Cambridge City Council **Item**

To:	Executive Councillor for Housing: Councillor Kevin Price
Report by:	Julia Hovells, Business Manager / Principal Accountant
Relevant scrutiny committee:	Housing Scrutiny Committee 24/9/2015
Wards affected:	Abbey Arbury Castle Cherry Hinton Coleridge East Chesterton King's Hedges Market Newnham Petersfield Queen Edith's Romsey Trumpington West Chesterton

HOUSING REVENUE ACCOUNT MID-YEAR FINANCIAL REVIEW

Key Decision

1. Executive Summary

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

1.2 The Housing Revenue Account (HRA) Mid-Year Financial Review provides an opportunity to review the assumptions incorporated as part of the longer-term financial planning process, recommending any changes in response to new legislative requirements, variations in external economic factors and amendments to service delivery methods, allowing incorporation into budgets and financial forecasts at the earliest opportunity.

2. Recommendations

Recommendations to be considered under Part 1 of the Housing Scrutiny Committee Agenda:

The Executive Councillor is recommended:

a) To approve the Housing Revenue Account Mid-Year Financial Review attached, to include all proposals for change in:

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

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

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

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

Recommendations to be considered under Part 2 of the Housing Scrutiny Committee Agenda:

The Executive Councillor is asked to recommend to Council:

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

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

3. Background

3.1 The Housing Revenue Account budget was set for 2015/16 as part of 2015/16 HRA Budget Setting Report, approving a net contribution from reserves in the year of £990,780.

3.2 This figure was later amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2014/15 into 2015/16 as part of the closedown process for 2014/15. Following these changes, the sum of £10,262,900 was anticipated to be required as a contribution from reserves for the year.

3.3 The HRA Mid-Year Financial Review revisits the assumptions made as part of the HRA Budget Setting Report, and recommends both changes in these, and in some areas of budgeted expenditure and income for 2015/16 and beyond.

3.4 The resulting financial impact for the Housing Revenue Account is explained and summarised in the attached document and appendices.

4. Implications

(a) **Financial Implications**

The financial implications associated with the HRA Mid-Year Financial Review are incorporated as part of the document itself and the associated appendices.

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

Staffing implications resulting from the Fundamental Review of the Housing Service have been addressed as part of the report following the review, which is also presented to Housing Scrutiny Committee in this committee cycle.

(c) **Equality and Poverty Implications**

An Equalities Impact Assessment in respect of the changes incorporated into the HRA Mid-Year Financial Review, including those identified as part of the Fundamental Review of the Housing Service, has been completed, and is available as a background paper.

(d) **Environmental Implications**

The environmental implications of any changes proposed as part of the HRA Mid-Year Financial Review will be addressed by the officer responsible for the associated income or expenditure.

(e) **Procurement**

There are no direct procurement implications associated with this report.

(f) **Consultation and communication**

Tenant and Leaseholder representatives are being consulted on the proposals in the HRA Mid-Year Review as part of the Housing Committee scrutiny process. No formal consultation with residents or staff has been undertaken at this stage, but in respect of some of the proposed changes in service, will now follow.

(g) **Community Safety**

There are no direct community safety implications associated with the HRA Mid-Year Financial Review.

5. Background Papers

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

- Housing Revenue Account Mid-Year Financial Review (October 2014)
- Housing Revenue Account Budget Setting Report (February 2015)
- Equalities Impact Assessment

6. Appendices

Appendix A Housing Revenue Account Mid-Year Financial Review

7. Inspection of Papers

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

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Version 2
Housing Scrutiny Committee

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

CAMBRIDGE
CITY COUNCIL

September 2015

2015/16 to 2044/45

Cambridge City Council

Contents

Appendices

Section 1
Introduction and Local Context

Foreword by the Executive Councillor for Housing

This is a critical time for Cambridge and the Council's role as a local housing authority. I would like to pay tribute to all our officers who work tirelessly for our tenants and for those in the City who are vulnerable or facing homelessness and difficult times. The service we offer is exceptional and it is underpinned by our vision of One Cambridge - Fair for All.

The Mid Year Financial Review is the time we take stock of our progress towards the goals we set ourselves for the current year and I am confident that we are meeting those goals. However it is impossible to ignore that the government's Emergency Budget in July has changed the landscape dramatically for stock owning councils. Whilst much of the focus nationally has been on our partners in the social sector - housing associations - and the heavy impact on them of measures such as the 1% rent cut for the next four years, further welfare reform and the extension of Right to Buy to Housing Association tenants, the stark picture facing stock owning councils has been less well reported.

We began this year with the need for a comprehensive review of the Housing Revenue Account to drive out inefficiencies and free up capital for our key goals of maintaining and improving our housing stock and services and building more social sector homes. Following the Emergency Budget many of the assumptions underpinning our Business Plan have been radically altered and will require us to rethink the Plan.

The disadvantages facing stock owning councils cannot be understated. We are being penalised through the original Right to Buy sales and the proposed extension to Housing Associations through compulsory sales of our own council stock and in neither scheme can we retain enough receipts to replace our lost stock. Under the proposals for Pay to Stay councils also cannot retain any additional income but are required to pass it onto the Treasury. Our capacity to borrow against our stock is severely constrained by the Housing Revenue Account debt cap and will shrink yet further in the future from a dwindling asset base and reducing income stream from rent receipts. The impact of the 1% rent cut for social sector tenants, reneging on a 10 year rent settlement agreed only last year, may be welcome for many tenants who have struggled with higher than inflation rent increases over the past few years but comes at a heavy cost to the Council. £14,883,000 in planned rent receipts has been lost over the next four years and an estimated £156,000,000 over the life of the Business Plan, and we will need to find ongoing savings of £6,003,000 from the base Housing Revenue Account by 2019/20. Whilst we are determined to protect our core services as much as possible there can be no doubt that these cuts will bite deep.

The City Council houses over 7,000 households in our own stock and offered homes to over 480 new households last year, in a city where housing affordability is the greatest challenge. Our plans to deliver new social housing are ambitious. Our work in preventing and meeting the rising levels of homelessness and in supporting vulnerable or older tenants is strong and effective.

At a time when our achievements are under serious threat from national policy, we must look to our partners in the social sector and the City Deal and our tenants and residents for support in challenging those policies. We must stand firm on the value of a strong social housing sector and ensure that our voices are heard at the highest levels in Westminster.

Kevin Price
Executive Councillor for Housing

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 2015.

This report considers whether there are any material changes which need incorporating in year, into the financial planning for the HRA in advance of the 2016/17 budget process, recommending any changes to the financial strategy. The report makes proposals for the development of both revenue and capital budgets for 2016/17, providing an indication of any change in the impact on the HRA Business Plan.

The HRA Mid-Year Financial Review incorporates a review of the current year budget position (2015/16) and updated projections for the following 4 years from 2016/17 to 2019/20, demonstrating the full-year effects of any changes in assumptions, with their impact for services. The report will include changes in assumptions, either as a direct result of external factors, economic climate, national policy and legislation or as a result of decisions taken locally.

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

- Items which for exceptional reasons require immediate action or approval
- Items which provide context for decisions on the financial strategy, 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
2015	
29 September	Executive Councillor for Housing considers HRA Mid-Year Financial Review and incorporates Housing Scrutiny Committee views in recommendations to Council
22 October	Council considers HRA Mid-Year Financial Review
2016	
13 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
25 February	Council approves HRA Budget Setting Report

The detailed corporate budget timetable, with the HRA impact highlighted, is attached at Appendix A.

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 1/4/2015	Estimated Stock Numbers as at 1/4/2016
General Housing	6,393	6,476
Sheltered Housing	509	509
Supported Housing	24	24
Temporary Housing (Individual Units)	52	52
Temporary Housing (HMO's / EA)	19	19
Miscellaneous Leased Dwellings	19	18
Shared Ownership Dwellings	79	79
Total Dwellings	**7,095**	**7,177**
Property Type (Excluding Shared Ownership)	**Actual Stock Numbers as at 1/4/2015**	**Estimated Stock Numbers as at 1/4/2016**
Bedsits	108	108
1 Bed	1,671	1,699
2 Bed	2,365	2,413
3 Bed	2,255	2,262
4 / 4+ Bed	108	107
Sheltered Housing	509	509
Total Dwellings	**7,016**	**7,098**

Leasehold Stock

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

Housing Stock Changes

The table below compares reductions in the general housing stock in the last 10 years through right to buy sales, other sales, re-development and conversion, with increases in the number due to new build dwellings and acquisitions.

Year	Opening Stock	RTB's	Other Disposals / Demolitions	Conversions / Other Changes	Acquisitions / New Builds	Closing Stock
2014/15	7,164	(51)	(109)	(7)	19	7,016
2013/14	7,235	(60)	(45)	1	33	7,164
2012/13	7,280	(41)	0	(6)	2	7,235
2011/12	7,290	(12)	0	0	2	7,280
2010/11	7,364	(17)	(62)	0	5	7,290
2009/10	7,387	(13)	(2)	(8)	0	7,364
2008/09	7,438	(6)	(44)	(1)	0	7,387
2007/08	7,524	(43)	(42)	(1)	0	7,438
2006/07	7,600	(72)	(2)	(2)	0	7,524
2005/06	7,687	(81)	(2)	(4)	0	7,600
Total		(396)	(308)	(28)	61	

Section 3
The National Policy Context and External Factors

External Factors

As part of the Housing Revenue Account Mid-Year Financial Review, the financial assumptions made as part of the HRA Budget Setting Report of February 2015 are reviewed, and amended where appropriate.. 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.
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 has dropped significantly compared with previous year, to 0.5%, with the downward trend escalating over the last 6 months, with rates at 0.1% at July 2015.

However, recognising the government's medium term view that CPI should rise at 2%, it is proposed to retain the base inflation rate of 2% included in the HRA financial model as part of the HRA Budget Setting Report.

Expenditure in respect of building maintenance is inflated in the financial forecasts using the Building Cost Information Service (BCIS) all in tender price index. This index is historically volatile, with huge peaks and troughs in the rates between years. The industry is performing well at present, with an increase in building projects and a shortage in materials and labour driving an increase in the inflation indices. According to the RICS (Royal Institution of Chartered Surveyors) BCIS All in Tender Price Index, figures in recent periods have shown increases of between 6% and 9%, with predictions for the coming 5 year period being for increases of between 4.5% and 6% as the industry continues to cope with increasing demand.

Based upon this latest external expert opinion, and their predictions provided for the coming 5 year period, it is recommended that the assumption incorporated is that this index continues to increase at 5% for a further 5 years. After this point, the assumption will revert to that previously assumed, at 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, whether revenue, or more recently capital in nature, relate to the Housing Revenue Account, the interest earned by the authority is credited to the Housing Revenue Account.

Although, following legislative changes from April 2014, the level of balances which the HRA holds and is entitled to receive interest upon is higher than in the past, the rate of interest receivable on the investment of these balances and reserves remains relatively low. The authority has diversified some investments in 2014/15, with £10,000,000 invested in the CCLA (Churches, Charities and Local Authorities) Investment Fund, where investment is anticipated to provide a greater return, thus increasing the average rate of external interest earned by the authority, and therefore the HRA. Revised interest rate assumptions are included in Appendix C.

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 additional borrowing in the region of £16m. There is the potential for the borrowing cap to be increased in future years, with government ministers confirming a willingness to consider requests on a case by case basis.

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 not 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, the assumption that the HRA will borrow externally has been retained, 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 2015. If available again from October 2015 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%, 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

In 2014/15, 103 right to buy applications were received and recorded, compared with 114 and 135 in the two previous years respectively. This demonstrates a marginal reduction in activity, following the steep escalation experienced from April 2012, when the scheme was re-invigorated by government.

It is difficult to predict future right to buy activity, but a reduction in the qualifying period, and an annual inflationary increase in line with CPI, in the level of discount receivable, are anticipated to contribute to maintaining interest at higher levels in the short to medium term.

In 2014/15, 51 of the applications proceeded to completion of the sale of the property, compared with 60 in 2013/14. In the first 3 months of 2015/16, 9 completions took place, indicating a slowing down in activity.

However, in a bid to further support tenants in buying their council homes, the government has reduced the qualifying period from 5 to 3 years, and has recently introduced the Right to Buy Agent, an advice service for tenants.

It is impossible to accurately predict future sales, although it is anticipated that the reduction in the qualifying period and a proposal to charge market rents for all households earning over £30,000 per annum, may cause some re-escalation in sales levels that were otherwise starting to show some signs of slowing again.

With this in mind, it is considered prudent to marginally increase the assumption of sales from those previously incorporated into the financial models, retaining 50 sales in 2015/16, 45 in 2016/17, 40 in 2017/18, 35 in 2018/19, 30 in 2019/20 and 25 sales per annum from 2020/21 onwards.

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.

After sharing receipts from the number of sales assumed in the HRA Self-Financing Settlement with CLG in the statutorily agreed proportions, and retaining a proportion of the receipt from any additional sales in recognition of the debt that the authority holds in respect of the asset, the balance of capital receipts is ring-fenced for one-for one (1-4-1) investment.

In line with the retention agreement with CLG, receipts 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 currently 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.

Whilst held, the capital receipts can be invested by the authority to earn interest in the short-term, but if 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.

It is clear from the table at Appendix D that although a deadline has not been breached yet, which would require the authority to pay retained receipts over to CLG with the associated interest due, the first set of deadlines are now upon us, and a very significant amount of new build expenditure is now required in each and every quarter, in order to avoid the penalty.

We have reached the stage, where it may be necessary to consider some strategic acquisitions in the short-term in order to meet the deadlines, but a decision in this regard, will need to take account of the subsequent impact on existing new build schemes. Alternatively, we should explore the option to pass retained receipts to registered providers, so that they may use them to deliver affordable housing to which we would receive the nomination rights. The same time constraints apply in this instance, as does the need for the 70% top up funding.

In light of the recent announcements about changes in housing policy, it is proposed that at the end of each quarter, the Head of Finance, as Section 151 Officer, in consultation with the Director of Customer & Community Services and the Executive Councillor for Housing, makes a decision as to whether right to buy receipts are retained or paid directly over to central government. The decision will take account of the authority's ability to identify the 70% top up funding to enable use of the receipt in house and failing this, the potential for the receipt to be passed to a registered provider, with both options maximising the use of the resource and creation of new homes in the locality. Payment of the sums to central government will happen only if there is a considered risk that the resource cannot be utilised appropriately within the required timeframes. This approach is anticipated to mitigate any impact of the need to pay receipts over to central government at a later stage, alongside the interest penalty that would be incurred.

National Housing Policy

National Rent Setting Policy

As part of the July 2015 budget, the Chancellor of the Exchequer announced a significant departure in rent policy, from that previously applicable for local authorities, despite the confirmation when the previous policy was announced that it would span a ten year timeframe to give local authorities some certainty and stability over rental income, which would in turn support investment for new build social housing.

The latest announcements require both local authority landlords and registered providers to apply a 1% reduction in rent levels across each of the next four years, from April 2016, through to April 2019. This compares to the assumption that had previously been incorporated into our financial plans of an inflationary increase each year comprising CPI, the Consumer Price Index, assumed to run at 2%, plus an additional 1%.

This change will result in rental income levels that are in excess of 4% per annum less than has been assumed in financial planning to date, and will have a significant and detrimental impact on the authorities ability to maintain housing services, whilst also investing in the delivery of new build affordable housing.

Market Rents for Higher Income Households

The July 2015 budget also included announcements of the intention to charge those in existing social housing with a household income in excess of £30,000 (£40,000 in London) a market rent for living in their home.

It is clear from the announcement though, that local authorities will be expected to collect the higher rent levels, but will not keep any additional revenue generated, instead being required to pay the differential over to central government.

It is not yet clear how data will be gathered to allow charging of the higher rents, but it is anticipated that the administrative burden associated with this will be significant. As market rents in Cambridge are high, the proposal will also significantly impact both tenants ability to live in their homes and also the local authority, with the risk of higher rent arrears and debt write off levels.

A government consultation in respect of implementation of the proposal is anticipated shortly, at which point the impact for the HRA may be clearer.

Mandatory Disposal of High Value Housing Stock

In advance of the June 2015 elections, proposals were released which suggested that local authorities should be required to sell any property that is valued in the top third for the area, on the open market at the point at which it becomes void.

Following the elections, the Government confirmed the intention to implement this proposal, which is being referred to as RTB2, with the proceeds from the sale of these assets intended to fund the ability for right to buy to be extended to tenants of all registered housing providers.

It is not clear yet how this proposal will be implemented in detail, the basis upon which local authorities will be required to assess the value of their housing stock when dwellings become void, whether the entire housing stock will be included within the requirement or how the scheme will be administered. However, using the median values for this area that were quoted in communications from central government post-election, coupled with the housing stock valuations undertaken for accounting purposes at 1st April 2015, it is estimated that approximately 25% of the housing stock would fall into the category of high value, with the authority compelled to sell it as it becomes void, paying the capital receipt over to central government. There were indications in the early announcements that authorities would receive financial compensation for the debt deemed to be held on each of these assets, but until either a formal consultation or detailed implementation guidance are released, we are not clear of the full impact for the HRA. It is unclear, for example, whether re-development and new build sites will be subject to compulsory sale, as these may well all be above median values from the outset.

For the purposes of the HRA Mid-Year Financial Review an assumption of the compulsion to sell approximately 1.8% of the housing stock each year has been incorporated, which is representative of just under 130 properties per annum at the outset.

Welfare Reforms

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

At the end of March 2015, approximately 389 HRA tenants were affected by the reduction in housing benefit as a result of removal of the spare room subsidy. At 2014/15 over 75% of the residents affected were paying the additional rent due, and it was estimated that £37,000 of arrears related to households affected by this change. From April 2015 these arrears are being monitored within our standard arrears performance indicators.

The Benefit Cap, (a cap of £500 per week for families, and £350 per week for a single person), introduced from 15th July 2013, affected 10 City Council tenants at the end of March 2015, based upon the cases notified to us by the Department for Work and Pensions (DWP) at the time of writing this report. In respect of these cases, Discretionary Housing Payment (DHP) continues to be considered, with time-limited top-up payments being awarded to support the most vulnerable tenants whilst alternative options are considered. During 2014/15, approximately £118,000 of DHP was awarded to Council Tenants to support people affected by the Benefit Cap and the removal of the spare room subsidy.

Housing related costs are being incorporated into Universal Credit for working age tenants in a phased approach, starting with new claims for single job seeker claimants. For Cambridge residents this will start with new unemployed claimants claiming out of work job benefits from 29 February 2016 receiving Universal Credit with a housing costs element rather than Housing Benefit. This will affect only a small number of claims in the first instance. The timetable for rolling out to couples, those with families and those who are unable to work due to disability is not yet known.

The intention with Universal Credit is that residents will be paid directly, and will receive calendar monthly payments, in arrears, administered centrally by the DWP. In some cases an alternative payment arrangement may 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. Pensioners continue to be excluded from these arrangements at present. Local authorities will support claimants through Universal Support Delivered Locally arrangements.
Key areas of support are:

- Access to digital support for claimants
- Triage of claimants (assessment of needs)
- Personal Budgeting Support

Working age claimants will not receive housing support through Universal Credit if they live in certain specified accommodation types. Support will continue for these people through Housing Benefit.

Pensioners will not claim Universal Credit but will continue to receive Housing Benefit, calculated locally.

The intention is that all new applications for housing costs are via Universal Credit and this will be fully implemented by the end of 2017. However, if in early 2018 it appears that natural migration to Universal Credit will take too long, managed migration will be introduced.

Significant changes to Welfare Reform have been announced in the Summer Budget 2015, with the most significant changes affecting Child Tax Credits, but many will also apply in Universal Credit and will also have impacts on Housing Benefit and Council Tax Support entitlements. There is also the potential for additional changes to be unveiled in the Autumn Statement later in 2015.

The full impact of these reforms at a local level still remains unquantifiable at present.

Support for Vulnerable People

Cambridge City Council entered into a new contract with the County Council for the delivery of support services to older people across the city from 30th April 2014. The contract runs until the end of April 2017, with an option to extend for up to two further years. Services are now delivered on a city-wide basis and not just to HRA residents as was the case previously. Needs assessments have been carried out, to ensure that limited service capacity is directed towards those in the greatest need, with signposting to other agencies provided 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, with both contracts operating under temporary extensions whilst the County Council decide upon the most appropriate delivery vehicle for the future. Discussions have been taking place with the County Council, and it is anticipated that the City Council may cease to deliver support services in Temporary Housing from April 2016, but that there could be continuity in respect of the care and support provision at Ditchburn Place, although neither assumption is definite at this stage. In respect of the support provision in Temporary Housing, there is no assumption in our financial pans that the funding for this will continue beyond April 2016, but if funding does cease the authority will need to consider the level and nature of the service it is prepared to provide going forward.

Funding for the provision of alarms, and the telephone response to alarms, in sheltered and older persons housing will cease at the end of March 2016. However, continued provision of these services across our housing stock, will form the basis of a separately identified service charge. All costs associated with the provision of, and response to, an alarm will form part of a newly identified benefit ineligible service charge, which will 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	County Support Funding 2015/16 (£)	Estimated County Support Funding 2016/17 (£)	Risks / Ongoing Assumptions
Temporary Housing	60	Block Gross Contract – Extension Expires 31/3/2016.	80,000	0	Uncertainty exists around County Council's plans after March 2016, although it is assumed that no funding will be provided.
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 + residual TUPE costs for the early part of 2015/16 only of approx. £9,000	180,000	The additional funding for an initially higher staffing level has ceased. Demand for services across the city could well outstrip supply, with services only able to be delivered to those in greatest need.
Sheltered Housing Alarms	470	Contract addendum to extend until 31/3/2016.	9,440	0	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	0	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) – Extension expires 31/3/2015.	45,740 (Accounted for outside of the HRA)	TBC	Uncertainty exists around the County Council's plans for care at Ditchburn Place post March 2016
Total County Council Support Funding			**332,010**	**180,000**	

Section 4

Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

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

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

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

Improving the performance with regard to collection of rent income is key in the delivery of the Housing Revenue Account Business Plan, particularly in respect of collection of current tenant arrears at a point before the tenant moves on and the former tenant arrear is significantly more difficult to recover.

Performance in the collection of current tenant debt was broadly maintained in 2014/15, despite the ongoing impact for residents of both the social sector size criteria reduction in housing benefit and the benefit cap. Officers continue to work proactively with all tenants, but particularly those already, or soon to be, affected by the benefit changes, in an attempt to mitigate any negative financial impact on the Housing Revenue Account. Additional staffing resource has been directed at supporting those facing financial difficulties, in an attempt to ensure that residents react appropriately to the changes and get all of the financial assistance to which they are entitled.

There is still a need to focus on reducing former tenant arrears, where the value increased dramatically between 2011 and 2014. Considerable work was undertaken during 2014/15 to either actively recover, or alternatively to write off, these debts, but there is still work to do to ensure that the former tenant debt held is that which is realistically collectable. Provision is made in the Housing Revenue Account to write off just over 90% of former tenant debt, but a decision to do this is not taken until all avenues for collection have been exhausted. A revised Write Off Policy was approved at Housing Scrutiny Committee in June 2015, and the officer processes surrounding recovery and write off of former tenant debt have been reviewed in line with this, encompassing a streamlining of the administrative process once recovery activity has been exhausted.

The position in respect of rent arrears as a whole is anticipated to worsen during 2016/17, with the introduction of Universal Credit, with pilot authorities seeing a marked increase in their level of rent arrears.

Taking the information above into consideration, the higher level of contribution that was previously approved and incorporated into financial plans for the bad debt provision from April 2016, assuming the need to collect 100% of rent from then, is recommended to be retained. Further consideration, as part of the 2016/17 budget process, will need to be given to whether this should be increased further in light of the experience of the some of the authorities with earlier timetabled go live dates. Arrears levels in the authorities that piloted direct payments experienced a drop in collection levels from approximately 99% to 95%, with the need to provide for the difference.

At 31 March 2015, the provision for bad debt stood at £1,203,043, representing 85.9% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2014/15 was £320,237, representing a void loss of 0.88%, compared with £330,126 in 2013/14, representing a void loss of 0.93%.

Void levels remain relatively low in 2015/16 to date, although there are a number of properties held as 'management or major voids', either awaiting sale on the open market or a significant level of investment prior to re-let. Void performance excludes these types of void dwelling, ensuring that the authority has a proper picture of those dwellings vacant, but anticipated to be available for re-let once any standard 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 by introducing a formulaic target rent for each property, is still the prescribed method of calculation for social housing rents, although recent changes in Government policy will overlay this base formula, and will constrain our ability to charge rent restructured rents in many instances.

Cambridge City Council has always followed government guidelines in setting rents, with some of the constraints imposed over the last 13 years meaning that actual rents charged locally, are still considerably lower than the target rents across the housing stock as a whole.

Since 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, with it taking many years before the housing stock as a whole reaches target rent levels.

The average target rent at the start of 2015/16 across the housing stock was £105.98, with the average actual rent charged being £101.04, both recorded on a 52 week basis. The average actual rent was therefore representative of 95.3% of the average target rent, with only 12.9% of the housing stock being charged at target, or new affordable, rent levels.

The gap between actual and target rent levels equates to an annual loss of income of approximately £1,822,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated by now.

Rent Policy and Rent Setting

As identified in Section 3, National Housing Policy, significant changes have either been made, or proposed, nationally that will impact rent setting policy from April 2016.

These changes include:

- The instruction that social housing rents must be reduced by 1% in real terms in each of the next 4 years, beginning in April 2016, which compares to the 3% per annum increase that has previously been assumed. This change is anticipated to be imposed through legislation incorporated into the Welfare and Work Bill 2015
- The assumption that all households with annual incomes in excess of £30,000 (£40,000 in London) will be required to pay market rent levels, with the increased income collected by local authorities as a result of this change being payable to central government.

The financial impact of an imposed rent reduction of 1% per annum for the next four years has a significant financial impact on the HRA, and its ability to invest in both existing housing services and the creation of new homes.

The estimated loss of rental income over the next four years is:

Year	Estimated Rent Loss (£)	Cumulative Rent Loss (£)
2016/17	1,466,000	1,466,000
2017/18	2,951,000	4,417,000
2018/19	4,463,000	8,880,000
2019/20	6,003,000	14,883,000

From 2019/20 there will be the need to have incorporated a base reduction in assumed rental income of £6,003,000 per annum on an ongoing basis, assuming that rent increase are returned to a level of CPI plus 1% following the four year national rent reduction promise.
For the purposes of business planning, the view is being taken that rent increase will be re-introduced at current levels after the four year rent reduction period, and although this view is supported by professionals in the housing advisory sector, there is no guarantee that it will be the case.

There is still an assumption that the legislative changes being introduced as part of the Welfare and Work Bill 2015 to impose the rent reduction, allow the transition of void properties directly to target rent (or at least the target rent less the 1% rent reduction applicable in each year). We await detailed guidance to confirm this assumption, but have made the assumption for financial planning purposes.

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. Following the recent national changes in housing policy, it is now proposed that all void properties are moved directly to target rent before being re-let, if this approach is still deemed allowable once detailed guidance has been issued. This assumption, generating in the region of an additional £165,000 in rent income over the next 5 years, has been incorporated into the financial plans for the HRA, and the Rent Setting Policy will be amended accordingly if the proposal is agreed.

A requirement to charge market rents to all households who earn in excess of £30,000 per annum is expected to have a significant impact on tenants locally, and in turn the HRA. Although it is clear that the central government expects any additional rental income received to be paid over to them, it is possible that the local authority will pick up both the administrative burden of imposing the differing rent level which will be hugely labour intensive, and the potential for a resulting increase in rent arrears and bad debts, where tenants earning not much more than the £30,000 threshold find it impossible to meet the costs of living once they incorporate a Cambridge market rent.

A government consultation is anticipated in respect of this proposal, and the resulting impact of this will need to be incorporated into financial planning as soon as the outcome is clear. Indication was also evident in the July budget, that the government has a commitment to review the use of secure tenancies, and to potentially limit their use.

Once the government proposals are clear, further consideration will be given to any resulting changes in Rent Setting Policy at a local level as part of the 2016/17 HRA budget setting process, either as part of the HRA Budget Setting Report or as the subject of a specific Housing Scrutiny Committee report at the same 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 consideration and debate by Housing Scrutiny 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 2014/15, and 2015/16 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	Financial Year	
	2014/15 £'000	2015/16 £'000
Opening General HRA Reserves	**(8,881)**	**(14,865)**
Changes in HRA Reserves		
Original Budget (Approved in February)	(70)	991
Carry Forwards (Approved in June)	3,393	9,272
MFR Mid-Year Review (Approved in October)	2,573	192
Budget Setting Report Revised Budget (February)	(1,085)	-
Estimated Closing General HRA Reserves	**(3,300)**	**(4,410)**
Actual Outturn for the Year (Reported in June)	(4,771)	-
Actual Closing General HRA Reserves	**(14,865)**	**-**

The original budget for 2015/16 approved a net use of reserves of £990,780, recognising the desire to hold target HRA general reserves of £3,000,000 over the longer term. The budget incorporated a revenue contribution of £10,968,440 to fund capital expenditure.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources, approved carry forwards from 2014/15 and incorporation of changes in anticipated interest due for 2015/16 based upon revised cash balance assumptions as part of this HRA Mid-Year Financial Review.

The final general HRA reserves position for 31 March 2015 was £14,864,834. This included a return to general HRA reserves of £1,213,363 previously ear-marked for repairs and renewals and pension increases, and funding of £9,272,120, which is required to fund the approved carry forward items.

The revised projection of the use of reserves in the current year (2015/16) now indicates that there is expected to be a net use of reserves of £10,454,680, which would leave a balance of £4,410,153 at 31st March 2016.

There is a proposed use of £20,191,440 of direct revenue financing of capital expenditure in 2015/16 and £11,257,520 in 2016/17, which is possible with the current level of HRA reserves, built up from underspending in prior years. From 2017/18, there is not expected to be the capacity to utilise any revenue surplus in this way, as the previously assumed levels of rental surplus will not now be available.

Earmarked Funds

In addition to General Reserves, the Housing Revenue Account still maintains a small 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 J for detail of existing balances held.

Section 5
Detailed Review of Revenue Budgets

Fundamental Review of the Housing Service

A detailed financial review of both HRA and Housing General Fund Services has been carried out over the last 9 months, led by the Director of Customer and Community Services, culminating in a report which is also being presented to Housing Scrutiny Committee in September 2015.

The review aimed to look at historic spending, consider future pressures and investment opportunities, identify areas for saving and rebalance / redirect HRA resource in line with the objectives of the service.

Since the outset of the review, major national changes in both financial and housing policy, have dictated the pace at which some of the proposed actions are now required to be delivered within, and have constrained some of the previous flexibility in investment decisions.

The review considered the housing service within 9 key areas of service delivery, including:

- Decent Homes and Other Planned Works
- Responsive, cyclical and Void Repairs
- RTB, Shared Ownership and Leasehold Services
- General HRA Services
- Special HRA Services (including support)
- City Homes Estate Improvement Programme
- Housing Plus Opportunities
- Emerging Priorities (Including New Build)
- General Fund Housing Services

The findings of the review are presented in full in the report to Housing Scrutiny Committee, with the financial implications of the recommendations having been incorporated into both the Business Plan for the HRA and this report, driving the budget strategy which is ultimately proposed in this document.

2015/16 & 2016/17 Budget

In addition to reviewing the prior year outturn, 2015/16 budgets have been scrutinised as part of the Fundamental Review of the Housing Service, in order to make detailed proposals for change from April 2016 onwards. The resulting recommendations from the revenue aspects of the review are summarised below:

Revenue Planned Maintenance

This area of expenditure relates predominantly to the programme of works to the outside of properties and associated structures, to ensure that the timber is maintained in good order. It will include preparatory work prior to any painting of the external elements of the building, and the painting itself. A lower level of investment is proposed in this area, by both extending the timeframe over which work is carried out, and recognising the volume of UPVC that has been installed across the housing stock over the last 25 years.

Responsive, Cyclical and Void Repairs

Changes have been made to the delivery of the Response and Void Repairs Service over the past 3 years, but the review has identified the potential for further efficiencies across the service. Proposals include further reduction on our reliance on sub-contractors, the review, and potentially removal of response repairs pre-inspection activity and the introduction of further efficiencies in the in-house operation, either by increasing income to the HRA by selling services to others, or by reducing input into the service.

RTB, Leasehold and Shared Ownership Services

Following a Leasehold Service was reviewed during 2014/15, with resulting recommendations to increase staff resources from 2015/16, recognising the increase in activity across the service. Reinvigoration of the right to buy scheme, increased discounts levels, reductions in the qualifying period for right to buy, the introduction of a home buy agent, and more recently the agreement to develop new shared ownership homes on some of our new build sites and to manage the estates for owner occupiers on some of the land retained by the HRA on these sites, supports continued investment in this service at the higher level agreed for 2015/16.

HRA General Management

This service area includes provision of the majority of our housing management activity, and has not been reviewed in any detail since the introduction of the Customer Service Centre in 2008.

The review made a range of proposals for change in this area, which include the potential to move to only having one area housing office, to reduce the activity associated with resident involvement, to cease or reduce some discretionary activity and to reduce operational budget across the service.

Some of these changes will impact the way in which residents can engage with the Council, and will require a period of consultation before any changes are agreed and implemented.

HRA Special Services

Special HRA Services, are broadly discretionary in nature, but are provided on the basis that they are self-funding. Services such as caretaking, cleaning and catering are provided, but the costs are recovered through service charges, whilst support services are funded via the County Council through support contracts. Some special services are recharged to the General Fund, as they are of benefit to the wider community.

Although there is some uncertainty over the future of funding for some of these areas, it is not proposed to reduce investment until the point at which any reduction in funding is clear.

Housing Plus Opportunities

In recent years, additional investment has been made in services which are targeted at those who find themselves in financial difficulty, need support with their financial affairs, or need support in sustaining their tenancy as a result of poor mental health.

These enhanced housing management services have not been fully operational for long enough to determine whether the benefits derived from providing them outweigh the input being made, and the review therefore recommended that these services are reviewed in the coming year.

HRA Summary Account

Although outside of the key areas of the initial review, any budgets held on the HRA Summary Account which are directly controlled by the Housing Service have also been considered as part of the final review, due to the pressure on the HRA to reduce expenditure.

It is proposed that the budget held for debt management advice be removed, as the current proposals, in light of the recent changes in national housing policy, mean the authority is unlikely to exercise its right to additionally borrow at the current time.

The table below summarises the savings proposed within each category of the review:

Review Area	2015/16 Budget	2016/17 Savings Proposals	Comment
Planned Repairs	1,022,700	400,000	
Responsive and Void Repairs	5,832,540	379,510	Rising to £479,510 by 2018/19
RTB, Shared Ownership and Leasehold Services	112,370	0	
General HRA Services	2,551,520	396,650	Rising to £418,210 by 2017/18
Special HRA Services	2,507,580	0	
Housing Plus	141,240	0	
Emerging Priorities	20,810	0	
General Fund Services (Incl. HRA share)	3,629,240	18,720	
Total revenue services reviewed and savings proposed	**15,818,000**	**1,194,880**	**£1,316,440 by 2018/19**

The revenue budgetary changes resulting from the detailed proposals of the Fundamental Review the Housing Service from April 2016, are detailed in Appendix E (2) of this document, the impact of any resulting in year changes are detailed in Appendix E (1), and both are incorporated into the HRA Summary Statement (2015/16 to 2019/20) at Appendix H.

Section 6
Capital - Existing Stock

Stock Condition / Decent Homes

The authority holds validated stock condition data for its housing stock, which is updated on a continual basis.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2015 at 97.9%, compared with 97.9% achieving the desired standard at 31 March 2014. There were 144 properties that were considered to be non-decent (in addition to refusals), with another 419 anticipated to become non-decent during 2015/16.

Stock Investment

As part of the Fundamental Review of the Housing Service, the 30-year investment programme, originally approved as part of the initial HRA Self-Financing Business Plan in February 2012, has been fully reviewed.

The review has taken into consideration work completed to date, the current stock condition data which we hold for all dwellings and the latest prices that the authority is contractually committed to for works delivered by its planned maintenance contractors.

One of the key findings of this review is that based upon current stock condition and contract prices for work, which incorporate higher inflation rates over the last 3 years than anticipated, the estimated cost of works required over the life of the business plan is approximately £40 million more than the level of resource allocated to investment in the existing housing stock over the next 30 years.

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

- Expenditure as approved in the HRA Budget Setting Report in February 2015.
- Re-phasing of expenditure anticipated to take place in 2014/15 into 2015/16 and beyond, as approved in June / July 2015.
- Items identified as actions from the Fundamental Review of the Housing Service, with resulting amendments to budgets and financial assumptions built into this 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.

Following the Fundamental Review of the Housing Service, changes in housing capital investment are proposed as part of this HRA Mid-Year Financial Review and are detailed at Appendix F (1) which reconciles all of the proposed in capital budgets and Appendix F (2), which details the review savings proposed.

They include the following types of change:

- Extension of a number of asset lives to ensure that the Decent Homes and Other Capital Investment Programme can be delivered within existing budgetary constraints, despite the need to significantly increase unit costs due to higher than anticipated inflation in the building industry. This will result in lives of 25 years for kitchens, 40 for bathrooms, 12 for boilers and 40 for doors. Reductions will also be required in investment levels for fire safety works, wall structure, roof structure, sulphate works, communal area works, asbestos removal and some discretionary areas of investment in the housing stock. Budgets for major voids (£53,000 to £54,000 per annum) and Tenants Incentive Schemes (£21,000 per annum) will be removed in their entirety.
- Removal of the £200,000 per annum discretionary City Homes Estate Improvement Programme.
- Removal of the £20,000 per annum allocation for bringing long term vacants in the private sector back into use, to be effective from 2015/16.
- Reduction in the level of staff fees charged to the capital programme, delivered over 2 years from 2016/17 to 2017/18, recognising a reduced level of activity in respect of investment in the housing stock as a whole.

- Reduction of £10,000,000 over the life of the business plan in investment in roof covering replacements, moving to holding a roofing contingency, where replacements will be undertaken at failure, once repair options are no longer viable.

The current HRA Business Plan and resulting Housing Capital Investment Plan are constructed on the basis that a partial investment standard is retained in the housing stock, but recognise that following changes proposed in the Fundamental Review of the Housing Service that investment will now be at a significantly lower level than previously anticipated.

Future consideration will be given to the difference in costs over the longer-term of reducing investment further, and returning to the basic decent homes standard, to provide flexibility to respond to the increased financial pressure that the latest government announcements bring.

Section 7

Capital & Asset Management – New Build & Re-Development

Asset Management

Consideration continues to be given to the strategic acquisition or disposal of assets, in line with the HRA Acquisition and Disposal Policy. In light of the proposals for change in national housing policy, in the short-term, the authority may want to consider the strategic sale of properties that might otherwise not have met the criteria for disposal. Receipts from individual asset disposals are only recognised in the HRA's reserves only at the point of receipt and after all relevant costs have been provided for.

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

Potential Acquisition/Disposal	Comment	Status
Engineers House	3-bedroom detached house in a non-estate location. Although approval has been given for market disposal, options for the future of this property are currently being explored with a community organisation	Awaiting either lease or sale
13 Shelly Row	2-bedroom house in need of significant investment, with approval to dispose on the open market following consideration against the Disposal Policy criteria	Awaiting sale
20 Beche Road	4-bedroom house in need of significant investment, with approval to dispose on the open market following consideration against the Disposal Policy criteria	Awaiting sale
2 Grafton Street	3-bedroom house in need of significant investment, with approval to dispose on the open market following consideration against the Disposal Policy criteria	Awaiting sale

New Build & Re-Development

General Approach

Potential new build schemes are identified, and incorporated into the 3-year affordable housing rolling programme to allow formal feasibility investigation and consultation with stakeholders. As each scheme is brought forward for formal 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, culminating ultimately in a build contract value which forms the final budget for each scheme.

As part of the HRA Budget Setting Report or HRA Mid-Year Financial Review, the latest scheme appraisal costs available at the time are incorporated into the financial models, and therefore the Housing Capital Investment Plan. These costs will not always be the finally agreed contractual sums that the authority enters into in all cases, but ensures that the most up to date data is being utilised.

2011-15 New Build Programme

In 2011, the Council secured Homes and Communities Agency (HCA) grant funding towards the development of 146 affordable homes in the city, which formed part of the first 3-year affordable housing programme. Delays in the development process, coupled with changes in timing requirements by the HCA have meant that not all the sites originally included have progressed with HCA funding. Some sites have instead had the benefit of retained right to buy funding being directed into them, whilst others are now being built wholly with HRA resources.

In 2014/15, the schemes at Latimer Close and Stanesfield Road completed, providing 16 units of affordable housing. The remainder of the sites are expected to complete during 2015/16, with those at the end of the initial programme being Water Lane and Aylesborough Close.

The table below details the current positon in respect of the 2011-15 sites, identifying the latest scheme costs for approval as part of this HRA MFR, comparing the costs to the approvals previously granted where applicable.

Scheme	Status	Approved Social Housing Units	HRA BSR Net Funding Approved (Capital Cost net of Grant and Land Transfer)	Percentage Social Housing on Site	HRA MFR Revised Net Funding for Approval (Capital Cost net of Grant, Land Transfer and RTB Receipt)
Jane's Court	Complete	20	878,610	59%	878,610
Latimer Close	Complete	12	1,357,060	60%	1,357,060
Barnwell Road	Complete	12	854,960	59%	854,960
Campkin Road	Unconditional	20	2,487,700	63%	2,487,700
Colville Road	Unconditional	19	1,156,850	58%	1,156,850
Stanesfield Road	Complete	4	399,650	50%	399,650
Atkins Close	Complete	8	446,650	67%	446,650
Wadloes Road	Unconditional	6	469,660	67%	450,340
Hawkins Road	Unconditional	9	1,045,720	100%	989,600
Fulbourn Road	Not in Contract	8	979,630	100%	979,630
Ekin Road	Unconditional	6	792,930	100%	764,220
Water Lane	Unconditional	14	1,644,960	58%	1,141,,460
Aylesborough Close	Unconditional	20	2,798,000	57%	2,798,000
Total		**158**	**15,312,380**	**63%**	**14,704,730**

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

Acquisition of Market Housing on the 2011-15 New Build Sites

In order to meet the deadlines for the use of the earlier retained right to buy receipts, funding of £2,894,000 was approved in the Housing Capital Investment Plan for the purchase of some of the market dwellings on the 2011-15 New Build 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 the redevelopment of existing social housing, where additional new properties are provided.

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

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

Clay Farm

Work is progressing with the development of the Clay Farm site, which will deliver 104 new social sector dwellings which the City Council will own and manage. The scheme will deliver a tenure mix comprising 78 social rented dwellings and 26 shared ownership dwellings.

Planning permission has been granted, and the authority anticipates entering into contract with Hill, the developer in September 2015. Work has started on site with the first social sector homes anticipated to be available for occupation in December 2016 and the site reaching completion in full by April 2017.

Homerton

The Council is now in contract for the acquisition, on a long lease, of 39 units of social sector housing on the Homerton Development site. The scheme has planning in place, and work has now begun. The site as a whole is being built out by Colokate, which is a joint venture company which has been set up by Hill, the developer at Clay Farm and Homerton College. With work now underway, it is anticipated that completion and handover will be by December 2016.

Garage Sites 2015/16

In March 2015, approval was given to proceed with the 2015/16 programme of garage and in-fill sites on HRA land, with initial funding of £3,030,000 incorporated into the financial plans for the scheme as a whole. The sites included in the 2015/16 programme, with the indicative number of new units anticipated to be delivered at the feasibility stage are:

Scheme	Potential New Build Units
Cadwin Fields and Nuns Way garages	2
Cameron Road Garages	7
Wiles Close Garages	3
Teddar Way in-fill	2
Kendal Way in-fill	2
Uphall Road garages	2
Total	**18**

Once approved in principle, consultation, further investigative and feasibility work is undertaken, with a view to obtaining planning permission and building out the sites as soon as is practically achievable.

Anstey Way

Approval in principle was given at Housing Scrutiny Committee for the re-development of an existing housing site in Anstey Way. The business plan currently makes the assumption that all re-developments are funded by the HRA identifying savings and efficiencies in housing services, or by reducing investment in other areas of the housing stock to allow re-allocation of resource so that the re-development of specifically identified sites can take place.

It was anticipated that resource would be re-directed into the re-development of the Anstey Way site as part of the Fundamental Review of the Housing Service, but in light of the recent government announcements surrounding social housing rents and disposals, it is proposed that the re-development of the scheme is put on hold until the longer-term financial position is clear.

Funding has been incorporated into the business plan for the site assembly costs only, which include any home loss payments for exiting tenants and the costs of buying back leasehold properties on the site. This will allow the site to continue to be vacated, so that once the longer-term financial position for the HRA is clear, decisions about the future of the site can be made from a fully informed perspective. Alternative investment models will be explored, which allow the continued provision of affordable housing on the site.

The budget for the new build aspects of the project have therefore not been incorporated into the Housing Capital Investment Plan in respect of the Anstey Way re-development at this time.

Details of all changes to the new build investment programme are provided and reconciled in Appendix F (1).

Housing Development Agency and City Deal

Following success in the City Deal process, on a Greater Cambridgeshire basis, in respect of transport and infrastructure projects, some City deal pump-prime funding was approved to help us and our City Deal partners to deliver additional affordable homes promised alongside the government investment in infrastructure.

It was recently agreed, that jointly with our City Deal partners South Cambridgeshire District Council and the County Council, a Housing Development Agency is created.

The new company will initially take the form of a shared service, bringing together the small Development Teams in both Cambridge City Council and South Cambridgeshire District Council.

The Housing Development Agency is being set up on the basis that once created using the pump-prime funding from the City Deal project; the company will be self-funded in the way of the development fees that will be charged for each scheme delivered.

However, it is not clear at this stage, how the recent housing policy changes for the Housing Revenue Accounts at both local authorities, will impact the financial viability of the newly proposed company.

Section 8
Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget process for 2016/17 will remain broadly similar to that for previous years in terms of timing and detailed administration, working within cash limited budgets, and considering savings in general management and repairs, to meet both known and mooted financial pressures. In light of the changes in housing policy nationally, consideration will need to be given to whether there is still the ability to 'over-deliver' in savings in order to create policy space to allow for strategic re-investment in housing services.

The Fundamental Review of the Housing Service was 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.

The findings from the Fundamental Review of the Housing Service, which now also incorporate the authority's immediate response to the national housing policy changes, will drive the strategic approach to the budget setting process for 2016/17.

The updated base model used to prepare this report incorporates the strategic financial proposals, with the indicated potential reductions in spending identified in specific service areas as part of the review contributing to the savings target for the coming financial year. Further detail in terms of whether the individual savings proposed will achieve this level of spending reduction, and the impact of reducing budgets by these values, will be presented as part of the 2016/17 budget bids and savings process.

For 2015/16 the HRA Mid-Year Financial Review incorporates a change in the anticipated interest earned in year from a revenue perspective, recognising that the opening balances at the start of the year were higher than anticipated, and a one-off sum of £270,000 to facilitate the changes proposed as part of the Fundamental Review of the Housing Service. Also incorporated are changes in the capital programme in respect of confirmation in external funding for the year and the budget now required for specific new build schemes, adjusted as they reach the next milestone in the development process.

Approach to HRA Savings

The September 2014 HRA Mid-Year Financial Review retained a target of 2% for ongoing savings in general management expenditure for 2015/16 and an assumed reduction in repairs expenditure in line with estimated stock changes. This resulted in an overall target of £113,000 being set in preparation for the 2015/16 budget process, which included no reduction in repairs expenditure for 2015/16 as an increase in stock levels was anticipated due to new build completions. This target recognised the desire to continue to create policy space for strategic re-investment and continued to allow for the inclusion of priority policy funding at the previously enhanced level of £150,000 per annum.

For 2016/17, a far greater challenge is posed, with the savings target being driven by the need to also offset a loss of rental income in 2016/17 of an estimated £1,466,000 due to the requirement to reduce rents by 1% for four years, initially from April 2016. Previous financial planning will also have incorporated an assumed saving of 2% in controllable expenditure, equal to approximately £113,000.

At this stage, the assumption that the authority attempts to set-aside resource for the repayment of up to 25% of the housing debt by the point at which the loan portfolio begins to reach maturity, is retained. However, both this policy and the assumption that there will be additional HRA surpluses generated, that can be used to meet identified investment need in both the housing stock and in new build affordable housing, are challenged by the changes in national housing policy. As a result, the authority may have no alternative but reconsider its approach to set-aside in the future, although any decision in this regard should be taken in full knowledge of the financial risks which will accompany it.

One of the key challenges for 2015/16 and beyond, remains 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 had already driven the need for a fundamental review of spending elsewhere across the Housing Service, but is now further exacerbated by the anticipated loss of rental income, resulting in the potential for retained right to buy receipts to need to be paid over to CLG, with interest, currently at 4.5%, calculated from the quarter in which they were originally received.

For the 2016/17 budget process an additional savings target of £1,466,000 has been set, in an attempt to offset the financial impact of the anticipated rent loss. As opposed to increasing this further by an additional £113,000 to also meet the 2% target that was previously incorporated, it is proposed instead to remove the policy space of £150,000 for 2016/17. This will negate the need to increase the £1,466,000 by a further £113,000, and will contribute £37,000 towards it. Removal of the policy space for 2016/17 will not in any way impact upon PPF expenditure approved in prior years, which now forms part of the base budget, but will mean that no new projects can be considered for April 2016. This will result in a net savings target for 2016/17 of £1,429,000 This level of savings will have a significant impact on our ability to deliver our existing housing services, with discretionary services far less likely to receive investment than in previous years.

This target is set assuming that the strategic reductions in spending identified in the Fundamental Review of the Housing Service can be delivered, and that any shortfall in detailed savings that can be identified through the budget process, will be made up by reductions in the level of investment in new build housing. It is however recognised that the latter is likely to impact the authority's ability to spend currently retained right to buy receipts appropriately.

The level of capital investment in the housing stock has been reviewed over the longer term as part of the Fundamental Review of the Housing Service, resulting in a similar monetary investment requirement to that previously assumed. However, due to the need to meet escalating building industry costs, this sum now provides for a lower level of investment in the housing stock overall. The review also identified the potential to further reduce investment in respect of roofing works, but any further savings in spending in respect of the existing stock, would be likely to mean a return to the basic decent homes approach.

The position will be reviewed again as part of the January 2016 HRA Budget Setting Report, with a view to maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst attempting to maintain a programme of new build housing if at all possible. It may however, be necessary to consider whether the local authority is now best placed to deliver a supply of new affordable housing, or whether reversion to a reliance on registered providers may be the only financially viable option.

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.

Assumptions have been amended to take account of the latest announcements in respect of public sector pay, where a 1% cap on pay increase for the next four years is anticipated. An increase in the employer's rate of National Insurance has also been incorporated from April 2016, which more than offsets any saving realised from the cap on public sector pay.

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, with continuing uncertainties for the HRA summarised at Appendix L.

Appendix H summarises the revenue budget position for the HRA for the period between 2015/16 and 2019/20, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

Appendix K demonstrates the potential impact of the business plan of changes in some of the base assumptions that have been incorporated as part of this review, including the negative impact if rent increases are not returned to the level of CPI plus 1% from 2020/21 as being assumed.

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. The key changes which have contributed to this are the requirements to reduce rents by 1% per annum for four years form April 2016 and the compulsion to sell high value housing stock on the open market when it becomes void.

These two changes alone remove our ability to invest in any new build affordable housing after 2017/18 and stop us being able to set-aside resource to meet repayment of even the 25% of our borrowing as has been our previous policy.

Financial modelling indicates that with no new build housing investment after 2017/18, there will be the ability to set-aside revenue resource equivalent to approximately 12.3% of the debt between the outset of self-financing in 2012/13 and 2029/30 (year 15), after which the investment need in our existing housing stock forces us into a positon where we are unable to set a balanced budget from 2030/31 (year 16) onwards. If right to buy sales continue as currently predicted, and investment in new build is halted, there will also be a capital debt repayment reserve accumulated equivalent to approximately 6.9% of the total debt outstanding. This will still be far short of the 25% set-aside which previous business plans have been constructed upon.

It is therefore imperative that we consider further reductions in our spending than are proposed from 2016/17, with the need to pursue similar levels of saving and efficiency from 2017/18 onwards.

The Fundamental Review of the Housing Service has highlighted some areas which will be looked at in more detail during 2016/17, with a view to reducing costs from 2017/18 onwards.

These include:

- Identifying further savings in areas that need more work, such as income generation, ASB, disabled adaptations, S20 notices reclaiming costs from leaseholders, and look again at further efficiencies in service areas.

- Exploring the extension of shared services to include; a broader shared housing service with South Cambridgeshire District Council and possibly other local authorities for strategic housing services, which would reduce management costs further and identify other possible efficiencies.

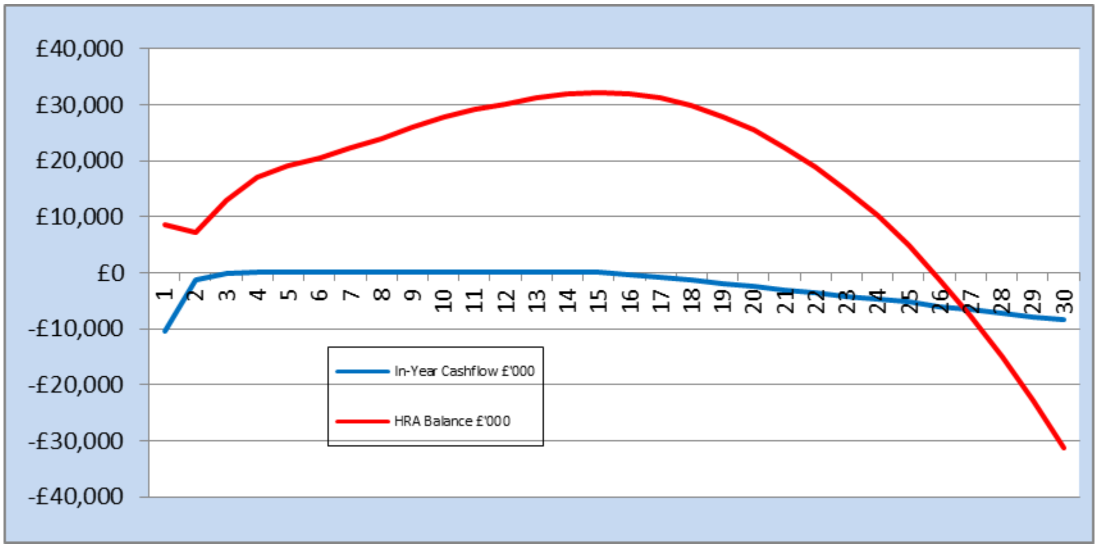
- Recognising the extent to which local authority management of social housing is being penalised. Having to sell stock through right to buy and compulsion to sell, without the ability to retain the receipt for the latter, coupled with the inability to borrow against our assets as payback of any borrowing will be problematic with a diminishing income stream, we should consider alternative options that will protect existing and future tenants.

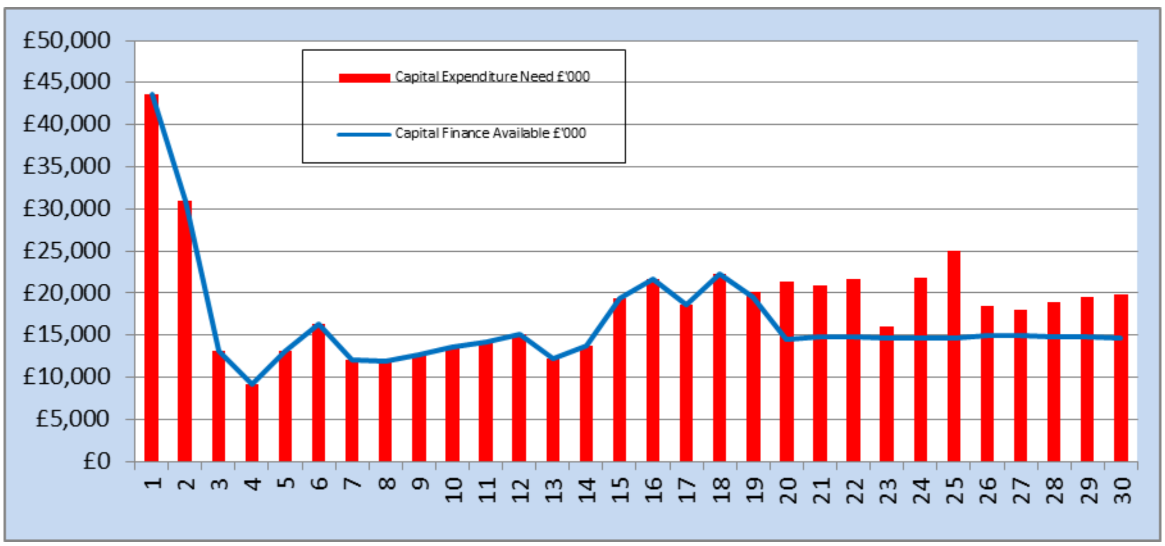
- Recognising that any new build programme in the future will need to be developed considering alternative delivery models, for example mixed tenure, as reliance on HRA surpluses to fund a new build programme will no longer be possible.

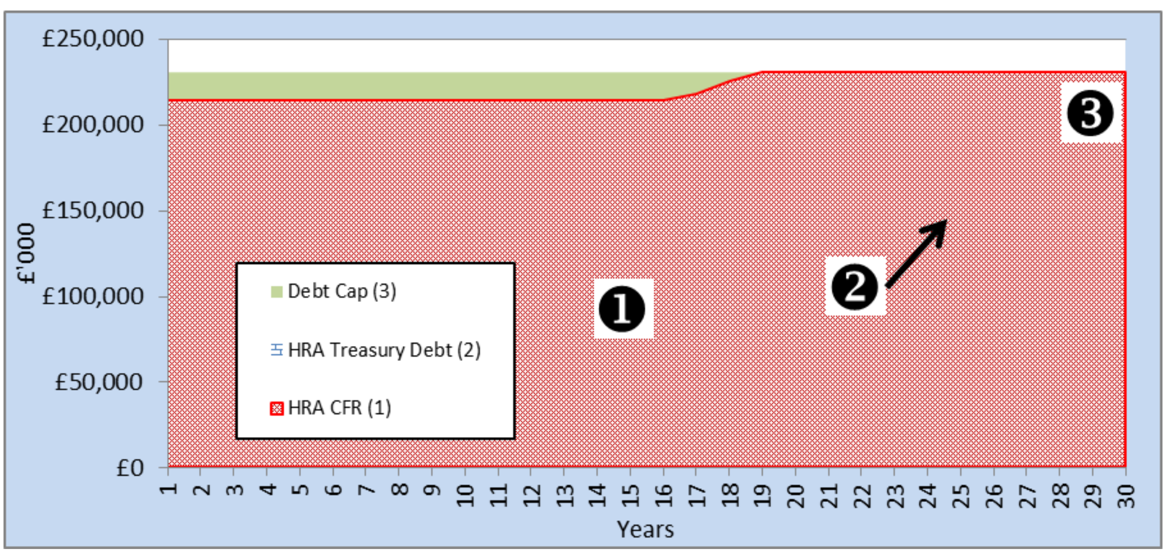
With the latest financial assumptions incorporated into financial plans, and taking account of the national changes in housing policy, there is no ability to deliver new build affordable housing after exhausting the use of the right to buy receipts retained up to the quarter ended 30th June 2015, unless the policy to set-aside any resource for the redemption of debt is amended, or significant additional reductions are found in expenditure elsewhere across the Housing Revenue Account.

The first graph below shows the financial forecast for the HRA with the base assumptions and the savings from the fundamental review included, demonstrating the ability to set-aside some resource in the early years, but indicating that this resource would be required to be utilised to keep the HRA operational from year 16, when there is no longer the ability to set a balanced budget. Demonstrated in the second graph, is the inability to maintain the existing housing stock, albeit a significantly reduced stock by this point, from year 19 onwards, assuming investment need at current levels.

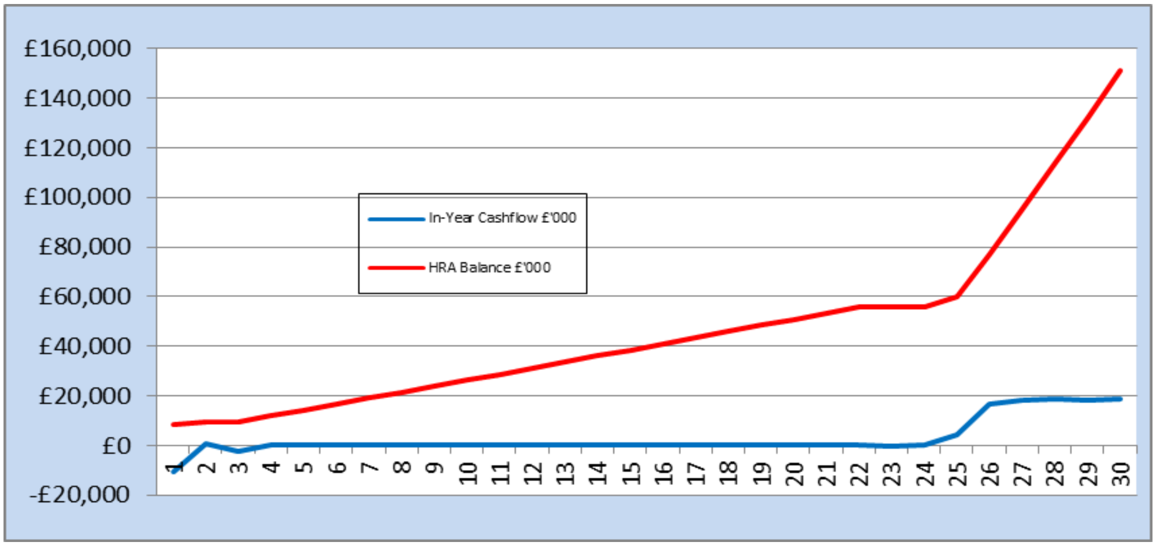
The third graph depicts the inability to repay debt, and the need to borrow up to the debt cap from year 16 simply to maintain the existing housing stock, forcing the HRA to re-finance the entire £213,572,000 of housing debt as each loan reaches maturity.

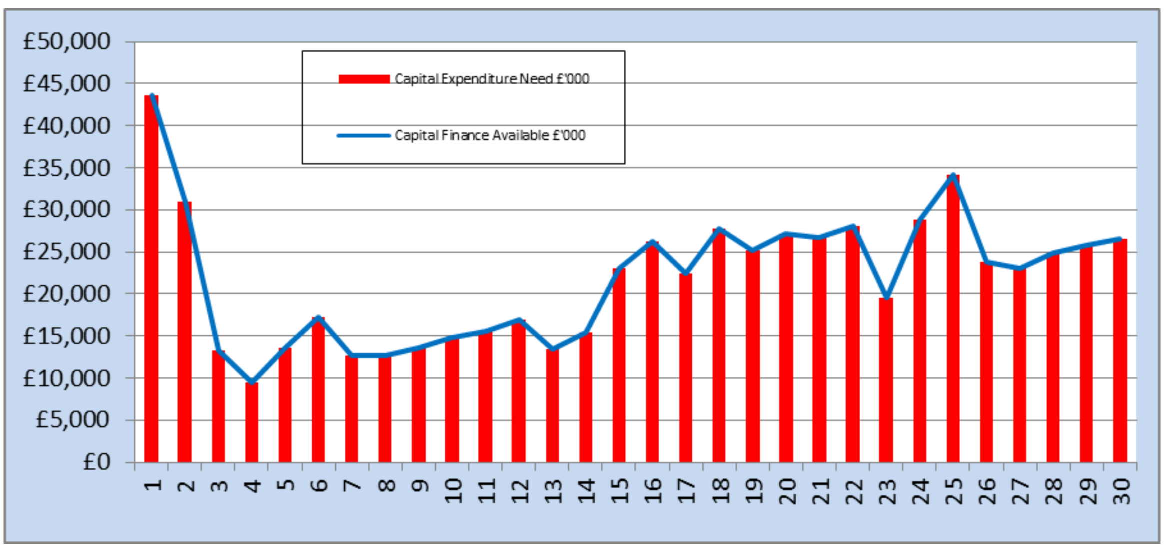

£40,000
£30,000
£20,000
£10,000
£0
-£10,000
-£20,000
-£30,000
-£40,000
In-Year Cashflow £'000
HRA Balance £'000

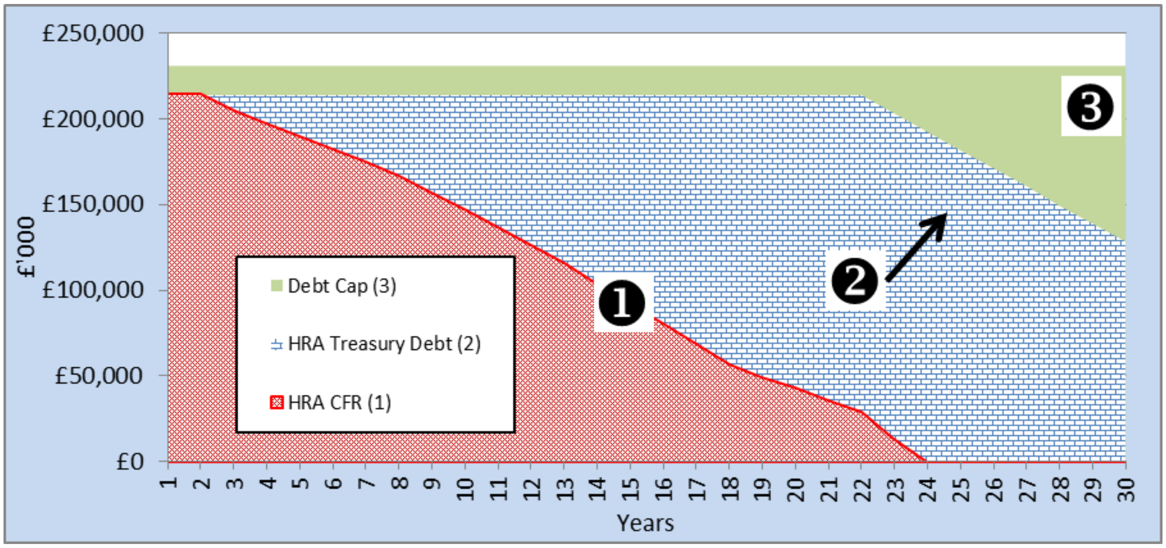

£50,000
£45,000
£40,000
£35,000
£30,000
£25,000
£20,000
£15,000
£10,000
£5,000
£0
Capital Expenditure Need £'000
Capital Finance Available £'000


£250,000
£200,000
£150,000
£100,000
£50,000
£0
£'000
Debt Cap (3)
HRA Treasury Debt (2)
HRA CFR (1)
❶
❷
❸
Years

To illustrate the impact that the two key changes in national housing policy will have (1% rent reduction for four years and compulsion to sell high value void housing stock), the graphs below depict the position that would have been included in this document, were these changes not to have taken place.







The graphs above demonstrate the ability, prior to any changes in national housing policy, to set-aside 25% of the value of the housing debt to allow repayment of some of the loan portfolio should the authority so choose, to maintain the existing housing stock in line with the revised level of investment incorporated into this document, and to invest in new build housing or expanded housing services, as depicted by the block identified as “2” in the last of the graphs.

Appendix A

Financial Planning Timetable 2016/17

Date	Major Stage
	2015
18-May	SLT consider Budget Timetable for 2016/17 Process
28-May	Council adopts Annual Statement setting out plan & priorities from 2015/16
09-Jun	SLT / Exec consider Budget Timetable for 2016/17 Process
07-Jul	SMT presentation on Budget Process and Timetable for 2016/17
24-Aug	**SLT consider GF & HRA draft MFRs**
01-Sep	**SLT / Exec consider GF & HRA draft MFRs**
14-Sep	**Housing Revenue Account (HRA) MFR published**
w/c 14 Sep	Finance despatch Budget Process Guidance and Budget Proposal Forms
24-Sep	**Housing Committee considers the HRA MFR**
25-Sep	Finance produce Budget Working Papers and Salaries Estimates.
Sept / Oct	MFR & budget briefing for Members
Sept / Oct	Budget process, EqIA and Climate Change workshops for managers
09-Oct	Managers to complete and return Budget Proposal Forms to Finance for 2016/17 Revenue and Capital Budget Proposals
14-Oct	Finance to send proposals to officer groups for assessment including climate change and poverty ratings and EqIA requirements
19-Oct	SLT consider GF, HRA and Capital Budget Proposals
w/c 19 Oct	Officer Working Groups meet to consider and comment on budget proposals
22-Oct	**Council considers GF and HRA Mid-Year Financial Review reports**
23-Oct	Managers to send 2015/16 September variances to Finance, reporting to SLT on 2 November
27-Oct	SLT / Exec consider GF, HRA and Capital Budget Proposals

Date	Major Stage
28-Oct	General Fund & HRA individual EqIAs deadline
28-Oct	Officer Group (e.g. Climate change) feedback deadline
03-Nov	**Labour Group Budget Meeting (GF, HRA and Capital)**
17-Nov	**Labour Group Budget Meeting (General Fund Revenue)**
20-Nov	Managers to complete and return budget working papers, incorporating all budget proposals, to Finance
11-Dec	General Fund & HRA EqIA deadline
16-Dec	**HRA BSR to Committee Services**
18-Dec	**Publish HRA Budget Setting Report 2016/17.**
18-Dec	**Finalise (but not publish) GF BSR and Committee budget reports**
29-Dec	Final Opposition HRA EqIA deadline
2016	
05-Jan	Publish HRA Opposition Budget Amendment
13-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**
22-Jan	Final Opposition GF EqIA deadline
15-Feb	Council papers to Committee
17-Feb	Council papers published
25-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	• Effective, regular processes are in place for the HRA to ensure that implications are identified and raised
Funding is not identified to meet the costs associated with changes in statutory requirements	• Additional / specific funding enhancements for new services can be identified through the budget process, to allow effective implementation
HRA Debt Settlement could be re-opened by Government (or not re-opened when changes dictate that it should)	• The Council has processes in place to manage the demands of local and national housing agendas, ensuring early engagement in any consultation and collective representation through national housing bodies
Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible. • Consideration could be given to deviating from national rent policy at a local level should statute continue to allow
Housing Portfolio & Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	• Council has adopted medium (5 year) and long-term modelling (up to 30 years) for HRA, to ensure decisions are made in the knowledge of long-term deliverability issues / implications • The Business Plan includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications • Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures

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

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

Appendix C

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2%	General inflation on expenditure included at 2% (Based upon government intention for CPI)	Retained
Capital Inflation	5% for 4 years, then 3% ongoing	Real increase above CPI of 3% for 4 years, then reverting to 1% above CPI from 2020/21.	Retained
Debt Repayment	Set-aside 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	**Reduced Partial Investment Standard**	**Base model assumes a reduced partial investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed again during 2016/17.**	**Amended**
Pay Inflation	**1.9% Pay Progression plus: 2016/17 – 1.0% 2017/18 – 1.0% 2018/19 – 1.0% 2019/20 – 1.0% 2.5% ongoing**	**Assume allowance for increments at 1.9%. Pay inflation for four years from 2016/17 limited to 1% reflecting recent Government guidance, and a return to 2.5% thereafter, reflecting economic recovery. Increased National Insurance contribution rates have been incorporated from April 2016.**	**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	**-1% from 2016/17 for 4 years, then 3%**	**Rent decreases of 1% per annum in line with government guidelines from 2016/17 to 2019/20, then CPI plus 1%. Assume CPI in preceding September is as above.**	**Amended**
Rent Convergence	**Voids Only**	**Ability to move to target rent achieved only through movement of void properties directly to target rent.**	**Amended**
External Lending Interest Rate	**1.12%, 1.37%, then 1.62% ongoing**	**Interest rates based on latest market achievement, including the impact of CCLA investment.**	**Amended**
Internal Lending Interest Rate	**1.12%, 1.37%, then 1.62% ongoing**	**Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment the General Fund over the longer term.**	**Amended**
External Borrowing Interest Rate	4%	Assumes additional PWLB borrowing at a rate of 4%. Current rate for 30 years is 3.66%. Retain 4% for prudence.	Retained
Internal Borrowing Interest Rate	4%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Retained
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising risks in a Self-Financing environment.	Retained
HRA Target	£3,000,000	Maintain HRA target balance at £3,000,000.	Retained

Key Area	Assumption	Comment	Status
Balances			
Right to Buy Sales	**50, 45, 40, 35, 30, then 25 sales ongoing**	**Housing Policy changes expected to sustain a higher level of activity. Assume 50 for 2015/16, reducing by 5 sales per annum, until 25 are assumed ongoing.**	**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 with only those received to date committed to specific new build schemes. Debt repayment proportion contributes to set-aside.	Retained
Void Rates	1%	Assumes 1% per annum from 2016/17 onwards.	Retained
Bad Debts	0.56% for 2015/16, then 1.12%	Bad debt provision increased by 100% to reflect the requirement to collect 100% of rent directly, assuming an extension of the existing payment profile across the entire housing stock when Universal Credit begins implementation in 2016.	Retained
Rent Collection Transactional Costs	**Increase in transactional costs of £100,000 per annum from 2016/17**	**An increase of £100,000 per annum is included, now from 2016/17, 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 now anticipated to be implemented from February 2016.**	**Retained**
Debt Management Expenses	**£20,000 per annum**	**Internal treasury management is recharged within existing SLA's. This allows a provision for specialist financial advice in this field, now from 2016/17.**	**Amended**
5-Year New Build Programme	**Up to 320 Units**	**Assumes delivery of the balance of the 146 programme of 122 units plus 13 purchases, 104 units on the Clay Farm site, 39 on the Homerton site, 18 on new garage sites and the potential to build up to 24 dwellings on development sites before exhausting existing RTB receipts by 2017/18.**	**Amended**
Savings Target	**£1,466,000 for 2016/17, then return to 2%**	**2016/17 target included assuming the need to offset loss of rental income. Similar pressure to reduce spending will exist for the next 4 years.**	**Amended**
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	**£0 for 2016/17, £150,000 from 2017/18 for 4 years**	**Policy space removed for 2016/17, but returned to £150,000 for next 4 years recognising desire to retain strategic investment and respond to pressures. To be reviewed again as part of 2016/17 HRA BSR.**	**Amended**
Service Reviews	On case by case basis	Service review outcomes assumed to deliver to the HRA as indicated in the review business case.	Retained

Appendix D

Retained 1-4-1 Right to Buy Receipts

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
30/09/2012	305,694.44	305,694.44	1,018,981.47	30/09/2015	2,970,345.20	891,103.06	0.00	0.00
31/12/2012	1,052,927.43	1,358,621.87	4,528,739.57	31/12/2015	2,970,345.20	891,103.06	467,518.81	1,558,394.37
31/03/2013	721,056.95	2,079,678.82	6,932,262.73	31/03/2016	2,970,345.20	891,103.06	1,188,575.76	3,961,917.53
30/06/2013	558,506.21	2,638,185.03	8,793,950.10	30/06/2016	2,970,345.20	891,103.06	1,747,081.97	5,823,604.90
30/09/2013	649,210.49	3,287,395.52	10,957,985.07	30/09/2016	2,970,345.20	891,103.06	2,396,292.46	7,987,639.87
31/12/2013	939,637.07	4,227,032.59	14,090,108.63	31/12/2016	2,970,345.20	891,103.06	3,335,929.53	11,119,763.43
31/03/2014	1,556,452.02	5,783,484.61	19,278,282.03	31/03/2017	2,970,345.20	891,103.06	4,892,381.55	16,307,936.83
30/06/2014	1,053,196.82	6,836,681.43	22,788,938.10	30/06/2017	2,970,345.20	891,103.06	5,945,578.37	19,818,592.90
30/09/2014	517,057.26	7,353,738.69	24,512,462.30	30/09/2017	2,970,345.20	891,103.06	6,462,635.63	21,542,117.10
31/12/2014	1,004,106.23	8,357,844.92	27,859,483.07	31/12/2017	2,970,345.20	891,103.06	7,466,741.86	24,889,137.87
31/03/2015	831,750.78	9,189,595.70	30,631,985.67	31/03/2018	2,970,345.20	891,103.06	8,298,492.64	27,661,640.47
30/06/2015	595,447.59	9,785,043.29	32,616,810.97	30/06/2018	2,970,345.20	891,103.06	8,893,940.23	29,646,465.77

Appendix E(1)

2015/16 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2015/16 Budget (£)	Budget Amendment in 2016/17 Budget (£)	Comment
General HRA Services				
Service Transformation	There are potential up-front costs that will be incurred in the delivery the proposals for change identified as part of the Fundamental Review of the HRA	270,000	0	One-Off
Total General HRA Services		**270,000**		
Repairs and Maintenance				
Technical Services	The need to re-procure contractors for aspects of the planned maintenance contract will require external input into aspects of the project	0	25,000	One-Off
Total Repairs and Maintenance		**0**	**25,000**	
HRA Summary Account				
Interest on HRA Balances	An increase in the rate of interest anticipated to be earned on investments in 2015/16, coupled with an increase in the level of resources currently held, result in a higher level of expected interest receipts.	(78,210)	Incorporated into base assumptions	One-Off and built into assumptions in future years
Total HRA Summary Account		**(78,210)**	**0**	
Total 2015/16 Mid-Year Revenue Budget Amendments		**191,790**	**25,000**	

Appendix E(2)

2016/17 HRA Fundamental Review Revenue Savings Proposals

Area of Income / Expenditure	Description	Saving Proposal or Increased Income in 2016/17 Budget (£)	Comment
Planned Maintenance			
Planned Maintenance	Reduction in planned maintenance (PTR) programme	(400,000)	Ongoing
Total Planned Maintenance Savings		**(400,000)**	
Response Repairs, Voids and Cyclical Maintenance			
Responsive and Void Repairs	Reduction in the use of sub-contractors for responsive repair and void works	(200,000)	Ongoing
Responsive and Void Repairs	Increase income generation through in-house responsive and void repairs team, or reduction in costs if this can't be achieved	(100,000)	Increasing by 50,000 in 2017/18 and 2018/19
Responsive Repairs	Removal of response repairs pre-inspection activity	(79,510)	Ongoing
Total Response Repairs, Voids and Cyclical Maintenance Savings		**(379,510)**	
General HRA Services			
Resident Involvement	Reduction in staffing and other expenditure in this area	(53,780)	Ongoing
City Homes and Area Office Costs	Reduction to only one area office, with resulting reduction in both premises and staffing requirements, coupled with the need to sub-let the south area office in the medium term	(200,490)	Ongoing
Under-Occupation Scheme	Reduction in funding for the Under Occupation Incentive Scheme, with residual budget held to be returned to that originally approved	(40,000)	Ongoing
City Homes	Cessation of quarterly rent statements, recognising that routine arrears activity will continue for those in rent arrears	(12,360)	Ongoing
Strategic Housing	Transfer of one Housing Head of Service to the new Housing Development Agency	(21,560)	Increases to 43,120 from 2017/18

Area of Income / Expenditure	Description	Saving Proposal or Increased Income in 2016/17 Budget (£)	Comment
IT Costs	Reduction of budget for Orchard Housing Management System, recognising that not all modules previously held are still required	(15,000)	Ongoing
HRA Overheads	Cessation of annual Housemark subscription, with the intention to benchmark ourselves with other comparable authorities	(8,000)	Ongoing
HRA General	Removal of additions to pay budgets in all office based areas	(11,730)	Ongoing
HRA General	50% cut in professional training budgets across the HRA as a whole	(6,600)	Ongoing
Total General HRA Services Savings		**(375,470)**	
General Fund Services Recharged to the HRA			
Housing Options	Reduction in staffing in the Housing Options Team	(18,720)	Ongoing
Total General Fund Services Recharged to the HRA Savings		**(18,720)**	
HRA Summary Account Savings			
Debt Management Costs	Recognising that there will be no need to obtain external borrowing advice in the current financial climate, the provision for additional debt management costs will be removed	(21,180)	Ongoing
Total HRA Summary Account Savings		**(21,180)**	
Total Revenue Savings Proposals for 2016/17		**(1,194,880)**	

Appendix F (1)

2015/16 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Total Housing Capital Plan Expenditure pre HRA MFR	**41,194**	**37,533**	**31,880**	**23,686**
General Fund Housing				
Removal of budget for Long Term Vacants	(20)	(20)	(20)	(20)
Decent Homes and Other HRA Stock Investment				
Allocate communal areas uplift budget to specific areas of investment	(427)	0	0	0
Transfer communal areas to health and safety works	100	0	0	0
Transfer communal areas to hard surfacing (health & safety) works	100	0	0	0
Transfer communal areas to communal area floor covering works	100	0	0	0
Transfer communal areas to lifts and door entry	127	0	0	0
Re-allocate residual decent homes backlog funding to specific elements	(2,097)	0	0	0
Transfer decent homes backlog to door replacement	327	0	0	0
Transfer decent homes backlog to roof covering	300	0	0	0
Transfer decent homes backlog to kitchens	300	0	0	0
Transfer decent homes backlog to bathrooms	150	0	0	0
Transfer decent homes backlog to boilers / heating	980	0	0	0
Transfer decent homes backlog to electrical/wiring	40	0	0	0
Transfer funding from roof structure to roof covering	(387)	0	0	0
Transfer funding to roof covering from roof structure	387	0	0	0
Re-profiling of 30 year investment plan to deliver within budget	0	(3,596)	(3,003)	(3,004)
New Build				
2011-15 Programme savings at unconditional contract stage	(626)	0	0	0
Increase in spend equivalent to land values for 2011-15 Programme	672	0	0	0
Re-phasing of spend for Clay Farm	512	3,414	(3,926)	0
Re-phasing of spend for Homerton	1,401	(1,402)	0	0
Transfer from New Build + RTB Receipts unallocated spend to approved Garage Sites for 2015/16	(750)	(2,250)	0	0
Transfer to 2015/16 Garage Sites following scheme approval	750	2,250	0	0

Area of Expenditure And Change	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Inclusion of land assembly costs only for Anstey Way	427	853	0	0
Removal of new build programme post existing retained right to buy commitments	0	(5,449)	(10,981)	(9,994)
Inflation Allowance				
Reduction in inflation allowed as spend reduces	0	(185)	(669)	(1,256)
City Homes Estate Improvement Programme				
Removal of budget for estate improvement works	0	(200)	(200)	(200)
Total Housing Capital Plan Expenditure post HRA MFR	**43,560**	**30,948**	**13,081**	**9,212**

Appendix F (2)

2016/17 HRA Fundamental Review Capital Savings Proposals

Area of Income / Expenditure	Description	(Saving Proposal or Increased Income) in 2016/17 Budget (£)	Comment
Decent Homes and Other Investment in HRA Stock			
Capitalised Staff Fees	Reduction in the staffing input into the HRA capital investment programme, recognising a reduced level of activity in the future	(17,900)	Increasing to 35,800 from 2017/18
Roof Covering	Reduction of 10 million in roof covering works over the life of the business plan, but not realisable in the early years	0	Life of the business plan
Total Decent Homes and Other Investment in HRA Stock Savings		**(17,900)**	
City Homes Estate Improvement Programme			
Estate Investment	Removal of the discretionary budget for demand led investment in the wider housing estate	(200,000)	Ongoing
Total City Homes Estate Improvement Programme Savings		**(200,000)**	
General Fund Housing			
Long Term Vacants	Removal of allocation for bring long-term vacant homes in the private sector back into use	(20,000)	Ongoing
Total General Fund Housing Savings		**(20,000)**	
Total Capital Savings Proposals for 2016/17		**(237,900)**	

Appendix G

New Build Investment Cashflow

New Build / Re-Development Scheme	Prior Year Actuals	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	Total Budget
	£'0	£'0	£'0	£'0	£'0	£'0	£'0
New Build / Re-Development Cash Expenditure (Net of Developer's Cross Subsidy / Notional Land Value)							
Jane's Court	1,244,619	0	0	0	0	0	1,244,619
Latimer Close	1,598,289	0	0	0	0	0	1,598,289
Barnwell Road	682,040	385,000	0	0	0	0	1,067,040
Campkin Road (Phase 1)	1,832,571	884,330	0	0	0	0	2,716,901
Colville Road (Phase 1)	572,138	922,000	0	0	0	0	1,494,138
Water Lane	413,140	728,320	0	0	0	0	1,141,460
Aylesborough Close	1,161,408	1,635,650	0	0	0	0	2,797,058
Stanesfield Road	574,133	0	0	0	0	0	574,133
Wadloes Road	21,006	749,000	0	0	0	0	770,006
Atkins Close (Garage Site)	355,145	233,000	0	0	0	0	588,145
Hawkins Road (Garage Site)	5,253	1,408,470	0	0	0	0	1,413,723
Fulbourn Road (Garage Site)	4,899	1,394,000	0	0	0	0	1,398,899
Ekin Road (Garage Site)	4,116	1,087,630	0	0	0	0	1,091,746
Market Housing on Re-Development Sites	1,939,500	955,000	0	0	0	0	2,894,500
Market Acquisitions		252,500	0	0	0	0	252,500
Anstey Way Prototype	68,860	0	0	0	0	0	68,860
Clay Farm	13,966	2,315,290	11,495,470	2,380,050	0	0	16,204,776
Homerton	0	4,905,290	2,102,270	0	0	0	7,007,560

New Build / Re-Development Scheme	Prior Year Actuals	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	Total Budget
	£'0	£'0	£'0	£'0	£'0	£'0	£'0
Garage Sites (2015/16)	0	750,010	2,250,020	0	0	0	3,000,030
Anstey Way (Land Assembly Only)	0	426,670	853,330	0	0	0	1,280,000
New Build – + RTB Receipts	0	3,528,490	543,780	0	0	0	4,072,270
New Build – HRA Surpluses	0	0	0	0	0	0	0
New Build / Re-Development Expenditure equivalent to Notional Land Value							
Spend Equivalent to Land Value	7,392,839	3,193,656	0	0	0	0	10,586,495
Total New Build/ Re-Development Expenditure	**17,883,922**	**25,754,306**	**17,244,870**	**2,380,050**	**0**	**0**	**63,263,148**
New Build / Re-Development Grant and Area Committee Funding							
Jane's Court	(354,460)	0	0	0	0	0	(354,460)
Latimer Close	(212,676)	0	0	0	0	0	(212,676)
Barnwell Road	(106,340)	(35,450)	0	0	0	0	(141,790)
Campkin Road (Phase 1)	(265,845)	(88,610)	0	0	0	0	(354,455)
Colville Road (Phase 1)	(168,369)	(168,370)	0	0	0	0	(336,739)
Stanesfield Road (Incl. 100k Area Committee Grant)	(170,892)	0	0	0	0	0	(170,892)
Atkins Close (Garage Site)	(106,338)	0	0	0	0	0	(106,338)
Total New Build / Re-Development Funding	**(1,384,920)**	**(292,430)**	**0**	**0**	**0**	**0**	**(1,677,350)**
Retained Right to Buy Funding							
Wadloes Road	(54,160)	(265,630)	0	0	0	0	(319,790)
Atkins Close (Garage Site)	0	0	0	0	0	0	0
Hawkins Road (Garage Site)	(1,580)	(422,540)	0	0	0	0	(424,120)
Fulbourn Road (Garage Site)	(1,470)	(418,200)	0	0	0	0	(419,670)
Ekin Road (Garage Site)	(1,230)	(326,290)	0	0	0	0	(327,520)

New Build / Re-Development Scheme	Prior Year Actuals	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	Total Budget
	£'0	£'0	£'0	£'0	£'0	£'0	£'0
Market Housing on Re-Development Sites	(581,850)	(286,500)	0	0	0	0	(868,350)
Market Acquisitions	(68,280)	(75,750)	0	0	0	0	(144,030)
Anstey Way Prototype	(20,660)	0	0	0	0	0	(20,660)
Clay Farm	(3,140)	(511,410)	(2,539,180)	(525,720)	0	0	(3,579,450)
Homerton	0	(1,091,830)	(467,930)	0	0	0	(1,559,760)
Garage Sites (2015/16)		(225,000)	(675,010)	0	0	0	(900,010)
New Build – With RTB Receipts	0	(1,058,550)	(163,130)	0	0	0	(1,221,680)
Total Retained Right to Buy Funding	**(732,370)**	**(4,681,700)**	**(3,845,250)**	**(525,720)**	**0**	**0**	**(9,785,040)**
Total to be funded from HRA Resources (DRF) and Non-RTB Capital Receipts	**(15,766,632)**	**(20,353,506)**	**(12,546,290)**	**(1,854,330)**	**0**	**0**	**(50,520,758)**
Total HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total to be funded from HRA Savings	**0**	**(426,670)**	**(853,330)**	**0**	**0**	**0**	**(1,280,000)**

Appendix H

HRA Summary Forecast 2015/16 to 2019/20

Description	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Income					
Rental Income (Dwellings)	(37,185,810)	(36,896,070)	(36,542,310)	(35,504,380)	(34,516,700)
Rental Income (Other)	(1,096,480)	(1,118,410)	(1,140,780)	(1,163,590)	(1,186,870)
Service Charges	(2,447,980)	(2,537,240)	(2,606,410)	(2,654,180)	(2,702,920)
Contribution towards Expenditure	(3,210)	(3,280)	(3,340)	(3,410)	(3,480)
Other Income	(455,090)	(443,400)	(431,070)	(418,060)	(426,420)
Total Income	**(41,188,570)**	**(40,998,400)**	**(40,723,910)**	**(39,743,620)**	**(38,836,390)**
Expenditure					
Supervision & Management - General	3,444,840	3,924,480	4,149,920	4,349,480	4,616,130
Supervision & Management - Special	2,507,580	2,562,510	2,621,840	2,682,580	2,744,770
Repairs & Maintenance	6,855,150	6,968,500	7,150,500	7,366,320	7,592,410
Depreciation – to Major Repairs Res.	10,477,820	10,646,440	11,862,560	12,211,070	12,577,550
Debt Management Expenditure	21,180	0	0	0	0
Other Expenditure	3,230,250	2,002,630	2,068,790	2,129,470	2,192,950
Total Expenditure	**26,536,820**	**26,104,560**	**27,853,610**	**28,738,920**	**29,723,810**
Net Cost of HRA Services	**(14,651,750)**	**(14,893,840)**	**(12,870,300)**	**(11,004,700)**	**(9,112,580)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(307,120)	(272,720)	(390,340)	(494,810)	(517,510)
(Surplus) / Deficit on the HRA for the Year	**(14,958,870)**	**(15,166,560)**	**(13,260,640)**	**(11,499,510)**	**(9,630,090)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,541,290	7,541,670	7,542,050	7,542,050	7,542,050
Housing Set Aside	0	0	5,787,660	3,969,620	2,083,600
Depreciation Adjustment	(2,319,180)	(2,196,940)	0	0	0
Direct Revenue Financing of Capital	20,191,440	11,238,900	0	0	0
(Surplus) / Deficit for Year	**10,454,680**	**1,417,070**	**69,070**	**12,160**	**(4,440)**
Balance b/f	(14,864,833)	(4,410,153)	(2,993,083)	(2,924,013)	(2,911,853)
Total Balance c/f	**(4,410,153)**	**(2,993,083)**	**(2,924,013)**	**(2,911,853)**	**(2,916,293)**

Appendix I

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend					
Disabled Facilities Grants	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195
Long Term Vacants	0	0	0	0	0
Choice Based Lettings IT System	30	0	0	0	0
Total General Fund Housing Capital Spend	**775**	**745**	**745**	**745**	**745**
HRA Capital Spend					
Decent Homes					
Kitchens	898	236	206	190	655
Bathrooms	725	291	225	255	201
Central Heating / Boilers	2,086	1,105	1,660	544	2,586
Insulation / Energy Efficiency	100	100	100	100	100
External Doors	435	128	109	54	52
PVCU Windows	0	0	0	0	0
Wall Structure	220	119	142	140	134
Wall Finishes	349	227	202	174	383
Wall Insulation	100	100	100	100	100
External Painting	0	0	0	0	0
Roof Structure	800	322	300	300	300
Roof Covering	1,036	342	334	334	334
Chimneys	2	13	1	0	1
Electrical / Wiring	243	497	561	293	555
Smoke Detectors	109	116	116	116	116
Sulphate Attacks	102	102	102	102	102
Major Voids / Major Works	108	0	0	0	0
HHSRS Contingency	150	100	100	100	100

Description	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Other Health and Safety Works	150	50	50	50	50
Other External Works	5	0	0	0	0
Capitalised Officer Fees - Decent Homes	341	323	305	305	305
External Professional Fees	17	17	17	17	17
Decent Homes Backlog	0	0	0	0	0
Decent Homes Planned Maintenance Contractor Overheads	680	423	474	314	635
Decent Homes New Build Allocation	69	203	210	215	219
Total Decent Homes	**8,725**	**4,814**	**5,314**	**3,703**	**6,945**
Other Spend on HRA Stock					
Garage Improvements	788	788	100	100	100
Asbestos Removal	200	100	50	50	50
Disabled Adaptations	878	878	878	878	878
Tenants Incentive Scheme	21	0	0	0	0
Communal Areas Uplift	119	396	346	346	346
Fire Prevention / Fire Safety Works	430	100	100	100	100
Hard surfacing on HRA Land - Health and Safety Works	380	250	250	250	250
Hard surfacing on HRA Land - Recycling	0	142	0	0	0
Communal Areas Floor Coverings	100	100	100	100	100
Lifts and Door Entry Systems	176	13	13	13	13
Fencing	327	200	200	200	200
Reduction in Discretionary Investment	0	-100	-100	-100	-100
Capitalised Officer Fees - Other HRA Stock Spend	114	114	114	114	114
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	330	315	213	213	213
Total Other Spend on HRA stock	**3,863**	**3,296**	**2,264**	**2,264**	**2,264**
HRA New Build / Re-Development					
Roman Court	14	0	0	0	0
3 Year Affordable Housing Programme	9,427	0	0	0	0
3 Year Affordable Housing Programme (Notional Spend - Land Value)	3,194	0	0	0	0
Market Housing on HRA Sites	955	0	0	0	0

Description	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
New Build - Clay Farm	2,315	11,496	2,380	0	0
New Build - Homerton	4,905	2,102	0	0	0
Re-Development - Anstey Way (Land Assembly Only)	427	853	0	0	0
2015/16 Garage Sites	750	2,250			
New Build or Acquisition - Unallocated Retained RTB Receipt Investment	3,781	544	0	0	0
New Build - Investment of HRA Surpluses	0	0	0	0	0
Total HRA New Build	**25,768**	**17,245**	**2,380**	**0**	**0**
City Homes Estate Improvement Programme					
City Homes Estate Improvement Programme	250	0	0	0	0
Total City Homes Estate Improvement Programme	**250**	**0**	**0**	**0**	**0**
Sheltered Housing Capital Investment					
Ditchburn Place	1,900	2,408	0	0	0
Total Sheltered Housing Capital Investment	**1,900**	**2,408**	**0**	**0**	**0**
Other HRA Capital Spend					
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	39	0	0	0	0
Cambridge Public Sector Network	29	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	435	0	0	0	0
Commercial Property	190	30	30	30	30
Total Other HRA Capital Spend	**1,004**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**41,510**	**28,093**	**10,288**	**6,297**	**9,539**
Total Housing Capital Spend at Base Year Prices	**42,285**	**28,838**	**11,033**	**7,042**	**10,284**
Inflation Allowance and Stock Reduction Adjustment for Future Years	1,275	2,110	2,048	2,170	2,837
Total Inflated Housing Capital Spend	**43,560**	**30,948**	**13,081**	**9,212**	**13,121**

Description	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Housing Capital Resources					
Right to Buy Receipts	(516)	(522)	(527)	(532)	(537)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0
Notional Land Receipts (New Build Schemes)	(3,194)	0	0	0	0
Major Repairs Reserve	(9,504)	(9,324)	(9,741)	(8,109)	(12,013)
Direct Revenue Financing of Capital	(20,191)	(11,239)	0	0	0
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(592)	(1,672)	(2,016)	(300)	(300)
Retained Right to Buy Receipts	(4,682)	(3,845)	(526)	0	0
Disabled Facilities Grant	(303)	(271)	(271)	(271)	(271)
Prudential Borrowing	0	(19)	0	0	0
Total Housing Capital Resources	**(38,982)**	**(26,892)**	**(13,081)**	**(9,212)**	**(13,121)**
Net (Surplus) / Deficit of Resources	4,578	4,056	0	0	0
Capital Balances b/f	**(8,634)**	**(4,056)**	**0**	**0**	**0**
Use of / (Contribution to) Balances in Year	4,578	4,056	0	0	0
Capital Balances c/f	**(4,056)**	**0**	**0**	**0**	**0**
The inflationary element of the decent homes spend for 2015/16 will be allocated against decent homes elements once the task orders under the new planned maintenance contract are known for the year.					
Other Capital Balances (Opening Balance 1/4/2015)					
Major Repairs Reserve	(2,220)	Fully utilised in 2015/16 above			
Retained 1-4-1 Right to Buy Receipts	(8,457)	Utilised between 2015/16 to 2017/18 above			
Right to Buy Receipts for Debt Redemption	(3,999)	Retained for future debt repayment			
Total Other Capital Balances	**(14,676)**				

Appendix J

HRA Earmarked & Specific Funds (£'000)

Repairs & Renewals

Housing Revenue Account	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(841.5)	(77.3)	0.2	(918.6)
Special Services	(795.3)	(151.6)	20.6	(923.3)
Repairs and Maintenance	(192.3)	(56.4)	0.0	(248.7)
Totals	**(1,829.1)**	**(285.3)**	**20.8**	**(2,090.6)**

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(2,219.5)	0.0	0.0	(2,219,5)

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	(26.9)	(6.2)	0.0	(33.1)

Aerial – Roof Space Rental

	Opening Balance	Contributions	Expenditure to July	Current Balance
Aerial Income	(113.6)	(8.8)	0.5	(121.9)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(1,901.7)	0.0	0.0	(1,901.7)

Appendix K

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
General Inflation	General Inflation using CPI at 2% for expenditure	Volatility in the economy could lead to an increase in expenditure inflation, particularly whilst rents increases are non-existent for the next 4 years. Assume CPI for expenditure of 3% ongoing.	Ability to set-aside only 7.2% of the total debt from revenue resources. Inability to set a balanced revenue budget from 2025/26.
Rents Inflation	1% reduction for 4 years, then return to CPI plus 1% for remaining 4 years of 10 year rent settlement followed by CPI plus 0.5%	There is no guarantee that there will be the ability to return to previously assumed rent increase if rents are set legislatively, so assume a rent freeze from 2020/21	Ability to set-aside only 6.5% of the total debt from revenue resources. Inability to set a balanced revenue budget from 2021/22.
Direct Payments (Universal Credit)	Bad Debts at 1.12%	Evidence from the pilot authorities for Direct payment indicates that collection rates may fall from 99% to 95%. Assume bad debts at 5%	Ability to set-aside only 4.8% of the total debt from revenue resources. Inability to set a balanced revenue budget from 2025/26.

Note: Key sensitivities are modelled independently to demonstrate the financial impact. Combined they would have a cumulative effect.

Appendix L

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties
Self-Financing for the HRA
Significant uncertainties exist about the ability to manage the cashflow and service the debt for the HRA in a self-financing environment in light of recent national housing policy changes, with potential for the debt settlement to be re-opened. The debt cap, over which the HRA is not allowed to borrow, currently remains, but could be amended in the future, although additional borrowing at present represents additional risk.
Right to Buy Sales
The number of sales has increased significantly since April 2012, and interest remains high. It is anticipated that a combination of changes in the scheme to date, plus the potential for households with incomes of over 30k per annum to be required to pay market rents, will mean that interest remains high. 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 exceed the level that the authority is able to support in 70% match funding following the latest housing policy changes. At present, the investment required to fulfil the resource held at 30th June 2015 has been incorporated into the HRA financial model, but specific sites for all of the investment of the resource have not been identified and approved to proceed. Over and above the value of schemes with approval, additional new build or acquisition expenditure of £4,072,270 of is required. 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. It is assumed that all future receipts will be paid over to central government, unless there is clarity over the availability of the 70% top up funding at the end of each quarter.
Independent Living Service – Ditchburn Place Extra Care
The current care and support contract extension with the County Council is due to expire in March 2016, following acceptance of a further 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 extension for Temporary Housing support is due to end in March 2016, following a further year's extension at a lower of funding level than before. It is anticipated that the County Council will not continue to fund this service from April 2016. The uncertainty in this area causes additional uncertainty for both residents and staff.

Housing Revenue Account – Revenue Uncertainties

HRA Commercial Property

Stock condition surveys and investment profiles are still 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.

HRA New Build

Although the current new build programme is now progressing quite well, some delays have been, and are being, experienced in respect of some of the earlier projects, which has the potential to impact negatively upon rental income. 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 now be made following the recommendations of the Fundamental Review of the Housing Service. The current lease for the south area office does not expire until January 2020, so the option to consider sub-let of the premises in the short term may be required. The ability to deliver savings in this area will be limited by the ability to identify a suitable sub-tenant.

National Rent Policy

Previous concerns about the inability to achieve target rent levels across the housing stock, have been over-shadowed by recent announcements about changes in national rent policy, which will see rents reduced by 1% per annum over the next four years. There is no guarantee that rent increases will be re-introduced at CPI plus 1% after this period, although our financial pans have currently been constructed on this basis.

Compulsion to Sell High Value Properties

The proposal that local authorities will be required to sell high value properties when they become void has the potential not only to significantly impact the rental stream for the HRA, but also to increase administrative costs due to the potential need to value properties in a different way and administer the sale of them.

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) were intended to be incorporated as part of the new planned maintenance contract, but not all aspects of the contract were fully let. 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 due to be re-tendered imminently.

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.

Inclusion of Communal Areas Investment in standard Decent Homes Provision

Removal of the specific provision held for communal areas and incorporation of the work into the existing decent homes budget, to include works to lifts and common parts in flatted accommodation, will provide some uncertainty until we have sufficient experience that the work required can be delivered within this limited cost envelope.

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. Reduced funding of approximately £0.9m is included in the Housing Capital Programme over the next 9 years to continue to fund this risk-based approach. Tis will not meet the remedial costs of all sites where sulphate has been identified and 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 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 now wholly dependent upon the generally available element of right to buy receipts in any year, with funding 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 and Retained Right to Buy Receipts

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 now greater doubt over the level of top up funding that can be afforded by the authority, particularly in light of the recent changes in national housing policy. Receipts will now be paid over to central government at the end of each quarter, unless there is demonstrable available resource available to provide the top up funding required.

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.