivery of new build housing however, can now be based on the early experience at Jane's Court.

HRA Special Services

One of the key areas of uncertainty across special services is the remainder of anticipated changes in the delivery and funding mechanisms for the provision of support services, where the County Council are yet to confirm their future position for Temporary Housing and Extra Care Services and the demand for Older People Services across the city, within a cash limited budget, has yet to be fully quantified. The HRA also awaits clarity from 2015/16 onwards in the delivery vehicle for building cleaning services, where Streets and Open Spaces are in the process of reviewing the provision of these services. The need to be able to demonstrate value for money in the provision of special services is greater than ever, as the HRA expands the delivery of services to both new tenants and owner occupiers in the market housing on the mixed tenure housing development sites.

Repairs & Maintenance

The Repairs and Maintenance Service responded positively to the challenges of demonstrating that the responsive repair and void services could be delivered in-house more efficiently, and this needs to be monitored and further improved upon in the coming months. One of the key challenges that the service faces in 2014/15 is the transfer of planned maintenance services to new contractors, following a procurement process resulting in a number of separate contracting decisions.

HRA Summary Account

The key changes impacting income and expenditure charged directly to the HRA Summary Account are the impact of legislative changes surrounding interest receipts, changes in assumptions of the level of right to buy sales, the impact of delays in the implementation of Universal Credit, and the effect on the revenue position of any delays in the delivery of new build social housing compared with assumptions made as part of the HRA Budget Setting Report.

The resulting revenue budgetary changes proposed are detailed in Appendix D of this document, and are also incorporated into the HRA Summary Statement (2014/15 to 2018/19) at Appendix G.

Section 5
Revenue Resources – Rent and Other Income

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)
31/3/2010	£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
31/3/2014	£619,986	1.68%	£967,755

Maintaining and continually 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 improved in 2013/14, despite the introduction of both the social sector size criteria reduction in housing benefit and the benefit cap. Performance in the early part of 2014/15 has been maintained, when compared with the profile in 2013/14. 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 2014/15.

There is the need for a particular focus on former tenant arrears, where the value has been seen to increase quite dramatically over the last year. Provision is made in the Housing Revenue Account to write off of 92% of former tenant debt, but a decision to do this is not taken until all avenues for collection have been exhausted. The processes surrounding recovery and write off of former tenant debt are currently being reviewed, with a view to streamlining the administrative process once recovery has been exhausted.

The position in respect of rent arrears as a whole is anticipated to worsen during 2015/16, with the introduction of Universal Credit, based on the initial experience of pilot authorities seeing a marked increase in the level of rent arrears.

Taking the information above into consideration, the higher level of contribution that was approved for the bad debt provision for 2014/15, assuming the need to collect 100% of rent from a point in 2014, is not anticipated to be required. The higher level will need to be retained from 2015/16, and further consideration, as part of the 2015/16 budget process, will need to be given to whether this is increased further in light of the experience of the pilot authorities.

At 31 March 2014, the provision for bad debt stood at £1,259,257, representing 79% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2013/14 was £330,126, representing a void loss of 0.93%, compared with £336,335 in 2012/13, representing a void loss of 1.11%.

Void levels remain low in 2014/15 to date, with properties awaiting re-development now de-commissioned once the whole dwelling is vacated for the last time. This ensures that the authority has a proper picture of those dwellings vacant, but anticipated to be available for re-let once any essential void works have been completed.

On an ongoing basis, an assumption of 1% voids in general housing is still considered prudent, recognising the release of a considerable amount of new build affordable housing in the city, and the intention to refurbish Ditchburn Place in 3 phases.

Rent Restructuring

Rent restructuring, which was designed to ensure consistency in rent levels for all social housing tenants irrespective of landlord, has been retained as the method of calculation for social housing rents following the Government's review of rent policy over the last year.

Cambridge City Council has followed government guidelines in setting rents since the introduction of rent restructuring, including adhering to the numerous constraints introduced by Government throughout the process. The result is that rent levels for the authority are still considerably below the level of target rents, with only 4% of properties assumed to move to target rent levels each year during void periods.

The average target rent at the start of 2014/15 across the housing stock was £103.57, with the average actual rent charged being £98.49, both recorded on a 52 week basis. The average actual rent was therefore representative of 95% of the average target rent, with only 9% of the housing stock being charged at target rent levels.

The gap between actual and target rent levels equates to an annual loss of income of approximately £1,876,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated.

From April 2015, the gap between target and actual rents can only be closed at the point at which a property becomes vacant, when the rent is expected to be moved directly to the target rent level. On this basis, it will be many years before the housing stock as a whole reaches target rent levels, having a significant negative financial impact on the HRA as a housing business, when rents are compared with the assumptions made by Government as part of the HRA Self-Financing Debt Settlement.

Rent Policy and Rent Setting

As identified in Section 3, National Housing Policy, significant changes have been made to national rent setting policy from April 2015.

These changes include:

- The use of the Consumer Price Index (CPI) plus 1% as the inflation driver for annual rent reviews
- The assumption that all void properties will be increased to target social rent levels before re-let
- The expectation that new build housing will be let at rent levels of up to 80% of market rent
- The expectation that households with incomes exceeding £60,000 per annum will be charged full market rent levels.

The financial impact of the move to using CPI as the driver for rents inflation, as opposed to RPI, was incorporated into financial assumptions as part of the 2014/15 HRA Budget Setting Report and has been retained in the modelling undertaken alongside the HRA Mid-Year financial Review. It is difficult to predict the impact that this change will have over the longer term, as historically these rates have been volatile, but with CPI general running at between 0.5% and 1% below RPI. The HRA Business Plan incorporates the assumption that the base rate of inflation, CPI, is the same for both expenditure and income, with variable adjustment factors applied to specific types of expenditure to ensure that the authority can meet the cost of any increase in expenditure in contractual terms.

From April 2013, the authority introduced a policy which allowed for the transition of energy efficient void properties direct to target rent before re-let. Based upon inspections undertaken during 2013/14, 66% of void dwellings were assessed as having an energy efficiency rating of C or above, and were therefore increased directly to target rent levels. Work began, under the previous administration, to undertake additional work during void periods to improve the energy efficiency of the dwelling and therefore allow re-let at target rent level. From April 2015, the authority could follow government policy to move 100% of void properties directly to target rent irrespective of energy efficiency status.

A decision to comply with government guidelines in respect of charging higher income households a market rent for their property would need some detailed consideration, to ensure that appropriate processes were in place to gather, monitor and react appropriately to this financial information, whilst also ensuring that the authority had a mechanism for continually measuring the market rent levels which drive this proposal.

Consideration will be given to any changes in Rent Policy at a local level as part of the 2015/16 HRA budget setting process, and it is anticipated that this topic will be the subject of a specific Housing Committee Report at this time.

Rent levels will 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 Committee.

Reserves

Housing Revenue Account General Reserves

Reserves are held partly to help manage risks inherent in financial forecasting and budget-setting. These risks include changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies, such as uninsured damage to the housing stock. In addition, reserves may be used to support the Housing Capital Investment Plan and, in the short-term, to support revenue spending, for example to spread the impact of savings requirements over more than one financial year. For the Housing Revenue Account the intended target level of reserves remains at £3m, with a minimum level of reserves of £2m.

The impact on HRA reserves for 2013/14, and 2014/15 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	Financial Year	
	2013/14 £'000	2014/15 £'000
Original Budget (Approved in February)	**(726)**	**(70)**
Carry Forwards (Approved in June)	3,109	3,393
Total Including Carry Forwards	**2,383**	**3,323**
MFR Mid-Year Review (Approved in October)	(579)	2,573
Total Including Mid-Year Amendments	**1,804**	**5,896**
Budget Setting Report Revised Budget (February)	72	-
Total Including Revised Budget Changes	**1,876**	**-**
Actual Outturn (Reported in June)	**(3,385)**	**-**

The original budget for 2014/15 approved a net contribution to reserves of £70,490, recognising the desire to hold target HRA general reserves of £3,000,000 over the longer term. The budget incorporated a revenue contribution of £8,911,130 to fund capital expenditure.

This projection includes the effects of changes in capital resources, incorporation of revenue and capital funding requests included as part of this HRA Mid-Year Financial Review and any requested carry forwards from 2013/14.

The final general HRA reserves position for 31 March 2014 was £8,880,738. This included £3,393,320, which will be required to fund the approved carry forward items.

The revised projection of the use of reserves in the current year (2014/15) now indicates that there is expected to be a net contribution from reserves of £5,895,820.

Earmarked Funds

In addition to General Reserves, the Housing Revenue Account maintains a number of earmarked or specific funds which are held for major expenditure of a non-recurring nature or where the income is received for a specific purpose. See Appendix I for detail of existing balances held.

Section 6

Capital - Existing Stock

Stock Condition / Decent Homes

The authority holds validated stock condition data for its housing stock, which is continually updated. However, one of the areas where data gathering and recording is was weak was in respect of the communal areas of both sheltered and flatted accommodation, where an allowance has been made in the financial planning in anticipation of a more detailed investment profile in the future. This piece of work is now well progressed, and the findings need to be incorporated into the Housing Capital Plan as part of the 2015/16 budget process.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2014 at 97.9%, compared with just over 96.5% achieving the desired standard at 31 March 2013. There were 151 properties that were considered to be non-decent (in addition to refusals), with another 510 anticipated to become non-decent during 2014/15.

Stock Investment

Appendix H provides detail of the 5-Year Housing Capital investment Plan, and incorporates the following items:

- Expenditure as approved in the HRA Budget Setting Report in February 2014.
- Re-phasing of expenditure anticipated to take place in 2013/14 into 2014/15 and beyond, as approved in July 2014.
- Items identified as part of the HRA Mid-Year Financial Review.
- Capital financing has been updated in respect of revised assumptions in right to buy and other capital receipts, revenue funding of capital expenditure and borrowing requirements.

The changes proposed as part of this HRA Mid-Year Financial Review are detailed at Appendix E, and include the following types of change:

- Re-phasing of expenditure and approval of revised funding requirements, based upon the latest development appraisals for new build / re-development schemes (see table in section 7).
- In-year re-allocation and re-phasing between years, of budgets for decent homes and other works to the housing stock in line with contract packages awarded to Keepmoat (Apollo), Kier and other contractors under the SCAPE and ESPO frameworks.
- Inclusion of an additional £100,000 per annum in the allocation for fencing works from 2015/16 onwards.
- Inclusion of resource of £11,000 to fund unavoidable capital expenditure in respect of work to air cooling systems in both area offices to ensure that the authority complies with current legislation.

The current HRA Business Plan and resulting Housing Capital Investment Plan are constructed on the basis of delivering at a partial investment standard in our housing stock.

During 2015/16 officers will consider the difference in costs over the longer-term of returning to the basic decent homes standard, to provide flexibility to respond to anticipated increased financial pressures elsewhere across the housing service and / or to re-direct into other areas of investment, ie; new build affordable housing.

Significant work is required to ensure that the authority can accurately profile the agreed level of capital investment required in the housing stock over the short to medium term, making sure that delivery is possible in procurement terms in line with investment aspirations. Changes to achieve this have either been incorporated as part of this document if information is available currently, or will be addressed in the 2015/16 HRA Budget Setting Report.

Section 7
Capital & Asset Management – New Build & Re-Development

Asset Management

Consideration is given to the strategic acquisition or disposal of assets, following approval of the HRA Acquisition and Disposal Policy in June 2013.

A review was also undertaken in respect of the HRA's shared ownership portfolio, currently consisting of 84 dwellings, with one of the key outcomes of the review being a decision to consider the future of each shared ownership dwelling as part of a business case evaluating agreed criteria which include the condition, use and occupancy of the existing shared ownership property, before recommending re-purchase as shared ownership housing, re-purchase and use as general needs housing, re-purchase and subsequent sale on the open market or allowing the resident to dispose of their share on the market directly.

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

Outside of the currently approved 3-Year Affordable Housing Programme, the following HRA assets have been, or are being, considered for market acquisition or disposal:

Potential Acquisition/Disposal	Comment	Status
18A Magrath Avenue	Dwelling requires significant investment. Approval to dispose of leasehold dwelling and freehold jointly with the neighbour to achieve the benefit of a share in the higher marriage value for the asset as a whole.	In negotiation
101a Gwydir Street	Ground floor bedsit which is tenanted, but requires significant investment. Options are being evaluated as to the most appropriate way forward.	Under investigation

Potential Acquisition/Disposal	Comment	Status
Engineers House	Dwelling is a 3-bedroomed detached house in a non-estate location. Options for this property will be considered at the point at which the dwelling becomes vacant.	Future Investigation

New Build & Re-Development

146 HCA Grant New Build Programme

The Council secured Homes and Communities Agency grant of £2,587,500 towards the development of 146 affordable homes in the city, which form part of the 3-year affordable housing programme.

The Seymour Court / Seymour Street site was the first to complete in 2013/14, with the new Jane's Court available for let in the second half of the year.

At the time of writing this report, all but 2 of the tenanted households affected by the re-development programme had been re-housed and 16 of the 19 leasehold re-purchases required had taken place.

As each scheme receives specific committee approval, the indicative cost of the scheme is incorporated into the Housing Capital Investment Plan at the next approval opportunity. 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 have been 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 in all cases, but will ensure that the most up to date data is being utilised.

Due to delays on some of the development sites, it has been necessary to switch the application of HCA grant funding to alternative units, ensuring that the authority maximises the grant that is received. New build dwellings that were originally identified for market sale on some of the garage sites (Hawkins, Ekin and Fulbourn), have since been amended to deliver a greater proportion (up to 100%) of social housing on each site. These changes are also reflected in the table below, but it must be noted that the decision to utilise resource to deliver a greater proportion of social housing on some of the earlier sites will result in an inability to meet the full costs of the later sites without the approval of additional resource for 2015/16.

The table below details the final sites against which the authority intends to apply HCA grant, identifying the current scheme costs for approval as part of this HRA MFR, comparing the costs to the approvals granted at budget setting stage in January / February 2014.

Scheme	Status	HRA BSR Approved Social Housing Units	HRA BSR Net Funding Approved (Capital Cost net of Grant and Land Transfer)	HRA MFR Revised Social Housing Units for Approval	Percentage Social Housing on Site	HRA MFR Revised Net Funding for Approval (Capital Cost net of Grant and Land Transfer)
Jane's Court	Complete	20	878,440	20	59%	878,610
Latimer Close	Unconditional	12	1,250,180	12	60%	1,357,060
Barnwell Road	Unconditional	12	1,094,750	12	59%	854,960
Campkin Road	Unconditional	20	2,451,640	20	63%	2,363,640
Colville Road	Unconditional	19	1,304,920	19	58%	1,156,850
Water Lane	Delayed	14	1,384,170	0		
Aylesborough Close (Phase 1)	Delayed	21	2,543,670	0		
Aylesborough Close (Phase 1a)	Conditional	0	0	10	63%	2,049,390
Stanesfield Road	Unconditional	4	554,020	4	50%	399,650
Wadloes Road	Conditional	6	646,530	6	60%	568,760
Atkins Close (Garage Site)	Unconditional	8	601,070	8	67%	446,650
Hawkins (Garage Site) (*)	Not in Contract	5	513,640	9	100%	1,193,990
Fulbourn (Garage Site) (*)	Not in Contract	4	252,670	8	100%	1,127,200
Ekin Road (Garage Site) (*)	Not in Contract	4	403,140	6	100%	828,520
Total		**149**	**13,878,840**	**134**	**64%**	**13,225,280**

The sums included for sites not yet at unconditional contract stage, are the latest working estimates, but will still be subject to change before finalisation.

Non-HCA Grant Balance of New Build Programme

Re-allocation of HCA grant to some of the garage sites above in order to meet the time scales for receipt of this external funding, result in the authority owning a greater proportion of the new build housing on each of these sites. Investment in these dwellings means that additional resource will be required to complete the build on the Aylesborough Close and Water Lane sites, but the overall impact will mean delivery of 158 dwellings compared with the 146 that were originally proposed or the 149 that were anticipated at budget setting stage in January / February 2014. The funding required to complete the programme is detailed below:

Scheme	Status	HRA MFR Revised Social Housing Units for Approval	Percentage Social Housing on Site	HRA MFR Revised Net Funding for Approval (Capital Cost net of Land Transfer)
Water Lane	Conditional	14	58%	1,644,960
Aylesborough Close (Phase 1b)	Conditional	10	57%	609,680
Total		**24**	**56%**	**2,254,640**

The Housing Capital Investment Plan, an updated version of which is attached at Appendix H, incorporates the funding for new build schemes as identified in the tables above, recognising the need for gross spend on the affordable housing scheme, land values and grant receipts to be shown separately, as detailed in Appendix F.

Acquisition of Market Housing on the 146 Programme Sites with RTB Receipts

In order to meet the deadlines for the use of the earlier retained right to buy receipts, funding of £2,875,000 was ear-marked in the Housing Capital Investment Plan for the purchase of some of the market dwellings on the 146 Programme development sites. The use of retained right to buy receipts is only applicable on sites which were previously vacant or contained garages, or in the case of existing social housing, where additionality can be clearly demonstrated.

Permission to purchase specific dwellings has been obtained using the urgent decision process, as outlined in the HRA Acquisition and Disposal Policy.

The table below identifies the market dwellings which the authority currently proposes the direct market purchase of, with the impact this will have on the proportion of social housing delivered on these sites:

Scheme	No. of Market Units to be Purchased	Revised Percentage Social Housing on Site	Market Purchase Price (with on costs)
Colville Road	6	76%	1,051,350
Wadloes Road	3	100%	736,500
Atkins Close (Garage Site)	4	100%	1,106,400
Total Purchases	**13**		**2,894,250**

Clay Farm

Work continues with Hill Partnerships, in the development of the Clay Farm site, which will deliver 104 new dwellings which the City Council will own and manage. Following consideration at Community Services Committee in January 2014 and subsequent approval by Council in February 2014, the scheme is anticipated to deliver 104 homes, comprising 78 affordable rented dwellings and 26 shared ownership dwellings.

The scheme is registered for planning approval, and will be considered during the summer and autumn of 2014. It is anticipated that the funding for the scheme will include the use of retained right to buy receipts to fund 30% of the social rented housing on the site, which will maximise the use of these receipts against this scheme. It is assumed that the balance of the costs will be met from existing HRA resource and borrowing, ensuring that the scheme included in the Housing Capital Investment Plan is financially viable.

Delivery of the affordable housing accommodation on the Clay Farm site is now expected in phases beginning in the spring of 2016, with final completion by spring of 2017.

£300 Million Fund

The Government offered local authorities the opportunity to bid for permission to borrow above their debt cap, with additional borrowing approvals of £300 million available nationally.

There were constraints applied to the bidding process, with an inability to use any additional borrowing awarded to aid the delivery of a unit that might also benefit from the use of retained right to buy receipt funding. This, coupled with an indication that government anticipated the borrowing approval to represent approximately £30,000 of each dwelling delivered, made it impossible for Cambridge City to make any firm bids in the 2014/15 to 2015/16 programme, but instead to express interest in the later years. An expression of interest was lodged for approximately £6 million of borrowing approval, to aid delivery of 193 homes across 3 strategic development sites in 2016/17 and 2017/18.

The first round of firm bids resulted in borrowing approvals nationally of £61 million, set to deliver 1,030 new homes, at additional borrowing of £59,000 per dwelling, far higher than the £30,000 originally indicated.

A second firm bid round has been announced for September 2014.

Section 8
Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget process for 2015/16 will remain broadly similar to that for previous years, working within cash limited budgets, and considering savings in general management and repairs administration, to meet both known financial pressures and to create policy space to allow for strategic re-investment in housing services.

A fundamental review of the HRA as a whole is proposed, but this piece of work is expected to take some time to both plan appropriately and deliver effectively. The fundamental review of the Housing Service is intended to address the longer-term balance of investment between meeting priorities for the delivery of new social housing, agreeing an appropriate level of investment in the existing housing stock and ensuring that the needs and pressures in the delivery of day to day housing services are met.

For the budget process in 2015/16, some initial preparatory work for this larger project is proposed. The key proposals are:

- A review of historic underspending, as in previous years, to drive out any areas where savings can be identified, which allow re-allocation of resource into other areas of the housing service.

- Undertaking zero based budget exercises or service reviews in a number of specific areas, where a commitment has already been given as part of the 2013/14 outturn process or an early review of spending is considered appropriate, to include:

  Void Repairs
  Day to Day Repairs

Cyclical Revenue Repairs
Leasehold Services

- In line with tenants views obtained as part of the 2014 Satisfaction Survey, a review, as part of the 2015/16 budget process, of the balance of expenditure between the level of direct investment in the existing housing stock, in new build affordable housing and in the potential to invest further in housing services, dealing with enquiries, supporting tenants and tackling anti-social behaviour.

The updated base model used to prepare this report has driven the recommendations in respect of the 2015/16 budget process, recommending the level of savings required to maintain flexibility in decision making and to meet both current and anticipated spending needs as they are known at present.

The HRA Mid-Year Financial Review has highlighted the need for additional resource in some areas and the ability to offer mid-year savings in others. The inclusion of these in the financial modelling undertaken as part of the review of the HRA will ensure that the most appropriate decisions can be made in respect of the Housing Revenue Account's approach to setting the 2015/16 budget.

Approach to HRA Savings

The September 2013 HRA Mid-Year Business Plan Update set a target of 2% for ongoing savings in general management expenditure for 2014/15 and an assumed reduction in repairs expenditure in line with estimated stock changes. This resulted in an overall target of £140,030 being set in preparation for the 2014/15 budget process. This target recognised the desire to continue to create policy space for strategic re-investment and allowed the inclusion of priority policy funding at the previously enhanced level of £150,000 per annum.

For 2015/16, a sustainable position is sought, continuing to assume that resources are set-aside for the future repayment of 25% of the housing debt by the point at which the loan portfolio begins to reach maturity, whilst utilising HRA reserves and any additional surplus generated, to meet the identified investment need in both the housing stock and in new build affordable housing, maintaining balances at the target level of £3m.

One of the key challenges for 2015/16 and beyond, is the need to identify sufficient resource for investment in new build housing to ensure that the authority can continue to retain right to buy receipts and re-invest them appropriately. This challenge has driven the need for a fundamental review of spending elsewhere across the Housing Service, both in terms of revenue spending and capital investment in the existing housing stock.

For 2015/16 budget process it is considered pre-emptive to assume that a fundamental review of the HRA will deliver a higher level of savings than have been achieved in previous years, and therefore the ongoing level of savings assumed in the 2014/15 HRA Budget Setting Report of 2% is proposed to continue to be adopted for 2015/16.

This target is set assuming savings in both general management and repairs administration expenditure. Savings assumptions for the remainder of the 5 year budget period have been maintained at the level of 2% ongoing per annum ongoing until the findings of the fundamental review of the HRA are clear, which is anticipated to be during 2015/16.

A target of 2% for 2015/16 will require savings in the region of £115,000 per annum, with the continued assumption that responsive repair expenditure is amended in line with assumed changes in stock levels. This level has been set to include the continued higher provision of £150,000 of priority policy space for 5 years, as outlined in this document. Consideration will be given, as part of the 2015/16 budget process, to whether the level of policy space should be retained at this higher level in the medium term.

The level of capital investment in the housing stock from a decent homes perspective will be reviewed over the longer term, with the intention of reducing the investment assumptions to a level where the decent homes standard can be fully met, but where the timing of investment is such that there is no longer set at investment standard which sees the replacement of components before they are anticipated to fully age or fail. It is anticipated that independent decisions can then be made about each aspect of investment, increasing the investment levels where deemed appropriate.

The position will be reviewed again as part of the January 2015 HRA Budget Setting Report, with a view to achieving a balance between prudence and deliverability, based on the latest information available.

Base Assumptions

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

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

Appendix G summarises the revenue budget position for the HRA for the period between 2014/15 and 2018/19, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

HRA MFR Conclusions

Updating the base assumptions for the HRA has had a significantly negative impact on the future financial assumptions for the housing business. There are two key changes which have contributed to this.

An increase in the inflation rate used for the cost of obtaining labour for planned revenue repair and capital works to the housing stock, assuming the Building Cost Index maintains an upward trend at 5% for the next 5 years as opposed to 3.5% as was assumed previously, results in a significantly higher level of anticipated investment in the stock.

The assumed reduction in CPI from 2.5% to 2%, means that rent increases are anticipated to grow at a far slower rate than previously assumed, which in turn generates a far smaller revenue surplus across the HRA. This surplus was assumed to be available to deliver new homes over 30 year life of the business plan

With the latest financial assumption incorporated into financial plans, the number of new homes that can be delivered using HRA surpluses is expected to be in the region of 1,200 over 30 years, compared with the 1,910 deemed deliverable as part of the HRA Budget Report.

Appendix A

Financial Planning Timetable 2015/16

Items that are applicable to the HRA are shown as shaded lines.

Date	Major Stage
2014	
12-Jun	Council adopts Annual Statement setting out plan & priorities from 2014/15
27-Aug	SLT / Exec consider MFR items
17-Sep	General Fund (GF) Mid-Year Financial Review (MFR) published for S&R Scrutiny Committee
18-Sep	Housing Revenue Account (HRA) MFR published
w/c 22 Sep	Finance despatch Budget Process Guidance and Budget Proposal Forms
29-Sep	S&R Scrutiny Committee / Leader recommendation of GF MFR to Council
30-Sep	Housing Committee considers the HRA MFR
01-Oct	Finance despatch Budget Working Papers.
Sept / Oct	MFR & budget briefing for Members
Sept / Oct	Budget process workshops for managers
15-Oct	Managers to complete and return Budget Proposal Forms to Finance for 2015/16 Revenue and Capital Budget Proposals
20-Oct	SLT consider HRA and Capital Budget Proposals
22-Oct	Finance to send proposals to officer groups, including corporate strategy, to assess climate change and poverty ratings and EqIA requirements
w/c 27 Oct	Officer Working Groups meet to consider and comment on budget proposals
28-Oct	SLT / Exec consider HRA and Capital Budget Proposals
29-Oct	GF MFR published for Council on 6 November
03-Nov	SLT consider General Fund Budget Proposals
06-Nov	Council considers GF and HRA Mid-Year Financial Review reports
17-Nov	SLT consider General Fund Budget Proposals
21-Nov	Managers to complete and return budget working papers, incorporating all budget proposals, to Finance
25-Nov	SLT / Exec consideration of General Fund Budget Proposals
08-Dec	HRA EqIA Deadline
10-Dec	SLT / Exec review General Fund and HRA BSR's
15-Dec	General Fund EqIA deadline

Date	Major Stage
17-Dec	Publish HRA Budget Setting Report 2015/16
Dec	Provisional Government Settlement Announcement
2015	
05-Jan	Publish HRA Opposition Budget Amendment
05-Jan	GF budget proposals for Environment Scrutiny Committees published
07-Jan	GF budget proposals for Community Services Scrutiny Committees published
09-Jan	Publish General Fund Budget Setting Report and GF budget proposals for Strategy & Resources
13-Jan	Environment Scrutiny Committee consider budget proposals for own portfolios
14-Jan	Meeting of The Executive agenda published
14-Jan	**Housing Committee considers any HRA Budget Amendment** **Executive Councillor for Housing approves rent levels and revenue budgets** **Executive Councillor makes final capital proposal recommendations to Council** **Housing Committee considers General Fund Housing budget proposals**
15-Jan	Community Services considers GF proposals for its own portfolios
19-Jan	Strategy & Resources Scrutiny Committee considers GF budget proposals for its own portfolios and GF Budget Setting Report
Jan	Final Government Settlement Announcement
22-Jan	**Meeting of The Executive to consider and recommend GF Budget Setting Report and Council Tax requirement**
05-Feb	Publish General Fund Opposition Budget Amendment
13-Feb	**Special Strategy & Resources Scrutiny Committee considers any GF budget amendment proposals**
26-Feb	**Council approves GF Budget and sets Council Tax (including precepts)** **Council approves General Fund Capital Plan** **Council approves Housing Capital Plan as part of HRA BSR**
31-Mar	Approved budget reports to be sent to Cost Centre Managers by Finance

Appendix B

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified. Funding is not identified to meet the costs associated with changes in statutory requirements. HRA Debt Settlement could be re-opened by Government	• 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
Housing Portfolio & Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets.	• Council has adopted medium and long-term modelling (up to 30 years) for HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications • Council has a policy of requiring R&R Funds to be in place to cover all major assets with a finite life, with long-term programmes for key areas • The Business Plan includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications • Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures
Financial planning lacks appropriate levels of prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis on potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation and the provision of information to negotiation bodies such as LGA and CIH
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of incident
Changes to the right to buy rules and pooling regulations result in a continued significant increase in sales and commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity
The economic downturn reduces the ability to fund capital pressures from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt
Use of resources including Projects and Partnerships	
There is ineffective use of the resources available to the HRA Failure to deliver Major Housing / Development Projects, i.e. return on capital, project on time etc.	• Council employs robust business planning in key activity areas • Council has adopted a standard project management framework • Housing Service is required to contribute to Portfolio Planning process, linked directly to resources • MTOs are used to prioritise available resources ensuring best match with objectives • Performance and contractor management procedures have been updated • Organisational development and workforce planning activity is being targeted • The Council has been recognised as a high performer under the national Use of Resources assessment, scoring a maximum rating of 4 in 2008

Appendix C

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**2%**	**General inflation on expenditure included at 2% (Based upon CPI to June 2014), from 2015/16.**	**Amended**
Capital Inflation	**5% for 5 years, then 3% ongoing**	**Real increase above CPI of 3% for 5 years, then reverting to 1% above CPI from 2020/21.**	**Amended**
Debt Repayment	**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.**	**Retained**
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 in 2015/16.	Retained
Pay Inflation	**1.9% Pay Progression plus: 2014/15 – 1.0% 2015/16 – 1.0% 2016/17 – 1.5% 2017/18 – 2.0% 2.5% ongoing**	**Assume allowance for increments at 1.9%. Pay inflation for 2014/15 and 2015/16 at 1% reflecting Government guidance to 2015/16, and a stepped increase thereafter, reflecting economic recovery.**	**Amended**
Employee Turnover	3%	Employee budgets assume a turnover saving of 3.0% of gross pay budget for office-based staff.	Retained
Rent Increase Inflation	**3% for 2015/16 for 10 years, then 2.5%**	**Rent increases in line with government guidelines of CPI at the preceding September plus 1% from 2015/16 to 2024/25, then CPI plus 0.5%. Assume CPI in September 2014 is 2%. CPI as above.**	**Amended**
Rent Convergence	Energy Efficient Voids Only	Ability to move to target rent achieved only through movement of energy efficient void properties directly to target rent.	Retained
External Lending Interest Rate	**0.64%, 0.78%, 0.78%, then 1% ongoing**	**Interest rates based on latest market projections, an average of 0.64% for 2014/15, 0.78% for 2015/16 and 2016/17, then 1% from 2017/18.**	**Amended**
Internal Lending Interest Rate	**0.64%, 0.78%, 0.78%, then 1% 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 Interest Rate	4.5%	Assumes additional PWLB borrowing at a rate of 4.5%. Current rates for 25 to 50 years are between 4.28% and 4.31%. Retain 4.5% for prudence.	Retained
Internal Borrowing Interest Rate	4.5%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Retained
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising risks in a Self-Financing environment.	Retained
HRA Target	£3,000,000	Maintain HRA target balance at £3,000,000.	Retained

Key Area	Assumption	Comment	Status
Balances			
Right to Buy Sales	**60, 50, 40, 30, then 20 sales ongoing**	**Scheme reinvigoration has prompted sustained increased activity. Assume 60 for 2014/15, reducing by 10 sales per annum, until 20 are assumed on an ongoing basis.**	**Amended**
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for one receipts included, but prudently only those received to date are committed to specific new build schemes. Debt repayment proportion has currently been set-aside.	Retained
Void Rates	1%	Assumes 1% per annum from 2014/15 onwards.	Retained
Bad Debts	**0.56% for 2014/15 and 2015/16, then 1.12%**	**Bad debt provision made in the HRA was increased by 100% to reflect the requirement to collect 100% of rent directly, assuming an extension of the existing payment profile across the entire housing stock. Universal Credit is delayed until 2016, so amend current and next year back to 0.56%.**	**Amended**
Rent Collection Transactional Costs	**Increase in transactional costs of £100,000 per annum from 2015/16**	**An increase of £100,000 per annum was included anticipating an 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. Universal Credit delayed now until 2016, with cost collection assumption again deferred by one year.**	**Amended**
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 2015/16.**	**Amended**
5-Year New Build Programme	**Up to 444 Units**	**Assumes delivery of the balance of the current 3-year affordable housing investment programme of 138 units plus 13 purchases, 104 units on the Clay Farm site and the potential to build up to 189 dwellings on development sites using further RTB receipts by 2018/19.**	**Amended**
Savings Target	2%	Target included assuming efficiencies will be driven out to allow strategic re-investment. Target is a percentage of net general management and repairs administration expenditure.	Retained
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Policy Space	£150,000	Policy space retained in base model at the level of £150,000 for 5 years recognising desire to expand services and respond to external pressures. To be reviewed again as part of 2015/16 HRA BSR.	Retained
Service Reviews	On case by case basis	Service review outcomes assumed to deliver to the HRA as indicated in the review business case.	Retained

Appendix D

2014/15 Mid-Year HRA Revenue Budget Amendments

Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
General Management Expenditure			
Resident Involvement	Reduction based on prior year underspending, allowing for increase in staffing numbers to 3 and review of resident involvement programme	(20,000)	Ongoing
Business Overheads	Savings in office running costs, cash collection charges and a reduction in the cost of administering the now obsolete Housing Act Advances scheme, based upon expenditure in 2013/14	(11,000)	Ongoing
Rent Collection Costs	Saving due to the deferred need to meet rent collection costs for 100% of tenants, as a result of delays in the implementation of Universal Credit	(94,040)	One-Off
Under-Occupation Scheme	Additional funding for the Under Occupation Incentive Scheme in 2014/15, to meet the level of demand experienced this year to date. Ongoing funding will be reviewed as part of the 2015/16 HRA budget process	40,000	One-Off
Housing Management Staffing	Additional funding to allow the temporary employment of additional housing management staff to address the increased workload that will result from the completion, initial letting and early occupation of the new build housing provided as part of both the 146 Programme and Clay Farm, based upon experience of the first scheme completion in2013/14	13,600	Ongoing £81,800 in 2015/16 and £20,500 in 2016/17
Contribution to Pension Reserve	Reduced contribution to HRA Pension Reserve in 2014/15 based upon latest actuarial review	(88,970)	One-Off
Total General Management Expenditure Changes (2014/15)		**(160,410)**	
Special Services			
Independent Living Staffing	Removal of the balance of a special project budget held to ensure that current staffing levels could be maintained in the Independent Living Team whilst funding from the County Council for support was confirmed	(6,490)	Ongoing
Total Special Services Changes (2014/15)		**(6,490)**	
Repairs and Maintenance			

Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
Responsive and Void Repairs	Funding for an increase in the number of Repairs Apprentices from 2 to 4, with the intention to recruit the first pair during 2014/15, to be followed by a new in-take in 2015/16	0	£15,000 from 2015/16
Asset Management Overheads	Savings in travel costs, subscriptions and office running costs, based upon expenditure in 2013/14	(11,550)	Ongoing
Total Repairs and Maintenance Changes (2014/15)		**(11,550)**	
HRA Summary Account Expenditure			
Debt Management Costs	Reduction recognising that there will be no need to obtain external borrowing advice in the current financial year. The provision has currently been retained for future in light of the intention to borrow to fund new build housing	(20,580)	One-Off
Bad Debt Provision	Reduction in the annual contribution to the bad debt provision for 2014/15, recognising that the impact of being required to collect 100% of rent directly from tenants will not be realised until 2016/17	(201,500)	2014/15 and 2015/16
Interest Paid	Reduction recognising the use of Direct Revenue Financing of Capital Expenditure in 2014/15 in place of the anticipated need to borrow	(118,790)	One-Off
Depreciation	Increase in net depreciation costs for the housing stock, based upon the latest estimates, and including revised inflation in all aspects of the transitional MRA	28,110	Ongoing
Total HRA Summary Account Expenditure Changes (2014/15)		**(312,760)**	
HRA Income			
Right to Buy Capitalisation	Increase in income in respect of the capitalisation of the costs of administering a continuing higher level of right to buy sales in 2014/15 and beyond	(53,210)	Ongoing in part
Rent Income	Increase in anticipated rental income for 2014/15 compared to original budgets in February 2014, where specific assumptions were made in respect of occupation of the new build housing as part of the 146 re-development programme and the move of energy efficient properties directly to target rent levels	(33,520)	Ongoing in part
Interest Received	Increase in interest received on HRA balances due to a higher than anticipated average cash balance in 2014/15 to date and the legislative change from April	(94,180)	Ongoing in part

Area of Income / Expenditure	Justification	Increase or Reduced Income / (Decrease or Increased Income) in 2014/15 Budget (£)	Ongoing / One-Off
	2014 which requires local authorities to credit their HRA's with the interest on unapplied housing capital receipts. These changes more than offset the negative impact of a lower than anticipated interest rate, where recovery in this area has been far slower than anticipated		
Support Income (Temporary Housing)	Additional income for the provision of support services in Temporary Housing in 2014/15, where prudent assumptions were made as part of the 2014/15 budget process, recognising that Supporting People contracts were due to terminate in March 2014. A contract extension for the value of £100,000 for the year means that income is still being received at a higher level than originally budgeted in 2014/15	(14,890)	Assume loss of all income from 1/4/2015 resulting in reduction of £85,110 ongoing
Support Income (Older People)	Additional income for the provision of support services to older people on an ongoing basis from 2014/15, where prudent assumptions were made as part of the 2014/15 budget process, recognising that Supporting People contracts were due to terminate in March 2014. New contracts are now in place for a period of 3 years, with an option to extend for a further 2 years, and as such the income assumption has been included on an ongoing basis	(69,190)	Ongoing
Total HRA Income Changes (2014/15)		**(264,990)**	
Direct Revenue Financing of Capital	Increase in use of revenue surplus and revenue reserves to fund capital expenditure, thus negating the need to borrow in 2014/15	2,517,920	
HRA Set-Aside	Ability to set-aside resource in 2014/15 for future debt repayment, assuming that 25% of loan values are set-aside by the point of first redemption	811,270	
Total Net Increase in Use of / (Contribution to) HRA Reserves (2014/15)		**2,572,990**	

Appendix E

2014/15 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Total Housing Capital Plan Expenditure pre HRA MFR	**41,932**	**22,634**	**30,604**	**21,039**
Decent Homes				
Re-phasing of heating works between years to smooth delivery of programme	(250)	500	(250)	0
Re-phasing of wall structure works between years to smooth delivery of programme	(300)	150	150	0
Re-phasing of wall finish works between years to smooth delivery of programme	(230)	30	100	100
Re-phasing of an element of the decent homes backlog funding into future years to aid delivery	(1,031)	1,031	0	0
Re-allocate residual decent homes backlog funding to specific elements	(1,100)	0	0	0
Transfer funding from decent homes backlog into door replacement	150	0	0	0
Transfer funding from decent homes backlog into roofing works	500	0	0	0
Transfer funding from decent homes backlog into kitchen replacements	300	0	0	0
Transfer funding from decent homes backlog into bathroom replacement	150	0	0	0
Adjustment to Planned Maintenance Overheads	(240)	172	10	10
Increase in decent homes for new builds	0	69	203	278
Other Spend on HRA Stock				
Re-phasing of communal area uplift funding between following completion of initial surveys	(350)	0	350	0
Increase in fencing investment	0	100	100	100
Adjustment to Planned Maintenance Overheads	(71)	(7)	38	10
New Build				
2011-15 New Build Investment Programme changes	(2,145)	5,629	0	0
Increase in cost of purchase of market dwellings	19	0	0	0
Re-phasing of spend for Clay Farm	1,413	(7,840)	121	6,306
Additional RTB / HRA Surplus New Build Investment	0	9,731	1,335	4,981
Other HRA Capital Spend				
Funding for air cooling systems in area offices	11	0	0	0
Unallocated Inflation Changes	(1)	68	(212)	358
Total Housing Capital Plan Expenditure post HRA MFR	**38,757**	**32,267**	**32,549**	**33,182**

Appendix F

2011-15 New Build Programme (3 Year Rolling Programme)

Scheme	HRA MFR Revised Social Housing Units for Approval	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 Revised Net Funding for Approval (Capital Cost net of Grant and Land Transfer)
Jane's Court	20	1,233,070	1,500,000	(354,460)	(1,500,000)	878,610
Latimer Close	12	1,569,740	875,860	(212,680)	(875,860)	1,357,060
Barnwell Road	12	1,067,640	1,043,550	(212,680)	(1,043,550)	854,960
Campkin Road	20	2,718,100	1,557,520	(354,460)	(1,557,520)	2,363,640
Colville Road	19	1,493,590	1,598,030	(336,740)	(1,598,030)	1,156,850
Aylesborough Close	10	2,226,620	768,910	(177,230)	(768,910)	2,049,390
Stanesfield Road	4	570,540	536,890	(170,890)	(536,890)	399,650
Wadloes Road	6	675,100	256,540	(106,340)	(256,540)	568,760
Atkins Close (Garage Site)	8	588,430	635,750	(141,780)	(635,750)	446,650
Hawkins (Garage Site)	9	1,353,500	0	(159,510)	0	1,193,990
Fulbourn (Garage Site)	8	1,268,980	0	(141,780)	0	1,1,27,200
Ekin Road (Garage Site)	6	934,860	0	(106,340)	0	828,520
Sub Total (With HCA Grant)	**134**	**15,700,170**	**8,773,050**	**(2,474,890)**	**(8,773,050)**	**13,225,280**
Water Lane	14	1,644,960	561,590	0	(561,590)	1,644,960
Aylesborough Close	10	609,680	728,410	0	(728,410)	609,680
Total 3 Year Programme	**158**	**17,954,810**	**10,063,050**	**(2,474,890)**	**(10,063,050)**	**15,479,920**

Appendix G

HRA Summary Forecast 2014/15 to 2018/19

Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Income					
Rental Income (Dwellings)	(36,059,720)	(37,710,860)	(39,477,720)	(41,284,780)	(42,928,390)
Rental Income (Other)	(1,064,000)	(1,085,280)	(1,106,990)	(1,129,130)	(1,151,710)
Service Charges	(2,203,270)	(2,314,310)	(2,360,590)	(2,407,810)	(2,455,960)
Contribution towards Expenditure	(103,150)	(3,220)	(3,270)	(3,350)	(3,410)
Other Income	(466,140)	(455,080)	(443,400)	(431,060)	(418,060)
Total Income	**(39,896,280)**	**(41,568,750)**	**(43,391,970)**	**(45,256,130)**	**(46,957,530)**
Expenditure					
Supervision & Management - General	3,187,920	3,549,640	3,822,450	3,955,910	4,141,100
Supervision & Management - Special	2,201,970	2,257,800	2,319,660	2,388,050	2,463,540
Repairs & Maintenance	7,014,420	6,817,470	7,124,630	7,442,680	7,808,770
Depreciation – to Major Repairs Res.	10,410,800	10,588,780	10,949,630	12,691,470	13,423,920
Debt Management Expenditure	0	21,180	21,900	22,750	23,750
Other Expenditure	2,925,650	3,033,740	3,355,310	3,473,080	3,591,770
Total Expenditure	**25,740,760**	**26,268,610**	**27,593,580**	**29,973,940**	**31,452,850**
Net Cost of HRA Services	**(14,155,520)**	**(15,300,140)**	**(15,798,390)**	**(15,282,190)**	**(15,504,680)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(151,540)	(160,730)	(156,950)	(182,470)	(185,010)
(Surplus) / Deficit on the HRA for the Year	**(14,307,060)**	**(15,460,870)**	**(15,955,340)**	**(15,464,660)**	**(15,689,690)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,528,920	7,573,190	7,774,320	8,037,340	7,996,020
Housing Set Aside	811,270	0	0	0	7,366,580
Depreciation Adjustment	(2,475,770)	(2,317,110)	(2,134,700)	0	0
Direct Revenue Financing of Capital	14,338,460	10,188,470	10,320,300	7,432,830	280,200
(Surplus) / Deficit for Year	**5,895,820**	**(16,320)**	**4,580**	**5,510**	**(46,890)**
Balance b/f	(8,880,738)	(2,984,918)	(3,001,238)	(2,996,658)	(2,991,148)
Total Balance c/f	**(2,984,918)**	**(3,001,238)**	**(2,996,658)**	**(2,991,148)**	**(3,038,038)**

Appendix H

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend					
Assessment Centre	0	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	**765**	**765**	**765**	**765**	**765**
HRA Capital Spend					
Decent Homes					
Kitchens	918	598	292	466	500
Bathrooms	672	525	119	61	306
Boilers / Central Heating	1,114	1,106	1,326	1,357	1,902
Insulation / Energy Efficiency	100	100	100	100	100
External Doors	212	108	63	88	40
PVCU Windows	502	500	912	915	1,407
Wall Structure	334	213	264	105	78
Wall Finishes	89	260	265	267	352
Wall Insulation	100	100	100	100	100
External Painting	0	0	0	0	0
Roof Structure	945	687	322	300	307
Roof Covering	1,661	210	274	658	617
Chimneys	102	2	1	0	1
Electrical / Wiring	91	181	317	120	356
Smoke Detectors	27	109	9	26	18
Sulphate Attacks	102	102	102	102	102
Major Voids	201	48	53	53	54

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
HHSRS Contingency	117	150	100	100	100
Other Health and Safety Works (Balconies)	50	50	50	50	50
Other External Works	3	5	0	0	0
Rising Damp / Penetrating Damp	0	0	0	0	0
Professional Fees	439	439	439	439	439
External Professional Fees	22	22	22	22	22
Decent Homes Backlog	0	2,097	3,019	2,663	0
Planned Maintenance Contractor Overheads	751	731	786	770	654
Decent Homes New Build Allocation	0	69	203	278	381
Total Decent Homes	**8,552**	**8,412**	**9,138**	**9,040**	**7,886**
Other Spend on HRA Stock					
Garages	300	300	300	100	100
Asbestos Contingency	200	200	200	100	100
Disabled	938	878	878	878	878
TIS Schemes	21	21	21	21	21
Communal Areas Uplift	596	1,172	896	546	546
Fire Prevention / Fire Safety Works	938	300	300	300	300
Hard surfacing on HRA Land - Health and Safety Works	274	280	150	150	150
Hard surfacing on HRA Land - Recycling	0	0	142	0	0
Communal Areas Floor Coverings	235	0	0	0	0
Professional Fees	122	122	122	122	122
Lifts and Door Entry Systems	41	13	13	13	13
Fencing	215	200	200	200	200
Planned Maintenance Contractor Overheads	384	344	317	236	236
Total Other Spend on HRA stock	**4,264**	**3,830**	**3,539**	**2,666**	**2,666**
HRA New Build / Re-Development					
Roman Court	677	0	0	0	0
3 Year Affordable Housing Programme	11,114	2,013	0	0	0

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
3 Year Affordable Housing Programme (Notional Spend – Land Value)	4,947	3,616	0	0	0
Market Housing on Garage Sites	2,894	0	0	0	0
New Build - Clay Farm	1,552	265	8,082	6,306	0
New Build - Unallocated Retained RTB Receipts	0	9,731	8,243	10,981	0
New Build - Investment of HRA Surpluses	0	0	0	0	0
Total HRA New Build	**21,184**	**15,625**	**16,325**	**17,287**	**0**
Cambridge Standard Works					
Cambridge Standard Works	306	200	200	200	200
Total Cambridge Standard Works	**306**	**200**	**200**	**200**	**200**
Sheltered Housing Capital Investment					
Emergency Alarm Service	0	0	0	0	0
Ditchburn Place	1,900	1,900	0	0	0
Brandon Court	0	0	0	0	0
Total Sheltered Housing Capital Investment	**1,900**	**1,900**	**0**	**0**	**0**
Other HRA Capital Spend					
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	21	0	0	0	0
Cambridge Public Sector Network	76	0	0	0	0
Air Cooling Systems in Area Offices	11	0	0	0	0
Shared Ownership Repurchase	300	300	300	300	300
Right of First Refusal Buy Back	663	0	0	0	0
Commercial Property	178	30	30	30	30
Total Other HRA Capital Spend	**1,249**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**37,455**	**30,297**	**29,532**	**29,523**	**11,082**
Total Housing Capital Spend at Base Year Prices	**38,220**	**31,062**	**30,297**	**30,288**	**11,847**
Inflation Allowance and Stock Reduction Adjustment for Future Years	537	1,205	2,252	2,894	2,960

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Total Inflated Housing Capital Spend	**38,757**	**32,267**	**32,549**	**33,182**	**14,807**
Housing Capital Resources					
Right to Buy Receipts	(495)	(516)	(522)	(527)	(532)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0
Notional Land Receipts (New Build Schemes)	(4,947)	(3,616)	0	0	0
Major Repairs Reserve	(12,855)	(8,272)	(8,815)	(12,691)	(13,424)
Direct Revenue Financing of Capital	(14,338)	(10,188)	(10,320)	(7,433)	(280)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(2,172)	(300)	(872)	(2,050)	(300)
Retained Right to Buy Receipts	(1,217)	(2,979)	(4,258)	(4,680)	0
Disabled Facilities Grant	(271)	(271)	(271)	(271)	(271)
Prudential Borrowing	0	(2,779)	(6,160)	(5,529)	0
Total Housing Capital Resources	**(36,295)**	**(28,921)**	**(31,218)**	**(33,181)**	**(14,807)**
Net (Surplus) / Deficit of Resources	2,462	3,346	1,331	1	0
General Capital Balances b/f	**(8,143)**	**(5,681)**	**(2,335)**	**(1,004)**	**(1,003)**
Use of / (Contribution to) Balances in Year	2,462	3,346	1,331	1	0
General Capital Balances c/f	**(5,681)**	**(2,335)**	**(1,004)**	**(1,003)**	**(1,003)**
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.					
Other Capital Balances (Opening Balance 1/4/2014)					
Major Repairs Reserve	(4,920)	Fully utilised in 2014/15 above			
Retained 1-4-1 Right to Buy Receipts	(5,783)	Utilised between 2014/15 to 2016/17 above			
Right to Buy Receipts for Debt Redemption	(2,600)	Retained for future debt repayment			
Total Other Capital Balances	**(13,303)**				

Appendix I

HRA Earmarked & Specific Funds (£'000)

Repairs & Renewals

Housing Revenue Account	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(1,265.3)	(131.7)	6.00	(1,391.0)
Special Services	(1,073.5)	(141.1)	14.50	(1,200.1)
Repairs and Maintenance	(53.3)	(56.9)	0.0	(110.2)
Totals	**(2,392.1)**	**(329.7)**	**20.5**	**(2,701.3)**

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(4,920.0)	0.0	0.0	(4,920.0)

Shared Ownership

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

Tenants Survey

	Opening Balance	Contributions	Expenditure to July	Current Balance
Tenants Survey	(41.5)	(6.2)	6.4	(41.3)

Aerial – Roof Space Rental

	Opening Balance	Contributions	Expenditure to July	Current Balance
Aerial Income	(107.0)	(8.8)	0.0	(115.8)

Pension Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
Pension Reserve	(390.0)	(219.9)	0.0	(609.9)

Debt Set-Aside (Revenue)

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

Appendix J

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

Self-Financing for the HRA

Continued uncertainties include the potential for the debt settlement to be re-opened, a debt cap over which the HRA is not allowed to borrow unless provided with specific government approval and the implications of managing the cashflow for the HRA in light of the need to service the debt.

Right to Buy Sales

The number of sales has increased significantly since April 2012, and interest remains high. It continues to be difficult to predict future sales, but further legislative changes indicate a continuation of high sales levels. The implications of continued high levels of sales from a revenue perspective are significant, with the potential loss of rental income being the major factor.

Right to Buy Retention Agreement

The resource currently retained in respect of 1-4-1 receipts will soon exceed the level that the authority is able to support in 70% match funding. At present, the investment required to fulfil the resource held at 30th June 2014 has been incorporated into the HRA financial model, but specific sites for the investment of the resource have not been identified and approved to proceed. The potential interest that will be payable if the receipts are not utilised within the agreed 3-year period has not been incorporated into the HRA revenue projections.

Independent Living Service – Ditchburn Place Extra Care

The current care and support contract with the County Council is due to expire in March 2015, following acceptance of a 14 month extension. Although technically not an HRA function care is delivered alongside HRA services, and the inextricable links to the provision of landlord services mean that any changes to the delivery of care and support services will impact HRA services also.

Independent Living Service – Sheltered and Temporary Housing

A new broader contract is in place with the County Council for the delivery of support to older people across the city as a whole. There are uncertainties currently as to the level of demand that exists in the wider community compared with that in our sheltered housing schemes, although the services delivered there must be maintained within the cash envelope provided by the County Council

The contract for Temporary Housing support is due to end in March 2015, following a year's extension at a lower funding level than before. It is anticipated that the County Council will either negotiate directly with providers for the continued provision of support or formally re-tender support services across this areas. The protracted timescales for this decision causes additional uncertainty for both residents and staff.

HRA Commercial Property

Stock condition surveys and investment profiles are required in respect of the HRA's commercial property portfolio, to ensure that sufficient resource is identified in the Housing Capital Plan to maintain the properties in a lettable condition

Housing Revenue Account – Revenue Uncertainties

HRA New Build

Although the 146 programme is progressing quite well, delays in respect of particular sites may jeopardise the ability to claim HCA grant funding. Dwellings need to be complete by 31st March 2015 to ensure that grant funding will be received. if any individual development scheme does not proceed, the initial outlay will need to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of borrowing costs and anticipated rental streams.

HRA Review of Area Offices

The decision about the future of the area housing offices will not be made until the implications of the delayed introduction of direct payment for housing benefit are clear. Progress with additional IT solutions and self-service options in the Customer Service Centre are also key in this decision. The current lease expires in January 2020, with the last rent review due to take pace in January 2015. If decisions about the future of area offices are clear prior to January 2020, there is an option to consider sub-let of the premises in the south of the city to reduce the cost to the HRA

National Rent Policy

New national rent policy sees a move from April 2015 to rent increases limited to CPI plus 1%, with the cessation of any further moves towards target rent for existing tenants. The expectation that local authorities will move all vacant properties directly to target rent levels makes projecting future rental streams more difficult.

Cyclical Revenue Maintenance

Arrangements for much of the provision of cyclical maintenance services, (ie; door entry, lifts, electrical testing, fire risk assessments, warden call systems) are being incorporated as part of the new planned maintenance contract, which is anticipated to be operational from October / November 2014 . The cost base for the revenue elements of these large contracts needs to be separately identified and incorporated into future financial projections. The contract for gas inspections and servicing, previously procured jointly with South Cambridgeshire District Council, is operating under an extension from June 2014.

Welfare Reforms

The negative impact that the introduction of Universal Credit may have on the level of rent arrears and bad debts within the HRA is currently unquantifiable, although indications from the earlier pilot authorities are that it will be significant. Further delays in implementation make this an area shrouded with continued uncertainty.

Housing Revenue Account - Capital Uncertainties

Ditchburn Place

Funding has been ear-marked for the re-development of the extra care housing at Ditchburn Place. The scheme has been considered using indicative costs, but until tendered, the finalised costs will not be available. The decision to phase the works also poses additional uncertainty in terms of both the costs and the length of the build. Uncertainty also exists with regard the future of care provision at Ditchburn Place, which could impact the specification of works to be completed.

Expansion of Investment Standard to include Communal Areas

Incorporation of communal areas into our investment standard, to include lifts and common parts in flatted accommodation, requires both up front investment to survey and ongoing investment to meet and maintain any standards set. The Housing Capital Investment Plan includes an uplift of £75 per property per year to meet the investment needs in un-surveyed communal areas. Until surveys are complete it is unclear whether this allocation will be required in totality.

Sulphate Attack

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

Disabled Facilities Grants and Private Sector Housing Grants and Loans

Council investment in both DFG's and Private Sector Housing Grants and Loans is dependent upon existing capital balances or the generally available element of right to buy receipts in any year. Once existing capital balances are exhausted, future funding is dependent upon 25% of the first 10 to 17 right to buy sale receipts per annum, as assumed to be available for general use in the self-financing settlement. This puts at significant risk the desired level of future investment in this area.

Right to Buy Sales

Interest in right to buy remains high following changes to the scheme in April 2012. Under the terms of the agreement signed with CLG, the authority is committed to deliver completed replacement dwellings from right to buy receipts within 3 years of the date of the retained 1-4-1 receipt, with this funding meeting no more than 30% of the cost of the dwelling. There is doubt over the level of top up funding that can be afforded by the authority, particularly in light of the borrowing cap.

Asbestos Removal

Potential to change strategy for asbestos removal, to ensure that blocks / streets are tackled as projects as opposed to in isolation whilst dwellings are void. This approach may bring forward the need for resources previously anticipated to be spent much later in the programme and also incur the additional costs of decant, but would accelerate the programme and reduce the additional revenue costs of repairs in properties with asbestos.

Energy Efficiency

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