

Version 2  
Housing Scrutiny  
Committee

# Housing Revenue Account Budget Setting Report 2016/17



January  
2016

Cambridge City Council

# Version Control

|         | <b>Version</b> | <b>for :</b>                                  | <b>Anticipated Content</b>   |
|---------|----------------|---|--|
|         | 1              | Draft   | Draft content for consultation   |
| Current | 2              | Housing Scrutiny Committee<br>13 January 2016 | Member Scrutiny<br>Tenant and Leaseholder Representative Input<br>Amendments to Executive proposals<br>Opposition budget amendment proposals |
|         | 3              | Council Meeting<br>25 February 2016           | The Executive Councillor for Housing's recommended final budget proposals  |
|         | 4              | FINAL   | Final version for publication following Council  |

# Cambridge City Council

# Housing Revenue Account Budget

# Setting Report

2016/17 to 2020/21

## Contents

| Section No. | Topic   | Page No. |
|-------------|---|----------|
| 1           | Introduction                                    | 1        |
|             | Foreward  | 1        |
|             | Background                                      | 3        |
|             | Purpose, Scope and Key Dates                    | 4        |
| 2           | Review of National and Local Policy and Context | 8        |
|             | Review of National Policy Context               | 8        |
|             | Review of Local Policy Context                  | 17       |
|             | External Factors                                | 23       |
| 3           | Housing Revenue Account Resources               | 26       |
|             | Rent  | 26       |
|             | Service Charges                                 | 29       |
|             | Other Sources of Income                         | 30       |
|             | Other External Funding                          | 32       |
|             | Ear-Marked and Specific Funds                   | 32       |
| 4           | Housing Revenue Account Budget                  | 35       |
|             | Post-HRA MFR 2015/16 Approvals                  | 35       |
|             | Revised Budget 2015/16                          | 36       |
|             | Overall Budget Position 2016/17 Onwards         | 37       |

| <b>Section No.</b> | <b>Topic</b>                                       | <b>Page No.</b> |
|--------------------|--|-----------------|
| 5                  | Housing Capital Budget                             | 42              |
|                    | Stock Condition and Decent Homes                   | 42              |
|                    | New Build Affordable Housing                       | 43              |
|                    | Asset Acquisitions and Disposals                   | 48              |
|                    | Capital Bids, Savings and Re-Phasing               | 49              |
| 6                  | HRA Treasury Management                            | 51              |
|                    | Background   | 51              |
|                    | Current HRA Borrowing                              | 51              |
|                    | Future Borrowing                                   | 52              |
|                    | Debt Repayment / Re-Investment                     | 52              |
| 7                  | Summary and Overview                               | 54              |
|                    | Equality Impact Assessment, Uncertainties and Risk | 54              |
|                    | HRA Reserves                                       | 55              |
|                    | Financial Assumptions and Sensitivity              | 56              |
|                    | Options and Conclusions                            | 56              |

# Appendices

| <b>Reference</b> | <b>Topic</b>   | <b>Page No.</b> |
|------------------|--|-----------------|
| A                | Business Planning Assumptions                        | 60              |
| B                | Service Charges 2016/17                              | 63              |
| C                | HRA Ear-Marked & Specific Funds                      | 66              |
| D (1)            | HRA Budget – All Revenue Items                       | 67              |
| D (2)            | HRA Budget – All Capital Items                       | 71              |
| E (1)            | HRA Budget Summary (Including HRA MFR Savings)       | 72              |
| E (2)            | 2016/17 Housing Capital Budget Amendment Summary     | 76              |
| F                | Key Risk Analysis                                    | 77              |
| G                | Retained Right to Buy Receipts                       | 80              |
| H                | New Build Cash-flow Investment Profile               | 81              |
| I                | Sensitivity Analysis                                 | 84              |
| J                | HRA Summary Forecast 2015/16 to 2020/21              | 85              |
| K                | Housing Capital Investment Plan – 2015/16 to 2020/21 | 87              |
| L                | HRA Budget Equalities Impact Assessment              | 93              |

# Section 1

## Introduction

# Foreward by the Executive Councillor for Housing

The proposals for this 2016/17 Budget follow on from the challenges outlined in the September 2015 reports on the Mid-Year Financial Review and the fundamental review of the Housing Revenue Account. As laid out there, national changes to social housing and welfare policy have impacted on the council in its role as owner and manager of over 7,000 homes in Cambridge as well as on our tenants, many of whom are low income, or high need, households. The full impact of some of these changes, such as Pay to Stay and the levy for compulsory sales of council stock to fund the Right to Buy scheme for Housing Associations, is still to be determined, but will be severe.

The City Council has a strong and effective relationship with other social sector partners in Cambridge, but remains by far the most significant provider of social housing with 18% of the City's residential stock. This year for the first time we also expect to see an increase in our total stock numbers, despite a loss to Right to Buy. That achievement though is now under threat with compulsory sales. With 40% of the city's wage earners on under £22,000 a year and the average wage being less than £30,000 a year, the need for social housing at social rent levels has never been greater. The government focus remains almost exclusively on home ownership but this will achieve little in Cambridge where the ratio of lower quartile earnings to house prices now stands at a staggering 17.1%. The changing rules in planning, with schemes like starter homes replacing affordable social housing on development sites, and the restrictions in our ability to manage our own stock, like changing the 2014 rent settlement and using

council stock to pay for Housing Association discounts, has turned the housing affordability crisis in the city into a housing affordability disaster.

The Housing Revenue Account took on a debt of £213,572,000 in 2012, negotiated with assumptions on revenue that the government has now changed. We are therefore exploring options under clauses in the Localism Act that were intended to protect local authorities. At the forefront of our actions is our priority to protect current and future council tenants and to ensure that social housing remains an option for all in Cambridge.

## Background

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

The resource available to invest in housing services is wholly dependent upon anticipated income streams for the Housing Revenue Account, with the most significant of these being the rental income for the housing stock. Following legislative changes to be introduced through the Welfare Reform and Work Bill 2015, the authority no longer has discretion to set rents at a local level, but will instead be required to comply with a national approach where rents will be reduced by 1% per year, for four years, from April 2016.

This change, alongside other national changes in housing policy, removes a lot of the flexibility over longer-term decision making, which has been available at a local level since April 2012. It is vital, with diminishing resources, that the Housing Revenue Account continually reviews its priorities for investment, considering:

- The acceptable minimum level of investment in the existing housing stock

- The need to spend on landlord services (housing management, responsive and void repairs)
- The need to support, and potential set-aside for repayment of, housing debt
- Any ability to identify resource for Investment in new affordable housing
- Any ability to invest in new initiatives or income generating activities
- The desire to spend on discretionary services if resources allow (i.e. support)

To protect the future of the Council's social housing, it is imperative that the organisation sets budgets for the medium term in the context of the longer-term impact on the financial viability of the Housing Revenue Account 30-Year Business Plan.

A key feature of the 30-Year Business Plan is the requirement to support a significant level of housing debt whilst also ensuring ongoing delivery of quality housing services. As at April 2015, the authority was supporting a housing debt of £214,748,250. To date, it has been the policy of the HRA to set-aside resource to allow the potential to repay a proportion of the housing debt should the authority so chose, although the level of resource available for this has been significantly constrained by the recent changes in national housing policy.

## Purpose, Scope and Key Dates

### **Purpose**

The HRA Mid-Year Financial Review for 2015/16, approved in part at Housing Scrutiny Committee in September 2015, with the capital aspects approved at Council in October 2015, set the financial strategy for the HRA for 2016/17.

The mid-year review considered all factors affecting the housing service both internal and external, emerging changes in both local and national housing policy and the implications of any anticipated changes in the economic forecast. In response to some of the changes proposed in national housing policy, the mid-year review also

allowed for approval of significant savings across the housing service. In addition to determining the financial strategy for the HRA, the framework for the detailed budget work to develop final proposals for the 2016/17 budget was agreed.

As part of the preparation of the HRA Budget Setting Report, the range of assumptions on which the HRA Mid-Year Financial Review was based, have been reviewed in light of the latest information available to determine whether any aspects of the strategy needed to be revised.

The outcome of the exercise, summarised in this document, provides the basis for the finalisation of the HRA budget and setting of rents and charges for 2016/17, culminating in recommendations to both Housing Scrutiny Committee on 13<sup>th</sup> January 2016, and ultimately Council on 25 February 2016.

## **Scope**

The HRA Budget Setting Report provides an overview of the financial position for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two. As the authority's landlord account, all services to tenants and leaseholders are accounted for and it is the account into which the proceeds of the rent and landlord service charges are credited.

A key aspect of each review of the financial position for the HRA is consideration of risk and any potential mitigation, considering these over both the medium (5 years) and long-term (30 years).

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

The work on the 2016/17 HRA Budget Setting Report takes as its starting point the following key medium and long-term parameters:

- A financial model that assumes revenue resource is set-aside to redeem up to 25% of the housing debt, with only 12.3% being able to be set-aside based upon the assumptions made as part of the 2015/16 HRA Mid-Year Financial Review.
- A financial model assuming use of borrowing headroom, only in order to extend the financial viability of the business plan once rental income is insufficient to meet the costs of managing and maintaining the housing stock.
- Rent reductions in line with legislation for the period from 2016/17 to 2019/20, returning to rent increases in line with previous government guidelines after this.
- Housing stock that is maintained at a level that allows the authority to comply with the decency standard and more, but no longer at a full investment standard.
- The delivery, subject to viability, of up to 320 new and re-provided homes by 2018/19, with no additional new homes included from this point on.
- A savings requirement derived from the anticipated loss of rental income which a 1% rent cut will impose, but with decisions about where this will be delivered from having been taken as part of the HRA Mid-Year Financial Review
- An adjustment in responsive repairs expenditure in line with anticipated stock changes.
- No contingency to support continual service development (known as the priority policy fund) for 2016/17, recognising that investment in any new areas will need to be funded by additional savings elsewhere in the service. A return, from 2017/18 of the £150,000 per annum for the remaining 4 years, recognising some of the key challenges facing the authority as a landlord in the medium-term.
- A minimum working balance for reserves of £2m, with a target level of £3m.

## Key Dates

The key member decision-making dates were / are as follows:

| Date         | Task   |
|--------------|--|
| <b>2015</b>  |  |
| 24 September | The Executive Councillor for Housing considered HRA Mid-Year Financial Review, incorporated Housing Scrutiny Committee, including Tenant and Leaseholder Representative views, and approved revenue aspects, making recommendations to Council in respect of the capital plan. |
| 22 October   | Council approved HRA Mid-Year Financial Review 2015/16   |
| <b>2016</b>  |  |
| 13 January   | Executive Councillor for Housing considers Housing Scrutiny Committee views, before approving HRA revenue budgets and rent levels, and making recommendations to Council in respect of the capital aspects of the HRA Budget Setting Report                                    |
| 25 February  | Council approves HRA Budget Setting Report   |

# Section 2

## Review of National and Local Policy Context and External Factors

### Review of National Policy Context

#### **National Tenancy and Rent Setting Policy**

Following announcements as part of the July 2015 budget, and subsequent legislation approved as part of the Welfare Reform and Work Bill 2015, both local authority landlords and registered providers are now required to apply a 1% reduction in rent levels across each of the next four years, beginning in April 2016.

As highlighted in the HRA Mid-Year Financial Review, this assumption replaces and assumed rent increase using CPI, the Consumer Price Index, assumed to run at 2%, plus an additional 1% each year.

It has now been confirmed however, that any local authorities with actual rents that are still below rent restructured target social rents levels, will be permitted to increase the rent to target at re-let. Target rent levels will of course also reduce by 1% each year for the next four years.

It is still not clear what will happen to rent levels after 2019/20, with the authority still making the assumption that rent increases can be re-introduced at the previous levels of CPI plus 1% per annum.

Proposed amendments to the Housing and Planning Bill, which was still being considered in the House of Commons in early January 2016, would see local authorities also being required to introduce fixed term tenancies of between 2 and 5 years, for new tenancies.

## **Market Rents for Higher Income Households**

The policy announcement that those in existing social housing with a household income in excess of £30,000 (£40,000 in London) will be charged up to market rent for living in their home, has now been subject to government consultation. The consultation, which ended on 20<sup>th</sup> November 2015, asked respondents to consider the following:

- how income thresholds might be set, for example by applying a taper that increases the rent as income rises
- whether the starting threshold should be set in line with housing benefit eligibility
- what each local authority would consider the administrative cost to them would be based upon existing systems and powers

The authority responded to the consultation, and although a view on the appropriateness and methodology for adopting a taper could be provided, it was impossible to quantify with any confidence how much the change in legislation will cost the Council until more information is available. It is clear however that there will be both upfront costs associated with putting systems in place to cater for the requirement, and significant ongoing costs associated with data collection, data validation, individual rent calculations, system amendments / updates and communication. This will be compounded by an assumed increase in collection and recovery costs, where it is anticipated that households may have committed their

income in other ways, and will not initially be in a position to meet the higher rents payments.

## **Mandatory Disposal of High Value Housing Stock**

Following announcements in advance of the June 2015 elections, which suggested 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, the draft Housing and Planning Bill 2015 provides further detail as to how this policy is intended to be implemented.

A payment to the Secretary of State, under a local authority specific determination, is anticipated in respect of a sum derived from an estimate of the high value property which may become vacant in any year. It could therefore be interpreted from this that a local authority may have some discretion over which assets it chooses to dispose of to make payment to central government, but this is not explicit. Concerns exist around the timing of the payments that may fall due under any determination, particularly if this is in advance of the sale of assets to which the determination formula relates.

There is allowance in the draft bill, for the Secretary of State to enter into an agreement with a local authority to reduce the amount that the authority is required to pay in order to provide, or facilitate the provision of, housing.

For financial planning purposes, an initial assumption that approximately 1.8% of the housing stock will need to be sold each year has been made, which is representative of just under 130 properties per annum at the outset. This assumption may need to be significantly amended as further information is made available, as it is based upon early estimates of what might constitute high value, in the absence of any detail at this stage.

## Welfare Reforms

Following the Welfare Reform Act 2012 the Council has:

- introduced a local council tax reduction scheme following the abolition of council tax benefit
- introduced the overall benefit cap for working age claimants
- implemented the changes in relation to the spare room subsidy
- managed a significant increase in Discretionary Housing Payments expenditure
- Introduced changes to Local Housing Allowance (LHA) which is Housing Benefit for private tenants

These were major changes that have been implemented well, engaging with partners, customers and other sections of the Council with joint working and clear communication with customers and partners were paramount to the success of various projects to mitigate the impact on the most vulnerable.

The Summer Budget 2015 saw further changes announced including:

April 2016 - Freeze to LHA rates

April 2016 - Four year uprating freeze of Housing Benefit and working-age benefits

April 2016 - Removal of Family Premium from Housing Benefit

April 2016 - Increased Discretionary Housing Payment

April 2016 - 4 week backdate provision within Housing Benefit

April 2016 - Tax credit earnings threshold decreases (now subject to review)

April 2016 - Tax credit taper increase (now subject to review)

April 2016 - Social sector rents reduced by 1% for four years

April 2017 - Overall Benefit Cap reduced to £20,000 (outside of London)

April 2017 - 18 to 21 year olds lose housing element of Universal Credit/Housing Benefit

April 2017 - End to child allowances for 3rd and subsequent children in Housing Benefit

April 2017 - Social sector tenants on incomes of over £30,000 to pay market rent

These announcements have the potential to impact on homelessness and rent arrears and will put increased pressure on Discretionary Housing Payments administration. The freeze on uprating will also see the amount of support reducing over the next four years in real terms. The way Housing Benefit is calculated will change for working households. The family premium is £17.45 per week and will be removed for new claims and new births from April 2016, reducing future entitlement to benefit.

The backdating provision is also changing as it is proposed to reduce this to one month maximum and it is estimated that this may reduce backdated amounts by approximately half, reducing backdates for Council Tenants based on 2014/15 subsidy claim from £25,752 to £12,876. Backdated benefit in the private rented sector could reduce from £71,358 to £35,679.

Accurate estimation of the likely impact of the reduction in overall Benefit Cap to £20,000 (£23,000 in Greater London) from £26,000 is difficult to predict and the following information is a best estimate.

The change in Benefit Cap will reduce the maximum amount of weekly benefit from £500 per week to £384.61 per week.

There are currently 19 households affected by the existing cap in Cambridge and the cap currently reduces average Housing Benefit support to £67.29 for these 19 claims. It is estimated that 156 families (including the current 19 families affected) could be affected by the Summer Budget 2015 reduction in the Benefit Cap; 74 council tenants and 82 housing association tenants.

Applying the amended cap results in all but three of these 156 claims having their Housing Benefit reduced to the minimum payment of £0.50 per week, and reduces the average Housing Benefit for the other three cases to £6.44 per week. The current average for the 156 claims is £127.

## **Universal Credit**

Universal Credit is designed to support people who are on a low income or out of work. It will replace six existing benefits, is currently being rolled out across the UK and will be claimed by people of working-age, both in and out of work (i.e. not pensioners).

Universal Credit is based on a single monthly payment, transferred directly into the claimant's bank account. Unlike Housing Benefit which is administered by local Councils, Universal Credit will be administered by the Department for Work and Pensions (DWP).

The transition to Universal Credit is being managed in stages. Cambridge City Council has been selected as one of the local authority areas in the last phase of the rollout programme (tranche 4) and the 'go-live' in Cambridge is due on 29 February 2016.

From that date new claimants who are single and unemployed, with or without housing costs, will claim Universal Credit. The reality is that this should represent a small number of claims in the first instance to allow safe and secure roll out.

Universal Credit will be expanded to couples and families at a later date, which is yet to be decided by the DWP.

Universal Credit represents a major cultural transformation. The DWP recognise that some people will need support with the transition, by helping them adjust to some new aspects of the way Universal Credit is designed and that this support needs to be delivered locally by local Councils under the banner of Universal Support Delivered Locally, working together with the local Jobcentre, DWP Universal Credit national delivery centres and other partners.

Many people may be affected by a number of welfare reforms all at once and we will need to support those affected by these changes, particularly as Housing Benefit is incorporated in to Universal Credit, which could be very confusing for residents.

Key areas where support is likely to be required consist of the following:

- Digital inclusion in terms of both access and digital skills
- Triage of claimants (assessment of needs)
- Personal budgeting support (financial inclusion)
- Single point of contact within the Council for specialist support for housing costs.

There are potentially significant impacts on HRA rental income and related rent collection performance as tenants transfer onto Universal Credit.

## **Right to Buy Sales**

Following a number of changes in the right to buy legislation in the past three years, the increase in activity experienced initially, appears to be slowing down marginally.

During 2014/15, 103 right to buy applications were received and recorded, resulting in 51 applications proceeding to completion This compares to 114 applications in the previous year, with 60 completions.

In the first 6 months of 2015/16, 22 completions have taken place, which may support the view that the authority will experience a slight slowing down in sales at some point. It is, however, impossible to predict the impact that the proposal to charge up to market rents for higher income households, will have on the level of right to buys, with an expectation that the change in legislation may cause a further peak in activity, as those with the financial resource to do so, seek to purchase their council home.

It is considered prudent to retain the assumed level of sales of 50 for 2015/16 in line with sales in 2014/15, reducing to 45 in 2016/17, 40 in 2017/18, 35 in 2018/19, 30 in 2019/20 and to 25 sales per annum from 2020/21.

The table below highlights the activity over the last 5 years, detailing the mix of houses, flats and bedsits sold through this process.

| Status          | Year    | Right to Buy (RTB) |      |        | Total |
|-----------------|---------|--------------------|------|--------|-------|
|                 |         | House              | Flat | Bedsit |       |
| Actual Sales    | 2010/11 | 12                 | 5    | 0      | 17    |
|                 | 2011/12 | 7                  | 5    | 0      | 12    |
|                 | 2012/13 | 26                 | 15   | 0      | 41    |
|                 | 2013/14 | 31                 | 28   | 1      | 60    |
|                 | 2014/15 | 26                 | 24   | 1      | 51    |
| Estimated Sales | 2015/16 | 25                 | 25   | 0      | 50    |
|                 | 2016/17 | 23                 | 22   | 0      | 45    |
|                 | 2017/18 | 20                 | 20   | 0      | 40    |
|                 | 2018/19 | 18                 | 17   | 0      | 35    |
|                 | 2019/20 | 15                 | 15   | 0      | 30    |

## Right to Buy Receipts

The authority remains subject to the agreement with CLG that allows the retention of right to buy receipts, subject to a set of specific conditions.

The receipts assumed in the HRA Self-Financing Settlement continue to be shared with CLG in the statutorily agreed proportions, with a proportion of the receipts from any subsequent sales kept by the authority 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.

Currently, 1-4-1 receipts must still be spent within a 3-year timeframe, to fund the delivery of new social housing, with a maximum of 30% of the dwelling being met via this funding stream and the balance of 70% funded from the Council's own resources or borrowing. Failure in delivery still results in the receipt having to be paid to central government, with interest at 4% above the base rate, which far outweighs the interest earned on the receipt whilst held by the authority.

It remains clear from the table at Appendix G 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, there is a significant amount of new build spend required in every quarter from quarter 4 2015/16 onwards, in order to avoid the penalty.

It may still be necessary to consider some strategic acquisitions in the short-term in order to meet the deadlines, or alternatively to pursue passing some receipts to a registered provider to deliver the affordable housing in the city, in place of the Council. Any decision in this regard, will need to take account of the subsequent impact on any future Council new build schemes.

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, now makes a decision as to whether right to buy receipts are retained or paid directly over to central government. The decision takes 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 only takes place if there is a considered risk that the resource cannot be utilised appropriately within the required timeframes, thus mitigating the impact of a need to pay receipts over to central government at a later stage, alongside the interest penalty that would be incurred.

The additional capital spending required and the resulting funding sources identified, will be built into the Housing Capital Investment Plan at the next available opportunity.

# Review of Local Policy Context

## **Council Vision and Corporate Plan**

The Corporate Plan sets out the strategic objectives for Cambridge City Council for the years 2016-19. It replaces the seven separate portfolio plans that have been used in previous years. The plan sets out the key activities the Council will undertake in order to achieve its strategic objectives and deliver its vision. Success measures and key performance indicators (KPIs) are shown, as are lead Executive Councillors and officers. The Corporate Plan provides a key component of the local policy context looking forward over the three year period it covers. The plan will be considered by Strategy & Resources Scrutiny Committee, and will be included as an appendix to the final version of the General Fund Budget Setting Report, when it is presented to Council in February 2016.

## **Housing Stock**

Cambridge City Council Housing Revenue Account owns and manages the following properties, broken down by category of housing provided:

| <b>Housing Category</b>              | <b>Actual Stock Numbers as at 1/4/2015</b> | <b>Estimated Stock Numbers as at 1/4/2016</b> |
|--------------------------------------|--|---|
| General Housing – Social             | 6,360                                      | 6,306   |
| General Housing - Affordable         | 36   | 171   |
| Sheltered Housing                    | 509  | 509   |
| Supported Housing                    | 22   | 22  |
| Temporary Housing (Individual Units) | 52   | 52  |
| Temporary Housing (HMO / EA's)       | 19   | 23  |
| Miscellaneous Leased Dwellings       | 18   | 16  |
| Shared Ownership Dwellings           | 79   | 79  |
| <b>Total Dwellings</b>               | <b>7,095</b>                               | <b>7,178</b>                                  |

Note: General Housing - Affordable are new build homes, which are let as agreed in the HRA Rent Setting Policy, at Local Housing Allowance levels of approximately 60% of market rent.

A breakdown of the housing stock by property type, excluding shared ownership, is demonstrated in the table below:

| <b>Stock Category (Property Type)</b> | <b>Actual Stock Numbers as at 1/4/2015</b> | <b>Estimated Stock Numbers as at 1/4/2016</b> |
|---------------------------------------|--|---|
| Bedsits                               | 108  | 108   |
| 1 Bed                                 | 1,671                                      | 1,699   |
| 2 Bed                                 | 2,365                                      | 2,415   |
| 3 Bed                                 | 2,255                                      | 2,261   |
| 4 Bed                                 | 99   | 98  |
| 5 Bed                                 | 7  | 7   |
| 6 Bed                                 | 2  | 2   |
| Sheltered Housing                     | 509  | 509   |
| <b>Total Dwellings</b>                | <b>7,016</b>                               | <b>7,099</b>                                  |

## **Leasehold Stock**

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

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

## **Housing Demand**

The mix of new housing delivered by the Housing Revenue Account continues to be influenced by a combination of the numbers on the housing register locally and the Affordable Housing Supplementary Planning Document (AHSPD).

Cambridge City Council currently has just over 2,150 households on the housing register. Around 550 to 650 applicants are being housed each year, with the majority of lettings being to applicants at band A or B.

The greatest demand for housing is for one and two bedroom properties, with one-bed applicants accounting for 55% of the register, two-bed applicants 35%, three-bed applicants 8% and 2% of applicants waiting for properties with 4 or more bedrooms.

Applicants are banded according to housing need, with band A representing the highest housing need and making up approximately 9% of the register. Band B applicants represent approximately 25%, band C 33% and band D 30%.

## **Support Service Contracts**

Cambridge City Council continues to deliver support services to older people on a city-wide basis, within a contract which expires at the end of April 2017, unless the two year extension is agreed. The service is now demand led, and includes a greater degree of

signposting to other agencies for those with lower support needs due to the expanded client based encompassed under the contract. The contract value is fixed at £180,000 per annum.

The authority is contracted to deliver support services in extra care housing, as part of the Ditchburn Place care contract, which expires in March 2016, following temporary extensions to the original contracts. This service is delivered outside of the HRA. The authority is in discussions with the County Council, to explore the potential to continue to deliver both care and support services under a partnership agreement.

However, notice has been given that the County Council no longer require us to deliver accommodation based support in our temporary housing stock across the city. Support in this accommodation will in future be partly provided under the existing floating support contract commissioned by the County Council.

Funding for the provision of alarms, and the telephone response to alarms, in sheltered housing is being terminated by the County Council from the end of March 2016. Its continued provision across our housing stock will now form the basis of a separately identified benefit ineligible service charge, which will be payable by all residents where the service is available, and not just those who are self-funders, as is the case at present.

The table below summarises the anticipated funding in 2016/17 for the provision of support services:

| Contract                                    | No. of Contract Units | Contract Status  | Contracted Support Income 2016/17 (£)           | Risks / Ongoing Assumptions   |
|---|-----------------------|--|---|---|
| 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   | Risks that base contract funding will be insufficient to meet demand for services.                        |
| Ditchburn Place (Extra Care)                | 36                    | Block Gross Contract (Part of Care Contract) – Expires 31/3/2016, but no notice given.                 | 45,740 (Accounted for fully outside of the HRA) | Discussions are taking place about the County Council's plans for care at Ditchburn Place post March 2016 |
| <b>Total County Council Support Funding</b> |                       |  | <b>225,740</b>                                  |   |

## Tenant and Leaseholder Consultation

### STAR Survey 2014 – Follow Up Actions Update

The STAR 2014 Survey responses were combined and then plotted, using regression-based analysis, to identify the potential triggers for areas of lower satisfaction. This, plus lower satisfaction hotspots in certain wards, lower satisfaction with value for money through rent paid and lower satisfaction amongst our younger tenants, were fed into focus groups in July 2015. This provided the focus groups with the themes of 'our image', 'how we manage expectations' and 'our customers' perception of waste' to produce an overall action plan. This plan will work towards ensuring tenants and leaseholders have a clear understanding of the key changes happening within the HRA and what this will mean for our customers.

An update on progress against the survey overall, and the focus group work, will be presented to Housing Scrutiny Committee in early 2016/17.

## **Partnership Working and Shared Services**

The organisation, and therefore the HRA, continues to expand the provision of services which are delivered as shared or partnership services with other local authorities.

From a corporate perspective, the authority has entered into shared services with South Cambridgeshire District Council and Huntingdonshire District Council for the provision of ICT and Legal Services, both of which impact the HRA.

A pilot shared Head of Finance and Housing Finance Service with South Cambridgeshire District Council has been operational since March 2015, and is now set to be expanded into a wider shared service in 2016/17.

From April 2016, the new Housing Development Agency (HDA) is anticipated to be in place, with the City Council and South Cambridgeshire District Council seconding staff into a shared service for the initial stage. The HDA will aid the delivery of new homes in the sub-region, working with multiple partner agencies, helping increase the supply of new housing in response to the investment in transport and infrastructure which the Greater Cambridge City Deal brings. There is an agreed £400,000 of pump prime funding which has been made available alongside the City Deal funding to help create the new delivery vehicle.

Following the Fundamental Review of the Housing Service, a shared Housing Management Service with South Cambridgeshire District Council will be explored in 2016/17, with the potential for a wider shared strategic housing function in the future also.

Ongoing investment in the housing stock as part of the 30-Year HRA Business Plan necessitates the authority procuring a new partner to deliver some elements of the maintenance service, including gas servicing and some of the planned maintenance programme.

## External Factors

Factors outside of the direct control of the authority continue to impact strategic decision making, with judgements having to be made about the likely direction of travel for many of these.

### **Inflation Rates**

Inflation rates, as measured by the Consumer Price Index (CPI), have shown a marked reduction over the past 5 years, with rates as recorded each month, showing an average over the past 12 months of 0.3%, with a recorded rate of -0.1% in September 2015. Rates as measured by the Retail Price Index (RPI) are recorded at an average of 1.2% over the past 12 months. This continues to be conversely true in respect of the building industry, 'all in tender price inflation' cost indices, which is still on an upward trajectory, with the forecast for the annual increase up to quarter 3, 2015, being 5.4%.

The work undertaken in 2015, culminating in approval of the HRA Mid-Year Financial Review in September / October 2015, assumed a recovery to the level of the government's long term view of CPI, with 2% incorporated into financial plans for 2016/17 and beyond.

Taking into consideration the government's long-term view for CPI, balanced with the predictions of the Office of Budgetary Responsibilities that recovery to 2% will take place over the next 5 years, future projections have been retained at 2% for prudence. The assumption that the BCIS indices rises at 3% above CPI for the medium-term has also been retained.

## **Interest Rates on Lending**

The HRA continues to benefit from the claw back of interest, from the General Fund, representing the average interest that the authority will have earned on any revenue or unapplied capital cash balances that are held at any point within the financial year.

The level of interest that the authority is able to earn remains low, with an average rate of 0.73% earned during 2014/15. Although still anticipated to be slow, some recovery in the rates available is still predicted in the longer term, with the latest interest rate assumptions detailed in Appendix A.

In light of recent changes in national housing policy, there is expected to be far less opportunity to set-aside resource for the repayment of housing debt than previously assumed.

## **Interest Rates on Borrowing**

The Housing Revenue Account continues to support an external debt portfolio of £213,572,000, consisting of 20 Public Works Loans Board (PWLB) maturity loans, with redemption dates of between 26 and 45 years from 2012 when they were taken out, at interest rates ranging between 3.46% and 3.53%.

Although the authority still has borrowing headroom, the financial impact of the recent changes in national housing policy mean that it is unlikely that the authority will opt to take out any additional borrowing in the short to medium term, as there is currently limited ability to repay the existing borrowing, and there is a risk that any new homes which additional borrowing may be used to build, will be subject to the compulsion to sell.

For financial planning purposes, although any additional borrowing that were to take place would be likely to be internally borrowed from the General Fund, the assumptions

of the rates chargeable to the HRA continue to be made in line with lending rates available externally from the PWLB for prudence.

The authority is still eligible for a certainty rate with the Public Works Loans Board, which is renewed on an annual basis, with the current agreement confirmed until 31<sup>st</sup> October 2016. This allows the authority access to a 20 basis point reduction against the standard PWLB rates in respect of any new borrowing.

The rates available for shorter-term borrowing are lower than those available for borrowing of a longer-term nature, with the standard rate for maturity loans at October 2015, ranging from 2.43% over 5 years, up to 3.76% over 30 years, reducing marginally to 3.63% over 50 years. If the certainty rate is still available at the point at which the HRA is required to borrow, all published rates would be reduced by 0.2%.

Based upon the relative stability in the rates over the past 12 months, it is proposed to maintain the long-term cost of borrowing assumption in the HRA financial forecasts at 4% for prudence, as detailed in Appendix A.

# Section 3

## Housing Revenue Account Resources

### Rent

#### Rent Arrears, Bad Debt Provision and Void Levels

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   |

Performance in the collection of current tenant debt was maintained during 2014/15, and in first half of 2015/16, has been marginally improved, when compared with the profile at this point in previous years. Although an increased number of dedicated staff continue to work proactively with tenants affected by benefit changes, the position is anticipated to become more challenging with the phased introduction of direct

payment, which begins locally in February 2016, and the additional benefit reductions proposed as part of the Welfare Reform and Work Bill 2015.

A particular focus remains on actively pursuing, or proactively writing off, former tenant debt during 2015/16. At the beginning of November 2015, former tenant debt had been reduced to £733,708, compared with the £763,491 that was evident at the end of March 2015.

The Housing Revenue Account continues to maintain a provision for bad and doubtful debt, with the value of the provision reviewed annually, taking into consideration both the age and value of outstanding debt at the time. At 31 March 2015, the provision for bad debt stood at £1,203,043 (including an element for credit balances which were written back in 2015/16), representing 85.9% of the total debt outstanding.

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%. Void levels remain relatively low in 2015/16 to date, with void loss up to the end of October 2015 at 1.02%. The level is anticipated to have increased slightly due to the number of new build homes being made available for letting during 2015/16.

On an ongoing basis, a base assumption of 1% voids in general housing is still considered appropriate for the longer-term. The proposed requirement to sell high value void properties in the future will impact this assumption in future iterations of the business plan.

A Voids Working Group has reviewed internal processes, with a view to reducing standard void times, in an attempt to both minimise void loss and make housing available for new tenants as quickly as possible. From May / June 2016, when a replacement choice based lettings IT system is implemented to manage the housing register and allocation process, weekly advertising will be made available in place of the current two weekly bidding cycle, which should assist in reducing void time.

## **Rent Restructuring**

Although property specific target social rents under the rent restructuring regime still apply, the requirement to reduce all rents in social housing by 1% for the next 4 years, will mean that the target rents will also reduce in line with this.

The basic formula for the calculation of target rents remains unchanged, with 30% of a property's rent based upon historic relative property values and 70% based upon historic relative local earnings, combined with a factor for the number of bedrooms in the property. The result of the calculation is then limited by an overall rent cap for each size of property.

Although the national assumption is that local authority rents have reached target levels, the local picture is quite different, with actual rents that are still well below target levels. The ability to move rents up to the new lower target levels is only available to local authorities when a property is re-let to a new tenant.

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. At the time of writing this report, approximately 16% of the housing stock was being charged at either target, or new affordable rent levels.

## **Rent Policy**

The local rent setting policy was amended following approval of the 2015/16 HRA MFR to reflect the decision to increase the rent for all void properties directly to target rent, and not just those with high energy efficiency ratings.

The policy will be amended to reflect the requirement to reduce rents for the next 4 years, once formal confirmation is received by the authority, following the Welfare Reform and Work Bill receiving Royal Assent.

The policy will need to be reviewed again in the coming months, when the detail around the requirement to charge up to market rent levels for higher income households, becomes clear.

## **Rent Setting**

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

From April 2016, the previous government guidance for setting rents at a local level has been replaced by a requirement, introduced through the Welfare Reform and Work Bill, to reduce rents by 1% each year for four years. The authority therefore has no option but to approve this change in rent levels, to be effective from Monday 4<sup>th</sup> April 2016.

The assumption is still being made, in respect of longer-term financial forecasts, that the authority will be able to revert to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, from April 2020.

## **Service Charges**

Service charges continue to be levied for services that are not pure landlord functions, and are provided to some tenants and not others, depending upon the type, nature and location of the property. Some of these services are eligible for housing benefit, depending upon the nature of the service.

The majority of services provided to tenants of Cambridge City Council are now separately identified, with the exception of communal electricity, grounds maintenance and estate services to non-sheltered flatted accommodation, where there is currently not considered to be any specific benefit to identifying these charges separately.

Building cleaning and window cleaning services are subject to a phased implementation of the full costs, following a competitive selection process to externalise the service from June 2015. Phase 2 of the increase will be applied from April 2016, with full cost recovery achieved from April 2017.

The approach to setting service charge levels for 2016/17 is detailed at Appendix B.

## Other Sources of Income

### Garages

The Housing Revenue Account currently owns 1,759 residential garages, and manages a further 23 on behalf of the General Fund. 58 of these garages are currently identified for demolition as part of the affordable housing development programme sites with scheme specific approval to date.

The HRA has a variable charging structure for garages and parking spaces, with charges reviewed annually as part of the budget process. The proposed garage charging structure for 2016/17 is as follows:

| Category   | Rent<br>£ per rent<br>week | VAT<br>£ per rent<br>week | Total<br>Charge<br>£ per rent<br>week | Percentage<br>Increase<br>on previous<br>year |
|--|----------------------------|---------------------------|---------------------------------------|---|
| Parking Spaces (tenants only)  | 7.58                       | 0.00                      | 7.58                                  | 2%  |
| Tenant of City Homes<br>(for storing a motorised vehicle)  | 9.74                       | 0.00                      | 9.74                                  | 2%  |
| Other Resident with Garage within<br>½ mile of address<br>(for storing a motorised vehicle)                          | 9.74                       | 1.95                      | 11.69                                 | 2%  |
| Other Resident (Within Cambridge<br>City) with Garage over ½ mile of<br>address<br>(for storing a motorised vehicle) | 11.82                      | 2.36                      | 14.18                                 | 2%  |
| Public Body/Charity  | 16.27                      | 3.25                      | 19.52                                 | 2%  |

|  |       |      |       |    |
|--|-------|------|-------|----|
| (for storing a motorised vehicle)  |       |      |       |    |
| Non Cambridge City resident or Business / Commercial / General Storage Use | 18.35 | 3.67 | 22.02 | 2% |
| Tenant of City Homes (For general storage)                                 | 18.35 | 3.67 | 22.02 | 2% |
| City Homes Use   | 18.35 | 0.00 | 18.35 | 2% |

Of the garages available for letting, approximately 25% are currently void, with a corresponding level of void loss to the end of October 2015. In addition to the 58 garages identified for demolition as part of the current new build programme, a number of other garage blocks are undergoing feasibility work as part of the 2015/16 garage sites identified in the 3 year rolling affordable housing programme.

## **Commercial Property**

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

In 2015/16 the income generated by the commercial property portfolio is anticipated to be in the region of £420,000, increasing to £425,000 from 2016/17.

Some small businesses continue to experience difficulties in terms of financial viability for their operation, and as a direct result, the HRA is still having difficulty in letting some of its commercial portfolio. Investment in the commercial property portfolio, versus any alternative options for the future of some sites, will need to be considered during 2016/17.

## **Interest / Investment Income**

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

The interest rates available to the Council remain low, and recovery is still anticipated to be slow.

## Other External Funding

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

- Homes and Communities Agency (HCA) Grant – The authority received grant of £1,748,240 towards the cost of building 95 homes as part of the 2011-15 programme, and has recently been notified that a bid for grant as part of the 2015-18 programme has been successful, with £500,000 awarded for Aylesborough Close, £350,000 for Water Lane and £1,275,000 for the re-development and reconfiguration of Ditchburn Place.
- Support Funding – The level of funding via the Supporting People Programme has reduced over the last 10 years, to a point where the authority now only receives £180,000 per annum for support provided to older people across the city.

## Earmarked & Specific Funds

### **Earmarked Funds – Revenue Reserves**

In addition to General Reserves, the Housing Revenue Account still maintains a number of earmarked or specific funds. Appendix C details the current level of funding in the reserves which were retained following a review of all reserves as part of the 2015/16 budget process.

### **Repairs & Renewals**

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

the anticipated life of the assets. Some of the costs associated with relocating housing staff into a single housing area office will be met from this fund in 2016/17.

### **Major Repairs Reserve**

This statutory reserve receives a sum, transferred from the revenue account, equivalent to the depreciation in respect of the housing stock each year. Any resource available in the Major Repairs Reserve can then be utilised as a source of funding in the Housing Capital Investment Plan, to meet the capital cost of works to HRA assets, or alternatively to repay housing debt. From April 2017, the transitional measures that allow the authority to limit the depreciation charged in respect of dwellings to the value of the old Major Repairs Allowance will cease, after which the full depreciation value will need to be transferred into the reserve each year, irrespective on whether the asset base requires the higher level of investment.

### **Tenants Survey**

The Tenants Survey reserve allows the spread of costs for the STAR Tenants and Leaseholder Survey evenly across financial years, despite the survey only being undertaken formally every two years. This does not detract from the possibility that an element of annual activity may take place to gauge changes in opinion by small survey sampling, i.e. focus groups.

### **HRA Aerial Monies**

Mobile telephone aerials are installed on the roofs of two groups of flat blocks, with the HRA leasing the roof space to the telecoms provider for an annual lease premium / rental fee. This income has historically been appropriated into an ear-marked reserve, and partially offset by an element of expenditure specific to the area in which the mast is installed. The balance remaining has been allowed to accrue until specific projects are identified for its use. From April 2016, it is proposed that the income and expenditure are treated as standard revenue activity each year, with no appropriation of any balance remaining into the fund, and that the sum accrued as at 31<sup>st</sup> March 2016 is

appropriated back into general HRA reserves to meet future HRA expenditure pressures. The reserve will then be deleted.

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

The ability to set-aside surplus revenue resource to meet 25% of the value of the self-financing debt as loans mature, has been significantly impacted by the recent changes in national housing policy. The HRA Mid-Year Financial Review in September 2015 highlighted the ability to set-aside only 12.3% of the value of the debt. This means the authority will have no alternative but to re-finance a greater proportion of the loan portfolio as each loan matures than previously planned, and reduces the flexibility to opt to reinvest the surpluses in the delivery of new homes as an alternative use of the anticipated resource.

The continued approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision (VRP), will allow the HRA to retain flexibility over the use of the limited resource that is available for set aside in the future.

## **Earmarked Funds – Capital Receipts**

### **Right to Buy Attributable Debt Ear-Marked Capital Receipt**

The HRA retains an element from all right to buy receipts over and above those assumed in the initial self-financing settlement, in recognition of the debt which the authority holds in respect of the asset. The sums retained are held in a separate ear-marked capital balance, allowing them to be utilised to repay debt should the authority so choose, or alternatively reinvest as deemed appropriate.

### **Right to Buy Retained one-for-one Ear-Marked Capital Receipt**

The Right to Buy Receipt Retention Agreement remains in force. To ensure that these resources are separately identified for re-investment, and if necessary, repayment purposes, an ear-marked balance exists to record the balance at the end of each reporting period.

# Section 4

## Housing Revenue Account Budget

### Post-HRA MFR 2015/16 Approvals

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

There are however capital implications to take into account in reviewing the final budget proposals in relation to the authority entering into unconditional contract for existing HRA new build and re-development schemes, and including any new schemes which may be presented in the January committee cycle. The schemes where the overall financial implications will need to be materially amended / included are:

- Fulbourn Road (Garage Site)

There is also the need to recognise that the authority has been successful in securing Homes and Communities Agency Grant in respect of the following new build and re-development schemes:

- Water Lane
- Aylesborough Close
- Ditchburn Place

A bid for grant at Clay Farm has also been submitted, but at the time of writing this report, had not been confirmed as successful, and therefore has not been incorporated into financial projections at this stage.

It should be noted that there are various stages to setting the budgets for new build schemes. Initially a budget is approved based on an indicative scheme. This approval in effect, confirms that a scheme is viable and gives permission for the scheme to be developed to submit a planning application. As the design of a scheme is being developed, should the final design and planning considerations result in a change to the cost or funding proposals, the budget will be formally revised in the Mid-Year Financial Review or annual Budget Setting Report whichever is applicable. If there is a significant adverse change in the cost then Executive Councillor re-approval will be required in line with the Council's financial regulations.

## Revised Budget 2015/16

The Housing Revenue Account (HRA) revenue budgets for the current year (2015/16) was amended as part of the HRA Mid-Year Financial Review in September 2015. It is not proposed to undertake a further review of current year activity as part of the budget setting process, but instead to report the position at outturn.

The only exception to this, is the need to recognise any impact in revenue terms of the need to revisit funding requirements for the Housing Capital Investment Plan in 2015/16 following some re-phasing of new build schemes and recognition that not all of the planned investment in our housing stock will now take place in year. This will result in an impact in interest anticipated to be earned in 2015/16, with an estimated increase of £19,300, as summarised in the table below.

| <b>2015/16 Revised Budget</b>                              | <b>Original Budget January 2015<br/>£</b> | <b>HRA Mid-Year Review September 2015<br/>£</b> | <b>HRA BSR Proposed Changes<br/>£</b> | <b>HRA BSR January 2016<br/>£</b> |
|--|---|---|---------------------------------------|-----------------------------------|
| Net HRA Use of / (Contribution to) Reserves                | 990,780                                   | 10,454,680                                      |                                       |                                   |
| Savings  |   |   | 0                                     |                                   |
| Unavoidable Revenue Bids                                   |   |   | 0                                     |                                   |
| Non-Cash Limit Adjustments                                 |   |   | (19,300)                              |                                   |
| <b>Revised Net HRA Use of / (Contribution to) Reserves</b> |   |   |                                       | <b>10,435,380</b>                 |
| Variation on previously reported projection                |   |   |                                       | (19,300)                          |

The above figures include carry forward approvals from 2014/15 in the second column, with the net saving identified in the current year, as part of the January 2016 committee cycle, incorporated in the right-hand column. The net increase in income for 2015/16 will result in a lower call on the use of Housing Revenue Account reserves than anticipated.

## Overall Budget Position - 2016/17 onwards

### Overall Budget Position

The overall revenue budget position for the Housing Revenue Account is summarised in the table below, with detail on an item by item basis for the period to 2019/20 provided in Appendix D (1):

| <b>Proposal Type</b>  | <b>2016/17<br/>£</b> | <b>2017/18<br/>£</b> | <b>2018/19<br/>£</b> | <b>2019/20<br/>£</b> | <b>2020/21<br/>£</b> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Target Included at Present  | Year 1 Rent Loss     | 2%                   | 2%                   | 2%                   | 2%                   |
| Reduction required to meet Current Savings Target                   | 1,429,000            | 1,542,000            | 1,655,000            | 1,768,000            | 1,881,000            |
|   |                      |                      |                      |                      |                      |
| HRA MFR Approved Revenue Savings                                    | (1,194,880)          | (1,266,440)          | (1,316,440)          | (1,316,440)          | (1,316,440)          |
| HRA MFR Approved Capital Savings                                    | (237,900)            | (255,800)            | (255,800)            | (255,800)            | (255,800)            |
| HRA MFR Savings Delivered Early                                     | (39,460)             | 0                    | 0                    | 0                    | 0                    |
|   |                      |                      |                      |                      |                      |
| <b>New 2016/17 Budget Items</b>                                     |                      |                      |                      |                      |                      |
| Savings   | (34,000)             | (34,000)             | (34,000)             | (34,000)             | (34,000)             |
| Increased Income  | (38,250)             | (38,250)             | (38,250)             | (38,250)             | (38,250)             |
| Unavoidable Revenue Bids  | 144,490              | 20,100               | 20,100               | 20,100               | 20,100               |
|   |                      |                      |                      |                      |                      |
| <b>Net Savings Position above / (below) Savings Requirement</b>     | <b>29,000</b>        | <b>(32,390)</b>      | <b>30,610</b>        | <b>143,610</b>       | <b>256,610</b>       |
|   |                      |                      |                      |                      |                      |
| Non-Cash Limit Adjustments  | 101,240              | 5,240                | (23,760)             | (23,760)             | (23,760)             |
|   |                      |                      |                      |                      |                      |
| <b>Net Position for the HRA above / (below) overall assumptions</b> | <b>130,240</b>       | <b>(27,150)</b>      | <b>6,850</b>         | <b>119,850</b>       | <b>232,850</b>       |

## **Non-Cash Limit Budgets**

Non-Cash Limit items are those that do not relate directly to the cost of service provision, including for example direct revenue funding of capital expenditure (DRF), investment income and depreciation. These items are treated outside of the 2016/17 cash limit, with the implications built into the financial forecasts for the HRA as part of the budget process, informing future budget strategy, savings targets and investment priorities. Full details of these for the period to 2019/20 are given in Appendix D (1).

## **Performance against Savings Target**

As in previous years, a savings target for the HRA as a whole was adopted.

For 2016/17, the majority of savings required were identified as part of the outcome of the Fundamental Review of the Housing Service, and were incorporated into the HRA Mid-Year Financial Review for decision. These savings are identified separately in the table above, alongside any new proposals for 2016/17 which are included for decision as part of the HRA Budget Setting Report. A summary of these savings can be found in Appendix E (1).

Additional savings have been identified in 2016/17, which are partially offset by the HRA reacting to unavoidable revenue pressures, particularly in 2016/17. The net position is an under-achievement against the savings target for 2016/17 of £130,240, moving to an over-achievement of £27,150 for 2017/18. Using a future savings assumption of 2% per annum, the table above demonstrates the need to identify an additional £6,850 in 2018/19, £119,850 in 2019/20 and £232,850 by 2020/21. These are also summarised in Appendix E (1).

The savings target for the years from 2017/18 to 2020/21 has currently been incorporated into financial modelling at the previous level of approximately 2% of general management expenditure. The loss of rental income for three further years from 2017/18 onwards and the compulsion to sell high value homes, has resulted in the

deletion of all new build schemes / funding over and above the level of expenditure which is required to appropriately utilise currently retained right to buy receipts, and an inability to set balanced budget from year 15 of the business plan. The need to sustain a 30 year business plan, coupled with any desire to re-introduce investment in new build housing, or to set-aside the previously approved level of resource for debt repayment of 25%, results in the need to significantly increase the savings target included from 2017/18 onwards, as part of the 2016/17 HRA Mid-Year Financial Review.

The result of transformation activity corporately will have a financial impact on the HRA in many cases, but the detail is not always available at the outset of each project. It is difficult to fully predict the impact in monetary terms of savings to the HRA from indirect service reviews, as the detail surrounding revised recharging mechanisms is not usually completed until the after the transformation activity is complete and resulting changes have been made.

For prudence, any anticipated savings to the HRA are only included once the activity is confirmed corporately as being far enough progressed that some certainty can be given to the incidence of impact between the General Fund and the HRA.

Significant savings were incorporated into the HRA in the 2015/16 budget process, as part of the fundamental change in support service delivery models across the Council. With this piece of work not yet fully complete, there is the potential for the saving that was built into the base budget to need to be revisited once the changes have been concluded.

## **Priority Policy Fund (PPF)**

The Housing Revenue Account PPF has historically made money available for new and expanding service areas, recognising the priorities identified through the Annual Statement and the STAR Tenants and Leaseholder Survey.

The HRA Mid-Year Financial Review of September 2015 removed the funding for HRA PPF Bids in 2016/17 in an attempt to reduce the level of savings that needed to be identified, but re-introduced it at the level of £150,000 per annum for the period from 2017/18 to 2020/21.

As part of the HRA Budget Setting Report, the PPF has been completely removed, instead incorporating funding of £120,000 per annum, effective from April 2016, to allow the authority to invest in service transformation projects and invest to save initiatives, in light of the major changes in national housing policy.

The responsibility for identification and approval of funding for suitable projects for this resource to be invested in, whether one-off, or ongoing in nature, will be delegated to the new role of Strategic Advisor to the Chief Executive. This new role has specific responsibility for transformation of housing services, to ensure that the authority has a housing offer which is fit for purpose in the new national housing arena.

# Section 5

## Housing Capital Budget

### Stock Condition and Decent Homes

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

The authority is expected to maintain decency in its housing stock, with a particular emphasis on ensuring compliance with the Housing Health and Safety Rating System (HHSRS), and the authority is monitored annually against this standard. To be decent, a home be in a reasonable state of repair, must have reasonably modern facilities and services must provide a reasonable degree of thermal comfort.

The housing service reported achievement of decency in the housing stock as at 31 March 2015 at 97.9%, with 144 properties that were considered to be non-decent (in addition to refusals). A further 419 properties were anticipated to become non-decent during 2015/16.

Cambridge City Council previously adopted a higher, 'investment standard' level of investment in its housing stock. However, the desire to maximise new build affordable housing, combined with recent changes in national housing policy, which impact the financial viability of the HRA, has resulted in a need for a significant decrease in the level of investment in our housing stock. Previous reductions in investment levels include extended asset lives for PVCU windows, kitchens, bathrooms, boilers and doors. Other discretionary areas of investment were also removed from the programme as part of the HRA Mid-Year financial Review in September 2015.

During 2016/17, work will be undertaken to quantify the minimum level of investment required to maintain the decency standard, informing future decisions about investment in our existing housing stock.

Discretionary elements of the capital programme will be reviewed in the coming year to deliver the reduction of £100,000 across this area of investment, as approved in principle in the Fundamental Review of the Housing Service.

# New Build Affordable Housing

## Current New Build Scheme Update

Work continues to deliver the programme of HRA new build housing across the city. At the time of writing this report 96 new homes have been completed since April 2012.

There have been some delays in delivery due to securing vacant possession, planning discussions and some delays during construction. This has not only resulted in the need to re-phase some expenditure between years, but also impacts receipt of the anticipated future revenue streams for each of the sites. There are contract clauses to allow for negotiation of liquidated and ascertained damages, which may indemnify the Council in respect of a proportion of this loss.

There have been some delays at handover in respect of some of the new build sites, but officers continue to work proactively with the developer in each instance, to arrive at a mutually agreeable point, that will allow handover and occupation.

The table below details the new build schemes that have reached completion since April 2012:

| Scheme           | Date Completed        | Approved Social Housing Units | External Funding Source | Latest Funding Approved (Capital Cost net of Grant and Land Transfer and RTB Receipts) | Percentage Social Housing on Site |
|------------------|-----------------------|-------------------------------|-------------------------|--|-----------------------------------|
| Jane's Court     | November 2013         | 20                            | HCA Grant               | 878,610  | 59%                               |
| Anstey Way       | January 2015          | 1                             | RTB Receipts            | 0  | 50%                               |
| Latimer Close    | March 2015            | 12                            | HCA Grant               | 1,357,060  | 60%                               |
| Barnwell Road    | July 2015             | 12                            | HCA Grant               | 854,960  | 59%                               |
| Campkin Road     | Assumed December 2015 | 20                            | HCA Grant               | 2,363,630  | 63%                               |
| Stanesfield Road | March 2015            | 4                             | HCA Grant               | 399,650  | 50%                               |
| Atkins Close     | June 2015             | 8                             | HCA Grant               | 446,650  | 100%                              |
| Wadloes Road     | October 2015          | 6                             | RTB Receipts            | 450,340  | 100%                              |
| <b>Total</b>     |                       | <b>83</b>                     |                         | <b>6,750,900</b>   |                                   |

The table below provides an update on the status of the market acquisitions approved and completed in 2015/16:

| Scheme                       | Date Completed | Approved Social Housing Units | External Funding Source | Latest Funding Approved (Capital Cost net of Grant and Land Transfer and RTB Receipts) | Percentage Social Housing on Site |
|------------------------------|----------------|-------------------------------|-------------------------|--|-----------------------------------|
| Colville Road (Acquisitions) | June 2015      | 6                             | RTB Receipts            | 735,950  | 76%                               |
| Atkins Close (Acquisitions)  | June 2015      | 4                             | RTB Receipts            | 774,480  | 100%                              |
| Wadloes Road (Acquisitions)  | October 2015   | 3                             | RTB Receipts            | 515,550  | 100%                              |
| <b>Total</b>                 |                | <b>13</b>                     |                         | <b>2,025,980</b>   |                                   |

The table below summarises new build schemes currently in progress, providing details of the anticipated costs and number of units that will be delivered on each site once complete:

| Scheme             | Approved Social Housing Units | Approved Shared Ownership Units | External Funding Source | Latest Funding Approved (Capital Cost net of Land Transfer) | HCA Grant and RTB Receipt Funding | Net Funding (Capital Cost net of Grant and Land Transfer and RTB Receipts) |
|--------------------|-------------------------------|---------------------------------|-------------------------|---|-----------------------------------|--|
| Colville Road      | 19                            | 0                               | HCA Grant               | 1,493,590   | (336,737)                         | 1,156,853  |
| Hawkins Road       | 9                             | 0                               | RTB Receipts            | 1,413,720   | (424,120)                         | 989,600  |
| Fulbourn Road      | 8                             | 0                               | RTB Receipts            | 1,320,540   | (396,160)                         | 924,380  |
| Ekin Road          | 6                             | 0                               | RTB Receipts            | 1,091,740   | (327,520)                         | 764,220  |
| Water Lane         | 14                            | 0                               | HCA Grant               | 1,141,460   | (350,000)                         | 791,460  |
| Aylesborough Close | 20                            | 0                               | HCA Grant               | 2,798,000   | (500,000)                         | 2,298,000  |
| Clay Farm          | 78                            | 26                              | RTB Receipts            | 16,204,780  | (3,576,309)                       | 12,628,467   |
| Homerton           | 29                            | 10                              | RTB Receipts            | 7,007,560   | (1,559,759)                       | 5,447,801  |
| <b>Total</b>       | <b>183</b>                    | <b>36</b>                       |                         | <b>32,471,390</b>   | <b>(7,470,605)</b>                | <b>25,000,781</b>  |

The final scheme budget cannot be confirmed until the build contract for each scheme becomes unconditional. As part of the HRA Budget Setting Report, the latest scheme appraisal costs have been incorporated into the financial models, and therefore the Housing Capital Investment Plan.

The Housing Capital Investment Plan, an updated version of which is attached at Appendix K, incorporates the funding for new build schemes as identified in the tables above. It recognises the need for gross spend on the affordable housing scheme, land values, grant and right to buy receipts to be shown separately, and arriving at the net cash cost to the Council as per the table above. For these purposes the use of retained right to buy receipt is treated as an external funding source, recognising that failure to utilise it as statutorily required, would result in the need to pay the receipt over to Central Government.

## New Build – 2015/16 Garage Sites

Resource of £3,000,030 has been included in the Housing Capital Investment Plan to allow for the development of a number of small garage and in-fill sites, which is anticipated to deliver a further 18 new affordable homes for the HRA.

Feasibility work is progressing on the sites at Cadwin Fields, Cameron Road, Wiles Close, Teddar Way, Kendal Way and Uphall Road, with anticipated delivery timescales in 2017/18.

## New Build – Anstey Way

In June / July 2015, approval was given for the re-development of Anstey Way, which was anticipated to deliver 34 new homes in place of the 28 existing dwellings. However, the proposed changes in national housing policy announced in the summer budget, have resulted in an inability to fund the scheme as originally intended.

The HRA Mid-Year Financial Review included an amended funding approval for Anstey Way of £1,280,000, to allow the land assembly for the site to continue. This includes the costs to buy back leasehold dwellings and to relocate existing tenants to alternative suitable accommodation.

Any savings in other areas of the Housing Capital Investment Plan are currently being set-aside and ear-marked for the wider re-development of the site, so that when alternative development options for the site are available, there will be an element of funding already available towards meeting the cost. To date, an additional £3,110,000 has been identified over and above the budget approved for land assembly costs.

Whilst the options for the future of the site are being explored, in the context of the current financial climate for the HRA, the building is being utilised for temporary housing purposes in an attempt to mitigate the void loss that would otherwise be incurred.

## New Build – Additional Schemes with RTB Funding

Sufficient resource to ensure that the authority could appropriately spend all right to buy receipts held up to the end of June 2015 was retained in the Housing Capital Investment Plan as part of the HRA Mid-Year Financial Review. This has been revised as part of the budget setting process, to ensure that the authority can meet its commitments for receipts retained up to the end of September 2015.

The new build expenditure that is required to meet this obligation has been re-phased as part of this Budget Setting Report, into 2016/17 in line with anticipated ability to spend the resource.

## New Build – Akeman Street

One of the additional schemes proposed in order to utilise the retained right to buy receipts, as identified in the above paragraph, is the potential re-development of a site in Akeman Street, where 10 new affordable homes are anticipated in place of the current mixed commercial and residential development, which provides only 2 social rented homes.

A separate report is presented to this cycle of the Housing Scrutiny Committee for approval to proceed with this scheme, and as such the financial implications have been incorporated into the HRA and this Budget Setting Report, transferring budget from the non-scheme specific allocation to a budget for Akeman Street.

## New Build – Other

Although the current financial projections for the HRA indicate limited resource being available for investment in new build housing, the authority continues to explore potential development opportunities, considering alternative funding models.

Options for securing additional grant funding, for working with partner organisations and for developing sites with mixed tenure are all being explored fully in an attempt to continue to deliver a new build programme, despite the financial constraints imposed by the national housing policy changes.

Updated expenditure and funding sources, on a cashflow basis, for all new build schemes are detailed at Appendix H.

## Asset Acquisitions & Disposals

At present, consideration continues to be given to the strategic acquisition or disposal of assets, in line with the HRA Acquisition and Disposal Policy. The capital receipt generated by a strategic disposal can currently be retained in full by the authority, subject to utilising it to invest in affordable housing. Receipts from individual asset disposals continue to be recognised in the HRA's reserves only at the point of receipt and after all relevant costs have been provided for. However, anticipated receipts are now taken into consideration as part of the quarterly decision as to whether the authority should retain right to buy receipts, pass them to a registered provider, or as a last resort pay them over to central government. There is a risk judgement that needs to be made as part of this quarterly decision making process.

In future, the authority expects to be compelled to sell a proportion of its vacant housing stock as part of the government plan to fund right to buy for housing associations, and the authority's Acquisition and Disposal Policy will need to be reviewed once guidance is available in this regard.

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

| Acquisition / Disposal / Change of Use | Comment  | Status              |
|--|--|---------------------|
| 18A Magrath Avenue                     | Dwelling required significant investment. Disposed of leasehold dwelling and freehold jointly with the neighbour to achieve the benefit of a higher marriage value for the asset as a whole. | Sale Complete       |
| Engineers House                        | 3-bedroomed detached house in a non-estate location. Approval to dispose, with subsequent exploration of letting on a long lease for conservation / preservation of historic value purposes. | Under Investigation |
| 2 Grafton Street                       | 3 bedroom house in a non-estate location which requires significant investment. Approval to dispose given in March 2015.   | Under Offer         |
| 20 Beche Road                          | 4 bedroom house in a non-estate location which requires significant investment. Approval to dispose given in March 2015.   | Under Offer         |
| 13 Shelly Row                          | 2 bedroom house in a non-estate location which requires significant investment. Approval to dispose given in March 2015.   | Under Offer         |

The Right to Buy Retention Agreement still allows the strategic acquisition of existing dwellings, as an alternative to building new dwellings. This remains a less attractive proposition than the creation of new dwellings for the city, but it is none the less a viable option to utilise the resource within the HRA, where new build is not possible within a quarterly deadline for the use of retained receipts.

## Capital Bids, Savings and Re-Phasing

There are no capital bids incorporated as part of the 2016/17 HRA Budget Setting Report. But there are a number of areas of saving identified in 2015/16 and re-phasing of new build activity into later years.

Detailed changes are presented in Appendix E (2), with the overall financial and presentational impact of the following items being incorporated into the Housing Capital Investment Plan presented at Appendix K.

- One-off capital savings of £810,000 in 2015/16, in respect of boiler replacements, roof structure works, communal areas, garages, asbestos removal and fire safety works, where investment is not anticipated to take place in year, and the resource is not expected to be required in future years.
- Re-phasing of £570,000 from 2015/16 into 2016/17 in respect of roof covering works and bathroom replacements and £102,000 into later years of the programme in respect of sulphate works, where work has been delayed due either to changes in planned maintenance contractor or the incidence of void properties to allow work to be undertaken.
- Ear-marking of the £810,000 saving identified above, and an additional £2,300,000 of available major repairs allowance in 2017/18, towards the costs of any revised scheme that may be brought forward for the Anstey Way site.
- Allocation of non-scheme specific new build funding to a scheme for re-development of a mixed use HRA site at Akeman Street, in line with the report presented as part of this committee cycle.
- Inclusion of a bid to fund the capital costs of relocating staff to a single area office, to be met from repairs and renewals funding.
- Amendments to the approved level of investment for the schemes in the new build programme, as detailed earlier in this section of the report.
- Amendments to the approved funding mix for the schemes in the new build programme, in response to both changes in HCA grant expectations and in costs, as detailed earlier in this section of the report.
- Amendments to the level of resource ear-marked for investment in the acquisition or creation of new social housing, based upon the latest projections of investment required to be in a position to continue to retain and appropriately utilise existing right to buy receipts.

# Section 6

## HRA Treasury Management

### Background

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

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

### Current HRA Borrowing

As at 1 April 2015, the Housing Revenue Account was supporting external borrowing of £213,572,000 in the form of 20 maturity loans of equal value with the Public Works Loans Board (PWLB), with rates ranging between 3.46% and 3.53% depending upon the term of the loan. The loans have varying maturity dates, with the first £10,678,600 due to be repaid on 28<sup>th</sup> March 2038, and the last on 28<sup>th</sup> March 2057.

In addition to the external loans attributable to the HRA, there was the sum of £1,176,250 of internal borrowing from the General Fund, where the HRA is required to pay the General Fund the annual interest on the debt as part of the Item 8 Debit to the HRA. The interest rate payable by the HRA can be determined by the authority, but must be deemed reasonable and stand up to external scrutiny from auditors.

# Future Borrowing

The Housing Revenue Account is still subject to an overall debt cap of £230,839,000, which allows borrowing headroom of £16,090,750.

The latest financial projections, following incorporation of the impact of anticipated changes in national housing policy, indicate that additional borrowing is unlikely to be called upon in the medium term, as there is little or no ability to repay even the existing debt. The financial forecasts for the HRA suggest that the authority will be forced to utilise this borrowing power by year 15 of the business plan simply to maintain the existing property portfolio in a decent condition, unless assumptions change or savings can be identified across the HRA in the intervening period.

With this borne in mind, the 2016/17 HRA Budget Setting Report does not review the potential sources of lending, types of borrowing, lengths of loans or rates available, for taking out any additional borrowing at this stage.

## Debt Repayment / Re-Investment

### **Set-Aside for Repayment of HRA Debt**

The debt repayment strategy approved as part of the 2014/15 HRA Budget Setting Report revised the initial decision to set-aside resource to repay all of the housing debt, and instead approved that the HRA set-aside sufficient resource to redeem 25% of the HRA debt from the point at which the loan portfolio begins to mature, in 2037/38. The HRA Mid-Year Financial Review of September 2015 highlighted an inability to achieve this in light of the changes in housing policy, with only 12.3% of the debt value anticipated to be available for set-aside from revenue surpluses over the life of the business plan, and little or no resource available for re-investment in the delivery of new homes.

To retain flexibility in the debt repayment strategy, any surplus generated since April 2012, and any further resource that can be identified for future debt repayment, will not be formally set-aside, but will instead continue to be held in an ear-marked reserve to allow for either repayment of debt or future re-investment.

### **Premature Repayment of PWLB Debt**

The potential to redeem loans held with the PWLB at an earlier stage than agreed at the outset, still remains. A discount rate is used at the point of redemption to calculate whether the authority should pay a premium, or alternatively receive a discount, for repaying the principal sum early. If the discount rate applicable at the point of redemption is lower than the original loan rate, a premium is payable and if it is higher, a discount is receivable by the authority.

In the current financial climate for the HRA, with limited ability to set-aside revenue resource for the redemption of debt, it is considered unlikely that early redemption of debt will take place at this stage.

# Section 7

## Summary and Overview

# Equality Impact Assessment, Uncertainties and Risk

## **Equality Impact Assessment**

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

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

As part of this Budget Setting Report, an Equality Impact Assessment has been undertaken in respect of all new 2016/17 HRA Budget proposals, where any impact is anticipated. The assessment identifies the impact a proposal may have, any mitigation available and includes an action plan identifying how negative impact can be addressed. All Equalities Impact Assessments are available on the Council's website. The Equalities Impact Assessment for the HRA budget as a whole, is presented at Appendix L.

## **Risk Assessment**

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

Update of the key risks and associated mitigating actions is presented at Appendix F.

# HRA Reserves

## **Housing Revenue Account General Reserves**

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

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

For the Housing Revenue Account the intended target level of reserves is £3m, with a minimum level of reserves of £2m. It is not proposed to make any changes to either the target or minimum levels as part of this report, recognising the need to continue to safeguard the Council against the higher levels of risk and uncertainty in the current financial and operational environment for housing.

# Financial Assumptions and Sensitivity

The current financial assumptions, reviewed and used as part of this BSR are detailed in Appendix A, and are derived from information available at the time of preparing this report, utilising both historic trend data and specialist expert advice and opinion, where required.

In making financial assumptions, it is recognised that there will always be a number of alternative values that could have been used. To mitigate the risks associated with this, modelling of key sensitivities is undertaken to provide context to the financial impact that a change in an assumption will make.

Appendix I provides details of the key sensitivities modelled in the preparation of the HRA Budget Setting Report 2016/17.

## Options and Conclusions

### **Overview**

The budget for 2016/17 has been constructed in the wider context of the national position for social housing. The authority still seeks to achieve a balance in investment against agreed priorities as follows, although this now proves significantly more challenging:

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

Continued rent cuts for a further 3 years, and the compulsion to dispose of high value housing stock (or an equivalent proxy for) pose significant financial challenges for the HRA into the future.

As identified in the HRA Mid-Year Financial Review, work will be undertaken during 2016/17 in the following areas, with a view to delivering further significant reductions in spending from 2017/18:

- Review options for greater income generation, to include section 20 notices to ensure full cost recovery from leaseholders
- Review spending in ASB, Disabled Adaptations, etc
- Explore extension of shared services, to include; shared housing services with South Cambridgeshire District Council and shared Strategic Housing Services
- Explore alternative delivery models to protect social housing for existing and future tenants
- Explore alternative delivery models to maintain a new build housing programme

## **Summary and Conclusions**

The work undertaken as part of the 2016/17 budget process to date has resulted in the development of proposals for the base budget of the Housing Revenue Account.

During January 2016 Housing Scrutiny Committee will consider the budget proposals, prior to the Executive Councillor for Housing making decisions and further recommendation for the final HRA Budget for 2015/16 to 2020/21 to Council for consideration and approval.

The HRA Budget Setting Report recommends, in summary:

- Approval of property rents, garage rents and service charges
- Approval of the revised budget proposals
- Approval of the unavoidable revenue bid proposals

- Approval of the general savings proposals
- Approval of increased income proposals
- Approval of the non-cash limit items
- Approval of the capital savings, revised scheme costs and funding mix
- Approval of capital resource re-allocation
- Approval of capital bids

The meeting of Council on 25<sup>th</sup> February 2016 will consider the final proposed Housing Capital Budget as identified in this report for approval.

A significant proportion of the savings identified in the HRA from 2016/17 were considered and approved as part of the HRA Mid-Year Financial Review in September 2015. These have been incorporated alongside new proposals, to present the position for the HRA as a whole in this Budget Setting Report.

As part of the 2016/17 budget process, additional savings have been identified in the costs of cyclical maintenance to the housing stock and in the operational costs for the Independent Living Service. Marginally higher levels of rent and service charge income are anticipated than predicted at the mid-year point, due to reduced levels of void activity as new build homes are completed and occupied. These savings are partially offset by unavoidable revenue pressures, predominantly due to meeting existing staff costs and statutory overheads and recognising a reduction in commercial property income. A one-off revenue pressure has been incorporated to recognise a realistic delivery timescale for the closure of one of the area housing offices and to meet the costs associated with transferring staff to the remaining location. Cash limit adjustments in respect of depreciation and anticipated interest receipts also increase the net cost of the HRA for 2016/17 and beyond.

A reduction of £19,300 in revenue costs for 2015/16 has been identified as part of this report, which will be returned to reserves, and utilised to offset revenue pressures from 2016/17 onwards.

The overall position for the HRA for 2016/17 (including non-cash limit adjustments) is under-achieved by £130,240, with the need to identify further saving in future years. This report however, presents future years with a savings target at the previous level of only 2% at present, which would only allow a balanced budget to be set for the HRA until year 15, from when an annual deficit would be evident.

It is recognised, however, that as part of the second phase of the review of Housing Services in 2016/17, the authority will need to set a significantly higher savings target for the coming years, in order to be in a position to set a balanced budget for the life of the business plan. Decisions will need to be made as to the level of savings required, considering not only the need to sustain a 30 year business plan, but also in the context of whether additional new build housing is aspired to, and whether the authority wants to set-aside any resource for the redemption of any proportion of the housing debt. The anticipated detail surrounding some of the changes in national housing policy, will be key in confirming the magnitude of this task.

The HRA's approach to long-term financial planning incorporates the assumption that any surplus resource will be set-aside in the first instance, until up to 25% of the loan portfolio can be redeemed at maturity, with any balance to be re-invested in income generating assets, whilst also maintaining reasonable financial assumptions in ongoing investment need in the current housing stock.

The ability to set-aside resource to redeem 25% of the loan portfolio is not possible in the current financial environment, and the authority may need to consider using the Localism Act to revisit the terms of the self-financing debt settlement.

# Business Planning Assumptions

# Appendix A

## 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 up to 25% to Repay Debt  | Assumes surplus is set-aside to allow for up to 25% repayment of debt as loans reach maturity date, with any balance re-invested in income generating assets.  | Retained |
| Capital Investment             | Reduced Partial Investment Standard  | 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.   | Retained |
| Pay Inflation                  | 1.9% Pay Progression plus 1% pay award from: 2016/17 to 2019/20, then 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. | Retained |
| 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%, then 2.5%                                   | Rent decreases of 1% per annum in line with government guidelines from 2016/17 to 2019/20, CPI plus 1% until the end of the 10 year settlement, reverting to CPI plus 0.5% after this. Assume CPI in preceding September is as above.  | Retained |
| Rent Convergence               | Voided Only  | Ability to move to new lower target rent achieved only through movement of void properties directly to target rent.  | Retained |
| 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.  | Retained |

| Key Area                         | Assumption  | Comment  | Status   |
|----------------------------------|---|--|----------|
| 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.   | Retained |
| 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 Balances              | £3,000,000  | Maintain HRA target balance at £3,000,000.   | Retained |
| 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.   | Retained |
| 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 |
| Savings Target                   | £1,429,000 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 year, but assumption that savings can be delivered at the higher level not yet built in.  | Retained |

| Key Area  | Assumption                               | Comment   | Status         |
|---|--|---|----------------|
| 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       |
| <b>Policy Space replaced with Transformation / Spend to save Fund</b> | <b>£120,000 for 5 years from 2016/17</b> | <b>Policy space replaced with a new Housing Transformation / Spend to Save Fund to be allocated under delegation to the Strategic Advisor to Housing.</b> | <b>Amended</b> |
| Service Reviews   | On case by case basis                    | Service review outcomes assumed to deliver to the HRA as indicated in the review business case.   | Retained       |

# Service Charges

# Appendix B

| Charge Description                  | Charges 2015/16             | Charge Basis           | Charges 2016/17 |
|-------------------------------------|-----------------------------|------------------------|-----------------|
| <b>General Stock</b>                |                             |                        |                 |
| Caretaking Charge                   | £3.27 to £4.76              | Per Week Over 48 Weeks | A               |
| Building Cleaning                   | £0.01 to £5.31              | Per Week Over 48 Weeks | D               |
| Estate Services Champion            | £0.44                       | Per Week Over 48 Weeks | A               |
| Door Entry                          | £0.14 to £1.02              | Per Week Over 48 Weeks | B               |
| Passenger Lifts                     | £0.47 to £2.46              | Per Week Over 48 Weeks | B               |
| Gas Maintenance / Servicing         | £2.15                       | Per Week Over 48 Weeks | A / B           |
| Digital TV Aerial Charge            | £0.35                       | Per Week Over 48 Weeks | A               |
| Grounds Maintenance                 | £0.91 to £13.25             | Per Week Over 48 Weeks | A               |
| Community Alarm Charge              | £4.41                       | Per Week Over 48 Weeks | C               |
| <b>General Sheltered Schemes</b>    |                             |                        |                 |
| Premises Charge                     | £0.50 to £24.32             | Per Week Over 48 Weeks | A               |
| Communal Heating / Lighting         | £2.23 to £8.51              | Per Week Over 48 Weeks | A               |
| Individual Heating / Lighting       | £4.65 to £11.04             | Per Week Over 48 Weeks | A               |
| Water                               | £2.33 to £3.57              | Per Week Over 48 Weeks | A               |
| Grounds Maintenance                 | £0.91 to £2.35              | Per Week Over 48 Weeks | A               |
| Electrical / Mechanical Maintenance | £2.77 to £5.06              | Per Week Over 48 Weeks | B               |
| Sheltered Support Charge            | £9.00 to £10.46             | Per Week Over 48 Weeks | C               |
| Sheltered Alarm Charge              | Approx. £3.00<br>(In above) | Per Week Over 48 Weeks | E               |
| <b>Ditchburn Place</b>              |                             |                        |                 |
| Premises Charge                     | £2.55 to £49.44             | Per Week Over 48 Weeks | A               |
| Flat Cleaning / Laundry Charge      | £26.65                      | Per Week Over 48 Weeks | A               |
| Communal Heating / Lighting         | £0.63 to £6.26              | Per Week Over 48 Weeks | A               |

|  |                                  |                        |         |
|--|----------------------------------|------------------------|---------|
| Individual Heating / Lighting                  | £7.25 to £12.53                  | Per Week Over 48 Weeks | A       |
| Water  | £4.36 to £8.08                   | Per Week Over 48 Weeks | A       |
| Catering                                       | £94.90                           | Per Week Over 48 Weeks | A       |
| Grounds Maintenance                            | £1.77                            | Per Week Over 48 Weeks | A       |
| Electrical / Mechanical Maintenance            | £2.61                            | Per Week Over 48 Weeks | B       |
| Sheltered Support Charge                       | £10.46                           | Per Week Over 48 Weeks | C       |
| Extra Care Support Charge                      | £26.47                           | Per Week Over 48 Weeks | C       |
| Alarm Charge                                   | Approx. £3.00<br>(In both above) | Per Week Over 48 Weeks | E       |
| Launderette – Wash / Dry                       | £6.50                            | Per Load As Requested  | A       |
| <b>Temporary Accommodation</b>                 |                                  |                        |         |
| Premises Charge                                | £47.87 to £55.78                 | Per Week Over 48 Weeks | A       |
| Individual Heating / Lighting                  | £16.37 to £27.83                 | Per Week Over 48 Weeks | A       |
| Water  | £7.59                            | Per Week Over 48 Weeks | A       |
| Electrical / Mechanical Maintenance            | £3.74 to £7.57                   | Per Week Over 48 Weeks | B       |
| <b>Independent Living Services</b>             |                                  |                        |         |
| Private Lifelines - In City                    | £4.65                            | Per Week Over 52 Weeks | £4.65   |
| Private Lifelines - Out City                   | £7.53                            | Per Week Over 52 Weeks | £7.53   |
| Keysafe / Keyholding Charge                    | £1.88                            | Per Quarter            | £2.68   |
| Warden Agencies                                | £4.04                            | Per Week Over 52 Weeks | £4.04   |
| Monitoring Charge                              | £0.32                            | Per Week Over 52 Weeks | £0.38   |
| <b>Leasehold Charges for Services</b>          |                                  |                        |         |
| Solicitors' pre-sale enquiries                 | £75.00                           | As Requested           | £110.00 |
| Copy of lease                                  | From £20.00                      | As Requested           | £30.00  |
| Re-mortgage Enquiry/Copy of Insurance schedule | £25.00                           | As Requested           | £30.00  |
| Notice of Assignment/Notice of Charge          | £75.00                           | As Requested           | £75.00  |
| Deed of Variations                             | £150.00                          | As Requested           | £150.00 |

|  |         |              |               |
|--|---------|--------------|---------------|
| Home Improvements –  |         |              |               |
| Administration Only  | £0.00   | As Requested | £30.00        |
| Inclusive of Surveyor Visit  | £0.00   | AS Required  | £125.00       |
| Retrospective consent for improvements                                   | £25.00  | As Requested | Above +£25.00 |
| Registering sub-let details  | £50.00  | As Requested | £50.00        |
| Initial Administration Fee/Survey for Application to purchase Loft Space | £150.00 | As Requested | £175.00       |

| Key |  |
|-----|--|
| A   | These charges are currently (or will be - in the case of any new charges), based on recovering the actual cost of service provision and the proposal is to continue to recover the full estimated cost of providing these services in 2016/17.   |
| B   | These charges were separated out from pooled rent in 2004/05, and therefore can be increased to recover full cost up to a maximum of inflation at -0.1% (CPI at September 2015 plus 1%) for future years.  |
| C   | Charges levied for support activities will be reviewed in line with services being provided following expansion of the support service for older people, where the County Council now commission services across the city as a whole.  |
| D   | Charges for building cleaning (communal cleaning and window cleaning are being phased up to full cost recovery in three stages. Stage one (10% increase) was implemented in August 2015, with stage two due from April 2016 (10% increase plus inflation) and the final stage from April 2017 when full costs will be recharged. |
| E   | Charge for alarm provision to be shown as a separate benefit ineligible service charge, reflecting the cessation of funding for this aspect of the support service by the County Council.  |
|     | Charges for the optional household contents insurance scheme will continue to be determined by the insurer but notified to tenants by the Council.   |

# HRA Earmarked & Specific Funds

# Appendix C

(£'000)

| Repairs & Renewals      | Opening Balance | Contributions | Expenditure to Oct | Current Balance |
|-------------------------|-----------------|---------------|--------------------|-----------------|
| General Management      | (841.5)         | (77.3)        | 0.2                | (918.6)         |
| Special Services        | (795.3)         | (151.6)       | 38.6               | (908.3)         |
| Repairs and Maintenance | (192.3)         | (56.4)        | 0.0                | (248.7)         |
| Totals                  | (1,829.1)       | (285.3)       | 38.8               | (2,075.6)       |

| Major Repairs Reserve | Opening Balance | Contributions | Expenditure to Oct | Current Balance |
|-----------------------|-----------------|---------------|--------------------|-----------------|
| MRR                   | (2,219.5)       | 0.0           | 0.0                | (2,219.5)       |

| Tenants Survey | Opening Balance | Contributions | Expenditure to Oct | Current Balance |
|----------------|-----------------|---------------|--------------------|-----------------|
| Tenants Survey | (26.9)          | (6.2)         | 5.7                | (27.4)          |

| Aerial – Roof Space Rental * | Opening Balance | Contributions | Expenditure to Oct | Current Balance |
|------------------------------|-----------------|---------------|--------------------|-----------------|
| Aerial Income                | (113.6)         | (17.8)        | 0.6                | (130.8)         |

| Debt Set-Aside (Revenue) | Opening Balance | Contributions / Adjustments | Expenditure to Oct | Current Balance |
|--------------------------|-----------------|-----------------------------|--------------------|-----------------|
| Debt Set-Aside           | (1,901.7)       | 0.0                         | 0.0                | (1,901.7)       |

\* The balance in respect of the HRA roof space rental will no longer be contributed to from April 2016 onwards. The sum remaining in the ear-marked reserve will be identified for investment in specific one-off projects as approved by the Executive Councillor for Housing, and once fully utilised, the reserve will be deleted.

## 2016/17 Budget - HRA - All Revenue Items

Page 1 of 4

| Reference | Item Description | 2015/16<br>Budget<br>£ | 2016/17<br>Budget<br>£ | 2017/18<br>Budget<br>£ | 2018/19<br>Budget<br>£ | 2019/20<br>Budget<br>£ | Contact | Climate<br>Effect<br>& Poverty<br>Ratings |
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|

## Savings

## Housing - HRA

|              |   |   |          |          |          |          |              |     |
|--------------|---|---|----------|----------|----------|----------|--------------|-----|
| <b>S3773</b> | <b>Net reduction in contract costs for cyclical maintenance activity across the housing stock</b> | 0 | (26,200) | (26,200) | (26,200) | (26,200) | John Horwood | Nil |
|--------------|---|---|----------|----------|----------|----------|--------------|-----|

An exercise to tender and re-procure a number of cyclical maintenance contracts (mechanical heating, electrical inspections, lift inspections, fire safety inspections, etc) has resulted in the ability to reduce budgets in this area by a net sum of £26,200.

4.4

|              |  |   |         |         |         |         |               |     |
|--------------|--|---|---------|---------|---------|---------|---------------|-----|
| <b>S3775</b> | <b>Reduction in operational costs for the Independent Living Service</b> | 0 | (7,800) | (7,800) | (7,800) | (7,800) | Frances Swann | Nil |
|--------------|--|---|---------|---------|---------|---------|---------------|-----|

A review of prior year expenditure has resulted in this proposal to reduce budgets for office running costs and operational overheads.

4.2

|                                       |  |   |          |          |          |          |  |  |
|---------------------------------------|--|---|----------|----------|----------|----------|--|--|
| <b>Total Savings in Housing - HRA</b> |  | 0 | (34,000) | (34,000) | (34,000) | (34,000) |  |  |
| <b>Total Savings</b>                  |  | 0 | (34,000) | (34,000) | (34,000) | (34,000) |  |  |

## 2016/17 Budget - HRA - All Revenue Items

Page 2 of 4

| Reference | Item Description | 2015/16<br>Budget<br>£ | 2016/17<br>Budget<br>£ | 2017/18<br>Budget<br>£ | 2018/19<br>Budget<br>£ | 2019/20<br>Budget<br>£ | Contact | Climate<br>Effect<br>& Poverty<br>Ratings |
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|

## Increased Income

## Housing - HRA

|               |  |   |          |          |          |          |               |     |
|---------------|--|---|----------|----------|----------|----------|---------------|-----|
| <b>113811</b> | <b>Increase in service charge income for the HRA</b> | 0 | (34,000) | (34,000) | (34,000) | (34,000) | Julia Hovells | Nil |
|---------------|--|---|----------|----------|----------|----------|---------------|-----|

*Increase in service charge income for the HRA due to an increase in Temporary Accommodation units and a reduction in void activity.* 9

|               |  |   |         |         |         |         |               |     |
|---------------|--|---|---------|---------|---------|---------|---------------|-----|
| <b>113812</b> | <b>Increase in dwelling rent for the HRA</b> | 0 | (4,250) | (4,250) | (4,250) | (4,250) | Julia Hovells | Nil |
|---------------|--|---|---------|---------|---------|---------|---------------|-----|

*Increase in rental income for the HRA due to a reduction in void levels.* 9

|  |  |          |                 |                 |                 |                 |  |  |
|--|--|----------|-----------------|-----------------|-----------------|-----------------|--|--|
| <b>Total Increased Income in Housing - HRA</b> |  | <b>0</b> | <b>(38,250)</b> | <b>(38,250)</b> | <b>(38,250)</b> | <b>(38,250)</b> |  |  |
| <b>Total Increased Income</b>                  |  | <b>0</b> | <b>(38,250)</b> | <b>(38,250)</b> | <b>(38,250)</b> | <b>(38,250)</b> |  |  |

## 2016/17 Budget - HRA - All Revenue Items

Page 3 of 4

| Reference | Item Description | 2015/16<br>Budget<br>£ | 2016/17<br>Budget<br>£ | 2017/18<br>Budget<br>£ | 2018/19<br>Budget<br>£ | 2019/20<br>Budget<br>£ | Contact | Climate<br>Effect<br>& Poverty<br>Ratings |
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|

## Unavoidable Revenue Pressure

## Housing - HRA

|         |   |   |       |       |       |       |               |     |
|---------|---|---|-------|-------|-------|-------|---------------|-----|
| URP3774 | <b>Bid to meet the statutory annual subscription to the Housing Ombudsman Service</b> | 0 | 7,000 | 7,000 | 7,000 | 7,000 | Julia Hovells | Nil |
|---------|---|---|-------|-------|-------|-------|---------------|-----|

*Bid to meet the statutory annual subscription to the Housing Ombudsman Service, where costs for years 1 and 2 were met from underspending in other budgets.* n/a

|         |  |   |       |       |       |       |               |     |
|---------|--|---|-------|-------|-------|-------|---------------|-----|
| URP3776 | <b>Net increase in salary costs based upon staff currently in post</b> | 0 | 7,300 | 7,300 | 7,300 | 7,300 | Julia Hovells | Nil |
|---------|--|---|-------|-------|-------|-------|---------------|-----|

*HRA General, Special and Repairs unavoidable bid to meet the net increase in salary costs based upon staff currently in post.* 4.2

|         |   |   |       |       |       |       |               |     |
|---------|---|---|-------|-------|-------|-------|---------------|-----|
| URP3810 | <b>Unavoidable bid to meet an anticipated decrease in commercial property rental income</b> | 0 | 5,800 | 5,800 | 5,800 | 5,800 | Julia Hovells | Nil |
|---------|---|---|-------|-------|-------|-------|---------------|-----|

*This bid is required to meet an anticipated reduction in commercial property rental income due to a degree of difficulty in letting some void units.* 2.1

|         |  |   |         |   |   |   |                      |     |
|---------|--|---|---------|---|---|---|----------------------|-----|
| URP3838 | <b>Impact of delay in the closure of one area housing office until August 2016</b> | 0 | 124,390 | 0 | 0 | 0 | Robert Hollingsworth | Nil |
|---------|--|---|---------|---|---|---|----------------------|-----|

*It is not realistic to assume that the closure of one area housing office can be achieved by 1st April 2016, and this bid therefore recognises the reduction in saving that will be achieved in 2016/17, whilst also building in the cost to deliver the change.* 3

|  |          |                |               |               |               |  |  |  |
|--|----------|----------------|---------------|---------------|---------------|--|--|--|
| <b>Total Unavoidable Revenue Pressure in Housing - HRA</b> | <b>0</b> | <b>144,490</b> | <b>20,100</b> | <b>20,100</b> | <b>20,100</b> |  |  |  |
| <b>Total Unavoidable Revenue Pressure</b>                  | <b>0</b> | <b>144,490</b> | <b>20,100</b> | <b>20,100</b> | <b>20,100</b> |  |  |  |

## 2016/17 Budget - HRA - All Revenue Items

| Reference | Item Description | 2015/16<br>Budget<br>£ | 2016/17<br>Budget<br>£ | 2017/18<br>Budget<br>£ | 2018/19<br>Budget<br>£ | 2019/20<br>Budget<br>£ | Contact | Climate<br>Effect<br>& Poverty<br>Ratings |
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|

## Non-Cash Limit Items

## Housing - HRA

|                |   |   |       |       |       |       |               |     |
|----------------|---|---|-------|-------|-------|-------|---------------|-----|
| <b>NCL3824</b> | <b>Increased depreciation charge to the HRA</b> | 0 | (430) | (430) | (430) | (430) | Julia Hovells | Nil |
|----------------|---|---|-------|-------|-------|-------|---------------|-----|

An increase in asset valuations and the impact of new build housing result in an anticipated increase in depreciation to be charged to the HRA from 2016/17. n/a

|                |   |   |          |          |          |          |     |     |
|----------------|---|---|----------|----------|----------|----------|-----|-----|
| <b>NCL3839</b> | <b>Net increase in interest receivable by the HRA</b> | 0 | (23,330) | (23,330) | (23,330) | (23,330) | n/a | Nil |
|----------------|---|---|----------|----------|----------|----------|-----|-----|

A net increase in interest due to the HRA is anticipated in 2016/17 due to an increase in balances held as a result of delays in delivering the new build programme. 5.4

|                |   |   |         |        |   |   |              |    |
|----------------|---|---|---------|--------|---|---|--------------|----|
| <b>NCL3849</b> | <b>Office Accommodation Strategy - revenue including set-up</b> | 0 | 125,000 | 29,000 | 0 | 0 | Dave Prinsep | +M |
|----------------|---|---|---------|--------|---|---|--------------|----|

The Office Accommodation Strategy rationalises and improves the use of property, creating revenue savings and aims to generate capital receipts. This will be combined with more flexible working practices so staff can work where they are best located. Investment in retained buildings should create a modern working environment and improve facilities for staff. Significant expenditure of circa £3.5m is anticipated. (Linked to budget proposals NCL3764 and NCL3848).

## Total Non-Cash Limit Items in Housing - HRA

|   |         |       |          |          |
|---|---------|-------|----------|----------|
| 0 | 101,240 | 5,240 | (23,760) | (23,760) |
|---|---------|-------|----------|----------|

## Total Non-Cash Limit Items

|   |         |       |          |          |
|---|---------|-------|----------|----------|
| 0 | 101,240 | 5,240 | (23,760) | (23,760) |
|---|---------|-------|----------|----------|

## Report Total

|   |         |          |          |          |
|---|---------|----------|----------|----------|
| 0 | 173,480 | (46,910) | (75,910) | (75,910) |
|---|---------|----------|----------|----------|

## 2016/17 Budget - HRA - All Capital Items

Page 1 of 1

| Reference | Item Description | 2015/16<br>Budget<br>£ | 2016/17<br>Budget<br>£ | 2017/18<br>Budget<br>£ | 2018/19<br>Budget<br>£ | 2019/20<br>Budget<br>£ | Contact | Climate<br>Effect<br>& Poverty<br>Ratings |
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|
|-----------|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------|---|

## Capital Bids

## Housing - HRA

|       |  |   |        |   |   |   |                      |    |
|-------|--|---|--------|---|---|---|----------------------|----|
| C3840 | Capital cost of relocating staff to a single area housing office | 0 | 13,200 | 0 | 0 | 0 | Robert Hollingsworth | +M |
|-------|--|---|--------|---|---|---|----------------------|----|

*This bid will allow for the purchase of suitably sized furniture to accommodate more staff in the remaining area housing office. The cost will be met from existing HRA repairs and renewals funds.*

|  |   |        |   |   |   |  |  |  |
|--|---|--------|---|---|---|--|--|--|
| <b>Total Capital Bids in Housing - HRA</b> | 0 | 13,200 | 0 | 0 | 0 |  |  |  |
| <b>Total Capital Bids</b>                  | 0 | 13,200 | 0 | 0 | 0 |  |  |  |
| <b>Report Total</b>                        | 0 | 13,200 | 0 | 0 | 0 |  |  |  |

# HRA Budget Summary

# Appendix E (1)

| Area of Income / Expenditure                                | Description   | (Saving Proposal or Increased Income) in 2016/17 Budget (£) | (Saving Proposal or Increased Income) in 2017/18 Budget (£) | (Saving Proposal or Increased Income) in 2018/19 Budget (£) | Comment                                     |
|---|---|---|---|---|---|
| <b>HRA 2016/17 Savings Target</b>                           |   |   |   |   |   |
| HRA Savings Target - 2016/17                                | Savings target set to mitigate impact of the 1% rent cut required from April 2016.  | 1,429,000   | 1,429,000   | 1,429,000   | Ongoing                                     |
| HRA Savings Target - 2017/18 and 2018/19                    | Savings target set at the previous level of 2%  | 0   | 113,000   | 226,000   | Ongoing                                     |
| <b>Total HRA 2016/17 Savings Target</b>                     |   | <b>1,429,000</b>  | <b>1,542,000</b>  | <b>1,655,000</b>  |   |
| <b>HRA MFR Revenue Savings Already Approved for 2016/17</b> |   |   |   |   |   |
| Planned Maintenance   | Reduction in planned maintenance (PTR) programme  | (400,000)   | (400,000)   | (400,000)   | Ongoing                                     |
| Responsive and Void Repairs                                 | Reduction in the use of sub-contractors for responsive repair and void works  | (200,000)   | (200,000)   | (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)   | (150,000)   | (200,000)   | Increasing by 50,000 in 2017/18 and 2018/19 |
| Responsive Repairs  | Removal of response repairs pre-inspection activity   | (79,510)  | (79,510)  | (79,510)  | Ongoing                                     |
| Resident Involvement  | Reduction in staffing numbers from 3 to 2 in respect of resident involvement activity, coupled with a reduction of 50% in other spending in this area | (53,780)  | (53,780)  | (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)          | (200,490)          | (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)           | (40,000)           | (40,000)           | Ongoing                                  |
| City Homes  | Cessation of quarterly rent statements, recognising that routine arrears activity will continue for those in rent arrears   | (12,360)           | (12,360)           | (12,360)           | Ongoing                                  |
| Strategic Housing   | Transfer of one Housing Head of Service to the new Housing Development Agency   | (43,120)           | (43,120)           | (43,120)           | Ongoing and delivered in full in 2016/17 |
| IT Costs  | Reduction of budget for Orchard Housing Management System, recognising that not all modules previously held are still required  | (15,000)           | (15,000)           | (15,000)           | Ongoing                                  |
| HRA Overheads   | Cessation of annual Housemark subscription, with the intention to benchmark ourselves with other comparable authorities   | (8,000)            | (8,000)            | (8,000)            | Ongoing                                  |
| HRA General   | Removal of additions to pay budgets in all office based areas   | (11,730)           | (11,730)           | (11,730)           | Ongoing                                  |
| HRA General   | 50% cut in professional training budgets across the HRA as a whole  | (6,600)            | (6,600)            | (6,600)            | Ongoing                                  |
| HRA General   | Remove recruitment costs budgets  | (5,950)            | (5,950)            | (5,950)            | Ongoing                                  |
| Housing Options   | Reduction in staffing in the Housing Options Team   | (18,720)           | (18,720)           | (18,720)           | Ongoing                                  |
| 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)           | (21,180)           | (21,180)           | Ongoing                                  |
| <b>Total HRA MFR Revenue Savings Already Approved for 2016/17</b> |   | <b>(1,216,440)</b> | <b>(1,266,440)</b> | <b>(1,316,440)</b> |  |
| <b>HRA MFR Capital Savings Already Approved for 2016/17</b>       |   |                    |                    |                    |  |

|   |   |                  |                  |                  |  |
|---|---|------------------|------------------|------------------|--|
| Capitalised Staff Fees  | Reduction in staffing input into the HRA capital investment programme, recognising a reduced level of activity in the future                            | (35,800)         | (35,800)         | (35,800)         | Ongoing and delivered in full in 2016/17 |
| Estate Investment   | Removal of discretionary budget for demand led investment in the wider housing estate   | (200,000)        | (200,000)        | (200,000)        | Ongoing                                  |
| Long Term Vacants   | Removal of allocation for bringing back long-term vacant homes in the private sector into use   | (20,000)         | (20,000)         | (20,000)         | Ongoing                                  |
| <b>Total HRA MFR Capital Savings Already Approved for 2016/17</b> |   | <b>(255,800)</b> | <b>(255,800)</b> | <b>(255,800)</b> |  |
| <b>New Savings Proposals for 2016/17 BSR</b>                      |   |                  |                  |                  |  |
| Cyclical Maintenance  | Net savings in annual inspection and maintenance contracts following re-procurement of services   | (26,200)         | (26,200)         | (26,200)         | Ongoing                                  |
| Independent Living Services                                       | Reduction in operational budgets for the Independent Living Service based upon prior year activity  | (7,800)          | (7,800)          | (7,800)          | Ongoing                                  |
| <b>Total New Savings Proposals for 2016/17 BSR</b>                |   | <b>(34,000)</b>  | <b>(34,000)</b>  | <b>(34,000)</b>  |  |
| <b>New Increased Income Proposals for 2016/17 BSR</b>             |   |                  |                  |                  |  |
| Dwelling Rent   | Increased rental income due to a reduction in the level of void activity  | (4,250)          | (4,250)          | (4,250)          | Ongoing                                  |
| Service Charges   | Increase in service charge income due to an increase in temporary accommodation supply  | (34,000)         | (34,000)         | (34,000)         | Ongoing                                  |
| <b>Total New Savings Proposals for 2016/17 BSR</b>                |   | <b>(38,250)</b>  | <b>(38,250)</b>  | <b>(38,250)</b>  |  |
| <b>New Unavoidable Revenue Pressure Proposals for 2016/17 BSR</b> |   |                  |                  |                  |  |
| HRA General, Special and Repairs                                  | Net increase in salary costs based upon staff currently in post   | 7,300            | 7,300            | 7,300            | Ongoing                                  |
| HRA Overheads   | Need to meet statutory annual subscription to the Housing Ombudsman Service, where costs for years 1 and 2 were met from underspending in other budgets | 7,000            | 7,000            | 7,000            | Ongoing                                  |

|  |   |                    |                    |                    |               |
|--|---|--------------------|--------------------|--------------------|---------------|
| Commercial Property  | Reduction in commercial property income due to hard to let void units   | 5,800              | 5,800              | 5,800              | Ongoing       |
| City Homes and Area Office Costs   | One-off cost of the impact of the decision to close one area office not being realised until August 2016, to also include the one-off cost of change        | 124,390            | 0                  | 0                  | One-Off       |
| <b>Total Unavoidable Revenue Pressure Proposals for 2016/17 BSR</b>                |   | <b>144,490</b>     | <b>20,100</b>      | <b>20,100</b>      |               |
| <b>Cash Limit Adjustments for 2016/17 BSR</b>                                      |   |                    |                    |                    |               |
| Depreciation   | Increase in depreciation due to revised asset values and delivery of new build housing.   | (430)              | (430)              | (430)              | Ongoing       |
| Interest Paid and Received   | Increase in service charge income due to an increase in temporary accommodation supply  | (23,330)           | (23,330)           | (23,330)           | Ongoing       |
| Office Accommodation Strategy  | The HRA will bear a share of the revenue set up costs relating to the administrative building changes proposed as part of the Office Accommodation Strategy | 125,000            | 29,000             | 0                  | One-Off Costs |
| <b>Total Cash Limit Adjustments 2016/17 BSR</b>                                    |   | <b>101,240</b>     | <b>5,240</b>       | <b>(23,760)</b>    |               |
| <b>Total Net Position for the HRA for 2016/17</b>                                  |   | <b>(1,298,760)</b> | <b>(1,569,150)</b> | <b>(1,648,150)</b> |               |
| <b>Under /(Over) Achievement against HRA Savings Target in 2016/17 and Ongoing</b> |   | <b>130,240</b>     | <b>(27,150)</b>    | <b>6,850</b>       |               |

#### HRA BSR Note

The table above identifies savings that have already been approved as part of the HRA MFR, and any subsequent savings, unavoidable revenue pressures and bids that have been identified by cost centre managers at this stage in the budget preparation process. Any cash limit adjustments have also been incorporated.

# Appendix E (2)

## 2016/17 Capital Budget Amendments Summary

| Area of Expenditure and Change   | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Total Housing Capital Plan Expenditure pre HRA MFR</b>                                      | <b>43,560</b>    | <b>30,948</b>    | <b>13,081</b>    | <b>9,212</b>     | <b>13,121</b>    |
| <b>Decent Homes and Other HRA Stock Investment</b>   |                  |                  |                  |                  |                  |
| Reduction in budget for central heating / boiler replacements                                  | -300             | 0                | 0                | 0                | 0                |
| Reduction in budget for roof structure works   | -100             | 0                | 0                | 0                | 0                |
| Reduction in budget for communal area investment   | -100             | 0                | 0                | 0                | 0                |
| Reduction in budget for garage improvements  | -90              | 0                | 0                | 0                | 0                |
| Reduction in budget for asbestos removal   | -100             | 0                | 0                | 0                | 0                |
| Reduction in budget for fire safety works  | -120             | 0                | 0                | 0                | 0                |
| Re-profiling of budget for roof covering works   | -320             | 320              | 0                | 0                | 0                |
| Re-profiling of budget for bathroom replacements   | -250             | 250              | 0                | 0                | 0                |
| Re-profiling of budget for sulphate works  | -102             | 0                | 0                | 0                | 0                |
| Change in planned maintenance contractor overheads   | 0                | 63               | 0                | 0                | 0                |
| Change in budget for decent homes works to new build dwellings                                 | -50              | -97              | 7                | 6                | 7                |
| <b>New Build</b>   |                  |                  |                  |                  |                  |
| 2011-15 Programme savings at unconditional contract stage                                      | -78              | 0                | 0                | 0                | 0                |
| Re-phasing of spend for Homerton   | -645             | 645              | 0                | 0                | 0                |
| Re-phasing of 2015/16 Garage Site investment   | -650             | 650              | 0                | 0                | 0                |
| Ear-marking additional resource for Anstey Way development                                     | 0                | 810              | 2,300            | 0                | 0                |
| Transfer of unallocated new build resource to fund scheme for Akeman Street re-development     | 0                | 132              | 1,844            | 0                | 0                |
| Re-phasing of, and addition of budget for, new build required to utilise retained RTB receipts | -3,781           | 3,423            | 1,605            | 0                | 0                |
| <b>Other HRA Capital Spend</b>   |                  |                  |                  |                  |                  |
| Incorporation of scheme for relocation of staff to a single area housing office                | 0                | 14               | 0                | 0                | 0                |
| <b>Inflation Allowance</b>   |                  |                  |                  |                  |                  |
| Adjustment in inflation allowed as spend changes   | 0                | 113              | 363              | 37               | 72               |
| <b>Total Housing Capital Plan Expenditure per HRA BSR</b>                                      | <b>36,874</b>    | <b>37,271</b>    | <b>19,200</b>    | <b>9,255</b>     | <b>13,200</b>    |

| Risk Area & Issue arising  | Controls / Mitigation Action   |
|--|--|
| <b>Effects of Legislation / Regulation</b>   |  |
| <p>Implications of new legislation / regulation or changes to existing are not identified</p> <p>Funding is not identified to meet the costs associated with changes in statutory requirements</p> <p>HRA Debt Settlement could be re-opened (or not re-opened when required) by Government</p> <p>Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes</p> | <ul style="list-style-type: none"> <li>• Effective, regular, review processes are in place for the HRA to ensure that implications are identified and raised at an early stage</li> <li>• Additional / specific funding enhancements for new services can be identified through the financial planning and budget processes, to allow effective implementation</li> <li>• 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</li> <li>• Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible.</li> <li>• Remedial action is taken at an early stage to mitigate any negative financial impact for the HRA</li> </ul> |
| <b>Housing Portfolio &amp; Spending Plans</b>  |  |
| <p>The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets</p>   | <ul style="list-style-type: none"> <li>• 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</li> <li>• The Business Plan includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications</li> <li>• 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</li> </ul>   |

| Risk Area & Issue arising  | Controls / Mitigation Action  |
|--|---|
| <b>Financial planning lacks appropriate levels of prudence</b>   |   |
| <p>Business Planning assumptions are wildly inaccurate</p> <p>Financial policies, in general, are not sufficiently robust</p> <p>Funding to support the approved Capital Plan is not available</p> | <p>Council has adopted key prudence principles, reflected in:</p> <ul style="list-style-type: none"> <li>• Use of external expert opinion and detailed trend data to inform assumptions</li> <li>• Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process</li> <li>• Adoption of strict medium / long-term planning</li> <li>• Policy on applying general capital receipts for strategic disposals only at point of receipt</li> </ul>  |
| <b>Use of resources is not effectively managed</b>   |   |
| <p>There is ineffective use of the resources available to the HRA</p> <p>Failure to deliver Major Housing / Development Projects, i.e. return on capital, project on time etc.</p>                 | <ul style="list-style-type: none"> <li>• Council employs robust business planning processes for the HRA</li> <li>• Council has adopted a standard project management framework</li> <li>• A business cases is required for all strategic acquisitions, disposals and one-off areas of significant investment</li> <li>• Performance and contractor management procedures are robust and contracts are enforceable</li> <li>• Organisational development and workforce planning activity is ongoing and reflects the needs of the HRA</li> <li>• 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</li> </ul> |

| Risk Area & Issue arising  | Controls / Mitigation Action   |
|--|--|
| <b>External income / funding streams</b>   |  |
| <p>Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure</p>   | <ul style="list-style-type: none"> <li>• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes</li> <li>• 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</li> </ul> |
| <p>Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms</p>  | <ul style="list-style-type: none"> <li>• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.</li> </ul>  |
| <p>Rent income is under-achieved due to a major incident in the housing stock</p>  | <ul style="list-style-type: none"> <li>• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents</li> </ul>  |
| <p>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</p> | <ul style="list-style-type: none"> <li>• Sensitivities modelled so potential impacts are understood</li> <li>• Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity</li> </ul>  |
| <p>Volatility and competition in the property market impacts the ability to fund capital pressures from the sale of assets</p>   | <ul style="list-style-type: none"> <li>• Policy on applying general capital receipts for strategic disposals only at point of receipt</li> </ul>   |

# Appendix G

## 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                                       | 6,015,816.06                              | 1,804,744.82                              | 0.00   | 0.00  |
| 31/12/2012               | 1,052,927.43                               | 1,358,621.87                              | 4,528,739.57  | 31/12/2015                                       |   |   | 0.00   | 0.00  |
| 31/03/2013               | 721,056.95                                 | 2,079,678.82                              | 6,932,262.73  | 31/03/2016                                       |   |   | 274,934.00   | 916,446.67  |
| 30/06/2013               | 558,506.21                                 | 2,638,185.03                              | 8,793,950.10  | 30/06/2016                                       |   |   | 833,440.21   | 2,778,134.04  |
| 30/09/2013               | 649,210.49                                 | 3,287,395.52                              | 10,957,985.07   | 30/09/2016                                       |   |   | 1,482,650.70   | 4,942,169.01  |
| 31/12/2013               | 939,637.07                                 | 4,227,032.59                              | 14,090,108.63   | 31/12/2016                                       |   |   | 2,422,287.77   | 8,074,292.57  |
| 31/03/2014               | 1,556,452.02                               | 5,783,484.61                              | 19,278,282.03   | 31/03/2017                                       |   |   | 3,978,739.79   | 13,262,465.97   |
| 30/06/2014               | 1,053,196.82                               | 6,836,681.43                              | 22,788,938.10   | 30/06/2017                                       |   |   | 5,031,936.61   | 16,773,122.04   |
| 30/09/2014               | 517,057.26                                 | 7,353,738.69                              | 24,512,462.30   | 30/09/2017                                       |   |   | 5,548,993.87   | 18,496,646.24   |
| 31/12/2014               | 1,004,106.23                               | 8,357,844.92                              | 27,859,483.07   | 31/12/2017                                       |   |   | 6,553,100.10   | 21,843,667.01   |
| 31/03/2015               | 831,750.78                                 | 9,189,595.70                              | 30,631,985.67   | 31/03/2018                                       |   |   | 7,384,850.88   | 24,616,169.61   |
| 30/06/2015               | 595,447.59                                 | 9,785,043.29                              | 32,616,810.97   | 30/06/2018                                       |   |   | 7,980,298.47   | 26,600,994.91   |
| 30/09/2015               | 902,092.08                                 | 10,687,135.37                             | 35,623,784.57   | 30/09/2018                                       |   |   | 8,882,390.55   | 29,607,968.51   |

# New Build Investment Cashflow

# Appendix H

| New Build / Re-Development Scheme   | Prior Year Actuals | 2015/16 Budget | 2016/17 Budget | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget |
|---|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | £'0                | £'0            | £'0            | £'0            | £'0            | £'0            | £'0            |
| <b>New Build / Re-Development Cash Expenditure (Net of Developer's Cross Subsidy / Notional Land Value)</b> |                    |                |                |                |                |                |                |
| Jane's Court  | 1,244,619          | 0              | 0              | 0              | 0              | 0              | 0              |
| Latimer Close   | 1,598,289          | 0              | 0              | 0              | 0              | 0              | 0              |
| Barnwell Road   | 682,040            | 385,000        | 0              | 0              | 0              | 0              | 0              |
| Campkin Road (Phase 1)  | 1,832,571          | 884,330        | 0              | 0              | 0              | 0              | 0              |
| Colville Road (Phase 1)   | 572,138            | 921,450        | 0              | 0              | 0              | 0              | 0              |
| Water Lane  | 413,140            | 728,320        | 0              | 0              | 0              | 0              | 0              |
| Aylesborough Close  | 1,161,408          | 1,636,590      | 0              | 0              | 0              | 0              | 0              |
| Stanesfield Road  | 574,133            | 0              | 0              | 0              | 0              | 0              | 0              |
| Wadloes Road  | 21,006             | 749,000        | 0              | 0              | 0              | 0              | 0              |
| Atkins Close (Garage Site)  | 355,145            | 233,000        | 0              | 0              | 0              | 0              | 0              |
| Hawkins Road (Garage Site)  | 5,253              | 1,408,470      | 0              | 0              | 0              | 0              | 0              |
| Fulbourn Road (Garage Site)   | 4,899              | 1,315,640      | 0              | 0              | 0              | 0              | 0              |
| Ekin Road (Garage Site)   | 4,116              | 1,087,630      | 0              | 0              | 0              | 0              | 0              |
| Market Housing on Re-Development Sites  | 1,939,500          | 954,750        | 0              | 0              | 0              | 0              | 0              |
| Market Acquisitions   | 0                  | 435,000        | 0              | 0              | 0              | 0              | 0              |
| Anstey Way Prototype  | 68,860             | 0              | 0              | 0              | 0              | 0              | 0              |
| Clay Farm   | 13,966             | 2,315,290      | 11,495,470     | 2,380,050      | 0              | 0              | 0              |
| Homerton  | 0                  | 4,260,600      | 2,746,960      | 0              | 0              | 0              | 0              |
| Garage Sites 2015/16  | 0                  | 100,000        | 2,900,030      | 0              | 0              | 0              | 0              |

| New Build / Re-Development Scheme   | Prior Year Actuals | 2015/16 Budget     | 2016/17 Budget    | 2017/18 Budget   | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget |
|---|--------------------|--------------------|-------------------|------------------|----------------|----------------|----------------|
|   | £'0                | £'0                | £'0               | £'0              | £'0            | £'0            | £'0            |
| Anstey Way (Land Assembly Only)   | 0                  | 426,670            | 853,330           | 0                | 0              | 0              | 0              |
| Anstey Way (Ear-Marked Funds)   | 0                  | 0                  | 810,000           | 2,300,000        | 0              | 0              | 0              |
| Akeman Street   | 0                  | 0                  | 131,430           | 1,844,270        | 0              | 0              | 0              |
| New Build – + RTB Receipts  | 0                  | 0                  | 3,967,130         | 1,605,070        | 0              | 0              | 0              |
| New Build – HRA Surpluses   | 0                  | 0                  | 0                 | 0                | 0              | 0              | 0              |
| <b>New Build / Re-Development Expenditure equivalent to Notional Land Value</b> |                    |                    |                   |                  |                |                |                |
| Spend Equivalent to Land Value  | 7,392,839          | 3,193,656          | 0                 | 0                | 0              | 0              | 0              |
| <b>Total New Build/ Re-Development Expenditure</b>                              | <b>17,883,922</b>  | <b>21,035,396</b>  | <b>22,904,350</b> | <b>8,129,390</b> | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| <b>New Build / Re-Development Grant and Area Committee Funding</b>              |                    |                    |                   |                  |                |                |                |
| Jane's Court  | (354,460)          | 0                  | 0                 | 0                | 0              | 0              | 0              |
| Latimer Close   | (212,676)          | 0                  | 0                 | 0                | 0              | 0              | 0              |
| Barnwell Road   | (106,340)          | (106,338)          | 0                 | 0                | 0              | 0              | 0              |
| Campkin Road (Phase 1)  | (265,845)          | (88,610)           | 0                 | 0                | 0              | 0              | 0              |
| Colville Road (Phase 1)   | (168,369)          | (168,370)          | 0                 | 0                | 0              | 0              | 0              |
| Stanesfield Road (Incl. 100k Area Committee Grant)                              | (170,892)          | 0                  | 0                 | 0                | 0              | 0              | 0              |
| Atkins Close (Garage Site)  | (106,338)          | (35,450)           | 0                 | 0                | 0              | 0              | 0              |
| Water Lane  | 0                  | (175,000)          | (175,000)         | 0                | 0              | 0              | 0              |
| Aylesborough Close  | 0                  | (500,000)          | 0                 | 0                | 0              | 0              | 0              |
| <b>Total New Build / Re-Development Funding</b>                                 | <b>(1,384,920)</b> | <b>(1,073,768)</b> | <b>(175,000)</b>  | <b>0</b>         | <b>0</b>       | <b>0</b>       | <b>0</b>       |

| New Build / Re-Development Scheme   | Prior Year Actuals | 2015/16 Budget     | 2016/17 Budget     | 2017/18 Budget     | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget |
|---|--------------------|--------------------|--------------------|--------------------|----------------|----------------|----------------|
|   | £'0                | £'0                | £'0                | £'0                | £'0            | £'0            | £'0            |
| <b>Retained Right to Buy Funding</b>  |                    |                    |                    |                    |                |                |                |
| Wadloes Road  | (54,160)           | (265,630)          | 0                  | 0                  | 0              | 0              | 0              |
| Atkins Close (Garage Site)  | 0                  | 0                  | 0                  | 0                  | 0              | 0              | 0              |
| Hawkins Road (Garage Site)  | (1,580)            | (422,540)          | 0                  | 0                  | 0              | 0              | 0              |
| Fulbourn Road (Garage Site)   | (1,470)            | (394,690)          | 0                  | 0                  | 0              | 0              | 0              |
| Ekin Road (Garage Site)   | (1,230)            | (326,290)          | 0                  | 0                  | 0              | 0              | 0              |
| Market Housing on Re-Development Sites  | (581,850)          | (286,500)          | 0                  | 0                  | 0              | 0              | 0              |
| Market Acquisitions   | (68,280)           | (118,030)          | 0                  | 0                  | 0              | 0              | 0              |
| Anstey Way Prototype  | (20,660)           | 0                  | 0                  | 0                  | 0              | 0              | 0              |
| Clay Farm   | (3,140)            | (511,410)          | (2,539,180)        | (525,720)          | 0              | 0              | 0              |
| Homerton  | 0                  | (948,330)          | (611,430)          | 0                  | 0              | 0              | 0              |
| Garage Sites 2015/16  | 0                  | (30,000)           | (870,010)          | 0                  | 0              | 0              | 0              |
| Akeman Street   | 0                  | 0                  | (31,540)           | (442,630)          | 0              | 0              | 0              |
| New Build – With RTB Receipts   | 0                  | 0                  | (1,190,140)        | (481,520)          | 0              | 0              | 0              |
| <b>Total Retained Right to Buy Funding</b>  | <b>(732,370)</b>   | <b>(3,303,420)</b> | <b>(5,242,300)</b> | <b>(1,449,870)</b> | <b>0</b>       | <b>0</b>       | <b>0</b>       |
|   |                    |                    |                    |                    |                |                |                |
| <b>Total to be funded from HRA Resources (DRF &amp; MRR) and Non-RTB Capital Receipts</b> | <b>15,766,632</b>  | <b>16,658,208</b>  | <b>17,487,050</b>  | <b>6,679,520</b>   | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| <b>Total HRA Borrowing</b>  | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>       | <b>0</b>       | <b>0</b>       |

# Key Sensitivity Analysis

# Appendix I

| 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 external costs. 1% increase in general inflation for expenditure only for the life of the plan.  | Inability to set an HRA budget from 2025/26 and current plans are therefore not fully deliverable.         |
| Rents Inflation                             | Reduction in real terms of 1% per annum for 4 years, then return to CPI plus 1%      | Assumption that government policy only allows for a return to rent increases at CPI from 2020/21, and not CPI plus 1%.  | Inability to set a balanced HRA budget from 2025/26 and current plans are therefore not fully deliverable. |
| Capital Investment Real Increase Inflation  | Capital Investment Inflation at 3% above CPI for 4 years                             | A real increase of 3% is allowed for building inflation. Assume that real inflationary increase required is 5% for remaining 4 years from 2017/18 as the building industry in Cambridge is buoyant.                     | Inability to set a balanced HRA budget from 2019/20 and current plans are therefore not fully deliverable. |
| Investment Income                           | Interest on balances increasing to 1.62% long-term                                   | Rates may recover more than anticipated, or long-term lending options may prove viable. Assume ongoing rate of 3% from 2017/18.   | £3.6 million additional resource whilst the HRA is still a financially viable business.                    |
| Housing Rent Collection and Welfare Reforms | Costs based on historic activity, with an increase in transactional collection costs | Universal Credit results in 100% of rent being collected directly from tenants. Assume, in addition to the increase in transactional costs, an ongoing increase in bad debt of an additional 1% per annum from 2016/17. | Inability to set a balanced HRA budget from 2029/30 and current plans are therefore not fully deliverable. |

# HRA Summary 2015/16 to 2020/21

# Appendix J

| Description  | 2015/16<br>£0       | 2016/17<br>£0       | 2017/18<br>£0       | 2018/19<br>£0       | 2019/20<br>£0       | 2020/21<br>£0       |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Income   |                     |                     |                     |                     |                     |                     |
| Rental Income (Dwellings)  | (37,185,810)        | (36,900,310)        | (36,598,970)        | (35,944,760)        | (34,951,650)        | (35,284,730)        |
| Rental Income (Other)  | (1,096,480)         | (1,112,620)         | (1,134,870)         | (1,157,570)         | (1,180,720)         | (1,204,340)         |
| Service Charges  | (2,447,980)         | (2,573,880)         | (2,643,340)         | (2,691,860)         | (2,741,350)         | (2,791,840)         |
| Contribution towards Expenditure   | (3,210)             | (3,270)             | (3,340)             | (3,400)             | (3,470)             | (3,540)             |
| Other Income   | (455,090)           | (443,400)           | (431,060)           | (418,060)           | (426,420)           | (434,950)           |
| <b>Total Income</b>  | <b>(41,188,570)</b> | <b>(41,033,480)</b> | <b>(40,811,580)</b> | <b>(40,215,650)</b> | <b>(39,303,610)</b> | <b>(39,719,400)</b> |
| Expenditure  |                     |                     |                     |                     |                     |                     |
| Supervision & Management - General   | 3,370,810           | 3,571,980           | 3,749,010           | 3,908,420           | 4,163,070           | 4,491,560           |
| Supervision & Management - Special   | 2,507,580           | 2,566,540           | 2,625,630           | 2,686,120           | 2,748,050           | 2,825,550           |
| Repairs & Maintenance  | 6,855,150           | 6,287,430           | 6,474,600           | 6,665,520           | 6,865,290           | 7,112,120           |
| Depreciation – t/f to Major Repairs Res.   | 11,444,060          | 11,626,690          | 12,010,710          | 12,364,440          | 12,735,790          | 13,126,750          |
| Debt Management Expenditure  | 21,180              | 0                   | 0                   | 0                   | 0                   | 0                   |
| Other Expenditure  | 3,304,280           | 3,400,820           | 3,464,320           | 3,525,210           | 3,583,820           | 3,658,920           |
| <b>Total Expenditure</b>   | <b>27,503,060</b>   | <b>27,453,460</b>   | <b>28,324,270</b>   | <b>29,149,710</b>   | <b>30,096,020</b>   | <b>31,214,900</b>   |
| <b>Net Cost of HRA Services</b>  | <b>(13,685,510)</b> | <b>(13,580,020)</b> | <b>(12,487,310)</b> | <b>(11,065,940)</b> | <b>(9,207,590)</b>  | <b>(8,504,500)</b>  |
| HRA Share of operating income and expenditure included in Whole Authority I&E Account  |                     |                     |                     |                     |                     |                     |
| Interest Receivable  | (326,410)           | (296,050)           | (362,320)           | (449,150)           | (479,940)           | (440,950)           |
| <b>HRA (Surplus) / Deficit for the Year</b>  | <b>(14,011,920)</b> | <b>(13,876,070)</b> | <b>(12,849,630)</b> | <b>(11,515,090)</b> | <b>(9,687,530)</b>  | <b>(8,945,450)</b>  |
| Items not in the HRA Income and Expenditure Account but in the movement on HRA balance |                     |                     |                     |                     |                     |                     |
| Loan Interest  | 7,541,290           | 7,541,290           | 7,541,290           | 7,541,290           | 7,541,290           | 7,541,290           |
| Housing Set Aside  | 0                   | 0                   | 5,344,770           | 3,961,180           | 2,129,710           | 1,336,160           |

|                                       |                    |                    |                    |                    |                    |                    |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Appropriation form Ear-Marked Reserve | 0                  | (13,200)           | 0                  | 0                  | 0                  | 0                  |
| Depreciation Adjustment               | (3,285,420)        | (3,177,620)        | 0                  | 0                  | 0                  | 0                  |
| Direct Revenue Financing of Capital   | 20,191,440         | 11,238,900         | 32,070             | 0                  | 0                  | 0                  |
| <b>(Surplus) / Deficit for Year</b>   | <b>10,435,390</b>  | <b>1,713,300</b>   | <b>68,500</b>      | <b>(12,620)</b>    | <b>(16,530)</b>    | <b>(68,000)</b>    |
| Balance b/f                           | (15,164,833)       | (4,729,443)        | (3,016,143)        | (2,947,643)        | (2,960,263)        | (2,976,793)        |
| <b>Total Balance c/f</b>              | <b>(4,729,443)</b> | <b>(3,016,143)</b> | <b>(2,947,643)</b> | <b>(2,960,263)</b> | <b>(2,976,793)</b> | <b>(3,044,793)</b> |

# Housing Capital Investment Plan

# Appendix K

| Description                                     | 2015/16    | 2016/17    | 2017/18    | 2018/19    | 2019/20    | 2020/21    |
|---|------------|------------|------------|------------|------------|------------|
|   | £'000      | £'000      | £'000      | £'000      | £'000      | £'000      |
| <b>General Fund Housing Capital Spend</b>       |            |            |            |            |            |            |
| Disabled Facilities Grants                      | 550        | 550        | 550        | 550        | 550        | 550        |
| Private Sector Housing Grants and Loans         | 195        | 195        | 195        | 195        | 195        | 195        |
| Choice Based Letting IT System                  | 30         | 0          | 0          | 0          | 0          | 0          |
| <b>Total General Fund Housing Capital Spend</b> | <b>775</b> | <b>745</b> | <b>745</b> | <b>745</b> | <b>745</b> | <b>745</b> |
| <b>HRA Capital Spend</b>                        |            |            |            |            |            |            |
| <b>Decent Homes</b>                             |            |            |            |            |            |            |
| Kitchens  | 898        | 236        | 206        | 190        | 655        | 640        |
| Bathrooms                                       | 475        | 541        | 225        | 255        | 201        | 986        |
| Central Heating / Boilers                       | 1,786      | 1,105      | 1,660      | 544        | 2,586      | 3,536      |
| Insulation / Energy Efficiency                  | 100        | 100        | 100        | 100        | 100        | 100        |
| External Doors                                  | 435        | 128        | 109        | 54         | 52         | 291        |
| PVCU Windows                                    | 0          | 0          | 0          | 0          | 0          | 6          |
| Wall Structure                                  | 220        | 119        | 142        | 140        | 134        | 254        |
| Wall Finishes                                   | 349        | 227        | 202        | 174        | 383        | 74         |
| Wall Insulation                                 | 100        | 100        | 100        | 100        | 100        | 100        |
| External Painting                               | 0          | 0          | 0          | 0          | 0          | 300        |
| Roof Structure                                  | 700        | 322        | 300        | 300        | 300        | 300        |
| Roof Covering                                   | 716        | 662        | 334        | 334        | 334        | 334        |
| Chimneys  | 2          | 13         | 1          | 0          | 1          | 0          |
| Electrical / Wiring                             | 243        | 497        | 561        | 293        | 555        | 932        |
| Smoke Detectors                                 | 109        | 116        | 116        | 116        | 116        | 116        |

| Description   | 2015/16      | 2016/17      | 2017/18      | 2018/19      | 2019/20      | 2020/21      |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
|   | £'000        | £'000        | £'000        | £'000        | £'000        | £'000        |
| Sulphate Attacks                                      | 0            | 102          | 102          | 102          | 102          | 102          |
| Major Voids / Major Works                             | 108          | 0            | 0            | 0            | 0            | 0            |
| HHSRS Contingency                                     | 150          | 100          | 100          | 100          | 100          | 100          |
| Other Health and Safety Works                         | 150          | 50           | 50           | 50           | 50           | 50           |
| Other External Works                                  | 5            | 0            | 0            | 0            | 0            | 0            |
| Capitalised Officer Fees - Decent Homes               | 341          | 323          | 305          | 305          | 305          | 305          |
| External Professional Fees                            | 17           | 17           | 17           | 17           | 17           | 17           |
| Decent Homes Backlog                                  | 0            | 0            | 0            | 0            | 0            | 0            |
| Decent Homes Planned Maintenance Contractor Overheads | 680          | 486          | 474          | 314          | 635          | 904          |
| Decent Homes New Build Allocation                     | 19           | 106          | 217          | 221          | 226          | 230          |
| <b>Total Decent Homes</b>                             | <b>7,603</b> | <b>5,350</b> | <b>5,321</b> | <b>3,709</b> | <b>6,952</b> | <b>9,677</b> |
| <b>Other Spend on HRA Stock</b>                       |              |              |              |              |              |              |
| Garage Improvements                                   | 698          | 788          | 100          | 100          | 100          | 100          |
| Asbestos Removal                                      | 100          | 100          | 50           | 50           | 50           | 50           |
| Disabled Adaptations                                  | 878          | 878          | 878          | 878          | 878          | 878          |
| Tenants Incentive Scheme                              | 21           | 0            | 0            | 0            | 0            | 0            |
| Communal Areas Uplift                                 | 19           | 396          | 346          | 346          | 346          | 346          |
| Fire Prevention / Fire Safety Works                   | 310          | 100          | 100          | 100          | 100          | 100          |
| Hard surfacing on HRA Land - Health and Safety Works  | 380          | 250          | 250          | 250          | 250          | 250          |
| Hard surfacing on HRA Land - Recycling                | 0            | 142          | 0            | 0            | 0            | 0            |
| Communal Areas Floor Coverings                        | 100          | 100          | 100          | 100          | 100          | 100          |
| Lifts and Door Entry Systems                          | 176          | 13           | 13           | 13           | 13           | 13           |
| Fencing   | 327          | 200          | 200          | 200          | 200          | 200          |

| Description  | 2015/16       | 2016/17       | 2017/18      | 2018/19      | 2019/20      | 2020/21      |
|--|---------------|---------------|--------------|--------------|--------------|--------------|
|  | £'000         | £'000         | £'000        | £'000        | £'000        | £'000        |
| Reduction in Discretionary Investment                                  | 0             | -100          | -100         | -100         | -100         | -100         |
| Capitalised Officer Fees - Other HRA Stock Spend                       | 114           | 114           | 114          | 114          | 114          | 114          |
| Other Spend on HRA Stock Planned Maintenance Contractor Overheads      | 330           | 315           | 213          | 213          | 213          | 213          |
| <b>Total Other Spend on HRA stock</b>                                  | <b>3,453</b>  | <b>3,296</b>  | <b>2,264</b> | <b>2,264</b> | <b>2,264</b> | <b>2,264</b> |
| <b>HRA New Build / Re-Development / Acquisition</b>                    |               |               |              |              |              |              |
| Roman Court  | 14            | 0             | 0            | 0            | 0            | 0            |
| 3 Year Affordable Housing Programme                                    | 9,349         | 0             | 0            | 0            | 0            | 0            |
| 3 Year Affordable Housing Programme (Notional Spend - Land Value)      | 3,194         | 0             | 0            | 0            | 0            | 0            |
| Market Housing on HRA Sites  | 955           | 0             | 0            | 0            | 0            | 0            |
| New Build - Clay Farm  | 2,315         | 11,496        | 2,380        | 0            | 0            | 0            |
| New Build - Homerton   | 4,260         | 2,747         | 0            | 0            | 0            | 0            |
| Re-Development - Anstey Way (Land Assembly Only)                       | 427           | 853           | 0            | 0            | 0            | 0            |
| Anstey Way - Earmarked Resource towards Re-Development                 | 0             | 810           | 2,300        | 0            | 0            | 0            |
| 2015/16 Garage Sites   | 100           | 2,900         | 0            | 0            | 0            | 0            |
| Akeman Street  | 0             | 132           | 1,844        | 0            | 0            | 0            |
| New Build or Acquisition - Unallocated Retained RTB Receipt Investment | 0             | 3,967         | 1,605        | 0            | 0            | 0            |
| Right of First Refusal Buy Back  | 435           | 0             | 0            | 0            | 0            | 0            |
| New Build - Investment of HRA Surpluses                                | 0             | 0             | 0            | 0            | 0            | 0            |
| <b>Total HRA New Build / Acquisition</b>                               | <b>21,049</b> | <b>22,905</b> | <b>8,129</b> | <b>0</b>     | <b>0</b>     | <b>0</b>     |

| Description   | 2015/16       | 2016/17       | 2017/18       | 2018/19      | 2019/20       | 2020/21       |
|---|---------------|---------------|---------------|--------------|---------------|---------------|
|   | £'000         | £'000         | £'000         | £'000        | £'000         | £'000         |
| <b>City Homes Estate Improvement Programme</b>                      |               |               |               |              |               |               |
| City Homes Estate Improvement Programme                             | 250           | 0             | 0             | 0            | 0             | 0             |
| <b>Total City Homes Estate Improvement Programme</b>                | <b>250</b>    | <b>0</b>      | <b>0</b>      | <b>0</b>     | <b>0</b>      | <b>0</b>      |
| <b>Sheltered Housing Capital Investment</b>                         |               |               |               |              |               |               |
| Ditchburn Place   | 1,900         | 2,408         | 0             | 0            | 0             | 0             |
| <b>Total Sheltered Housing Capital Investment</b>                   | <b>1,900</b>  | <b>2,408</b>  | <b>0</b>      | <b>0</b>     | <b>0</b>      | <b>0</b>      |
| <b>Other HRA Capital Spend</b>                                      |               |               |               |              |               |               |
| Orchard Upgrade / Mobile Working                                    | 39            | 0             | 0             | 0            | 0             | 0             |
| Cambridge Public Sector Network                                     | 29            | 0             | 0             | 0            | 0             | 0             |
| Air Cooling Systems in Area Offices                                 | 11            | 0             | 0             | 0            | 0             | 0             |
| Shared Ownership Repurchase   | 300           | 300           | 300           | 300          | 300           | 300           |
| Commercial and Administrative Property                              | 190           | 44            | 30            | 30           | 30            | 30            |
| <b>Total Other HRA Capital Spend</b>                                | <b>569</b>    | <b>344</b>    | <b>330</b>    | <b>330</b>   | <b>330</b>    | <b>330</b>    |
| <b>Total HRA Capital Spend</b>                                      | <b>34,824</b> | <b>34,303</b> | <b>16,044</b> | <b>6,303</b> | <b>9,546</b>  | <b>12,271</b> |
| <b>Total Housing Capital Spend at Base Year Prices</b>              | <b>35,599</b> | <b>35,048</b> | <b>16,789</b> | <b>7,048</b> | <b>10,291</b> | <b>13,016</b> |
| Inflation Allowance and Stock Reduction Adjustment for Future Years | 1,275         | 2,223         | 2,411         | 2,207        | 2,909         | 3,440         |
| <b>Total Inflated Housing Capital Spend</b>                         | <b>36,874</b> | <b>37,271</b> | <b>19,200</b> | <b>9,255</b> | <b>13,200</b> | <b>16,456</b> |
| <b>Housing Capital Resources</b>                                    |               |               |               |              |               |               |

| Description   | 2015/16         | 2016/17         | 2017/18         | 2018/19        | 2019/20         | 2020/21         |
|---|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|
|   | £'000           | £'000           | £'000           | £'000          | £'000           | £'000           |
| Right to Buy Receipts   | (516)           | (522)           | (527)           | (532)          | (537)           | (543)           |
| Other Capital Receipts (Land and Dwellings)                       | 0               | 0               | 0               | 0              | 0               | 0               |
| Notional Land Receipts (New Build Schemes)                        | (3,194)         | 0               | 0               | 0              | 0               | 0               |
| Major Repairs Reserve   | (7,694)         | (10,292)        | (12,853)        | (8,152)        | (12,092)        | (15,342)        |
| Direct Revenue Financing of Capital                               | (20,191)        | (11,239)        | (32)            | 0              | 0               | 0               |
| Other Capital Resources (Grants / Shared Ownership / R&R Funding) | (1,673)         | (2,484)         | (2,653)         | (300)          | (300)           | (300)           |
| Retained Right to Buy Receipts                                    | (3,303)         | (5,242)         | (1,450)         | 0              | 0               | 0               |
| Disabled Facilities Grant   | (303)           | (271)           | (271)           | (271)          | (271)           | (271)           |
| Prudential Borrowing  | 0               | 0               | 0               | 0              | 0               | 0               |
| <b>Total Housing Capital Resources</b>                            | <b>(36,874)</b> | <b>(30,050)</b> | <b>(17,786)</b> | <b>(9,255)</b> | <b>(13,200)</b> | <b>(16,456)</b> |
|   |                 |                 |                 |                |                 |                 |
| Net (Surplus) / Deficit of Resources                              | (0)             | 7,221           | 1,414           | 0              | 0               | 0               |
|   |                 |                 |                 |                |                 |                 |
| <b>Capital Balances b/f</b>                                       | <b>(8,634)</b>  | <b>(8,634)</b>  | <b>(1,414)</b>  | <b>0</b>       | <b>0</b>        | <b>0</b>        |
|   |                 |                 |                 |                |                 |                 |
| Use of / (Contribution to) Balances in Year                       | (0)             | 7,221           | 1,414           | 0              | 0               | 0               |
|   |                 |                 |                 |                |                 |                 |
| <b>Capital Balances c/f</b>                                       | <b>(8,634)</b>  | <b>(1,414)</b>  | <b>0</b>        | <b>0</b>       | <b>0</b>        | <b>0</b>        |
|   |                 |                 |                 |                |                 |                 |

The inflationary element of the decent homes spend for 2015/16 was held for allocation against the decent homes elements of the planned maintenance programme once task orders with the new planned maintenance contract were issued. If not required in full at year end, the resource will be set-aside with other savings in 2015/16 towards the resource required to re-develop the Anstey Way site.

| Description  | 2015/16         | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|-----------------|---------|---------|---------|---------|---------|
|  | £'000           | £'000   | £'000   | £'000   | £'000   | £'000   |
| <b>Other Capital Balances (Opening Balance 1/4/2015)</b> |                 |         |         |         |         |         |
| Major Repairs Reserve                                    | (2,220)         |         |         |         |         |         |
| Retained 1-4-1 Right to Buy Receipts                     | (8,457)         |         |         |         |         |         |
| Right to Buy Receipts for Debt Redemption                | (3,999)         |         |         |         |         |         |
| <b>Total Other Capital Balances</b>                      | <b>(14,676)</b> |         |         |         |         |         |

# Cambridge City Council Equality Impact Assessment



**1. Title of strategy, policy, plan, project, contract or major change to your service:**

Budget Setting Report 2016/17 (HRA)

**2. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?**

The HRA Budget Setting Report enables the City Council to set a balanced budget for 2016/17 that reflects the Council's vision statements and takes into account councillor's priorities in its proposals for achieving the savings required. This EQIA assesses the equality impacts of the Housing Revenue Account (HRA) element of the City Council's budget; a separate EQIA has been completed for the General Fund (GF) element of the Council's budget.

Equality Impact Assessments (EqIAs) are completed for budget proposals that will result in significant service changes. The majority of these changes were identified in the September 2015 Mid-Term Financial Review, and subsequently addressed via the HRA MFR EqIA. The 2016/17 BSR EqIA therefore focusses only on those unavoidable revenue pressures and savings identified in the Report.

**3. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)**

Residents

Visitors

Staff

A specific client group or groups (please state):

This is a composite EqIA for all 2016 -2017 HRA budget bids and it covers all Council housing revenue account services.

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

- New
- Revised
- Existing

#### 5. Responsible directorate and service

Directorate: This report involves cross organisation responsibility and is managed by a team from different departments in the Council – Corporate Strategy and Finance have coordinated the document, with input from City Homes, Strategic Housing and Estates and Facilities in particular.

#### 6. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service?

No

Yes (please give details):

This is an assessment of the Council's HRA budget and therefore covers all HRA services. In particular the EqIA considers the equalities impacts of proposals submitted by City Homes, Strategic Housing, Estates and Facilities, ICT and Legal. The budget also affects some of our partnership working, notably with South Cambridgeshire District Council and Huntingdonshire District Council, and has the ability to impact the County Council in respect of the delivery of support activity and housing plus services.

#### 7. Potential impact

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

- No individual public consultation is proposed with service users (tenants and leaseholders) in respect of the new proposals made in the HRA Budget Setting Report, because no significant change in service delivery is anticipated. Consultation with tenant and leaseholder representatives is however undertaken through the formal committee process and through specific tenant led representative groups, such as the Housing Regulation Panel. Specific resident consultation will take place in respect of some of the changes approved in the HRA Mid-Year Financial Review, such as the closure of an area housing office.

**(a) Age** (any group of people of a particular age, including younger and older people – in particular, please consider any safeguarding issues for children and vulnerable adults)

**Reduction in operational budgets for the Independent Living Service** – has the potential to negatively impact on the vulnerable older tenants and residents who rely on the ILS service, but as the nature of saving is budget reductions in office costs, no negative impact is anticipated. The ILS Team will monitor the level of support that they provide going forward, and ensure that inadvertent exclusion does not occur following the savings.

**One-off cost for a delay to the closure of City Homes South Office** – has the potential to both positively and negatively impact older and younger service users:

**Positive impact** – the South office remains open for longer, continuing to provide a drop-in service in the south area of the city, which will positively impact older tenants living in the south of the City who will find it easier to travel to the site than the town centre or North office.

**Negative impact** – the charge for keeping the office open for longer is £102,830. Finding the required funds means other services that provide for older and younger tenants and who would benefit from the extra funding, or have to find savings to cover the charge, could be negatively affected.

**(b) Disability** (including people with a physical impairment, sensory impairment, learning disability, mental health problem or other condition which has an impact on their daily life)

**Reduction in operational budgets for the Independent Living Service** – has the potential to negatively impact on the vulnerable disabled tenants and residents who rely on the ILS service, but as the nature of saving is budget reductions in office costs, no negative impact is anticipated. The ILS Team will monitor the level of support that they provide going forward, and ensure that inadvertent exclusion does not occur following the savings.

**One-off cost for a delay to the closure of City Homes South Office** – has the potential to both positively and negatively impact disabled service users:

**Positive impact** – the South office remains open for longer, continuing to provide a drop-in service in the south area of the city, which will positively impact tenants with a disability living in the south of the City who will find it easier to travel to the site than the town centre or North office.

**Negative impact – One-off cost for a delay to the closure of City Homes South Office** – The closure of the City Homes South Office has been EqIA'd as a separate issue due the significant impact it is likely to have on the tenants and leaseholders living in the area. Delaying the closure of the office requires extra resource that would otherwise be either reinvested into the overall service, or offered as a saving, which protects other services to vulnerable tenants from also having to make savings.

**(c) Gender**

No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

**(d) Pregnancy and maternity**

No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

**(e) Transgender (including gender re-assignment)**

No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

**(f) Marriage and Civil Partnership**

No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

**(g) Race or Ethnicity**

No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

**(h) Religion or Belief**

No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

**(i) Sexual Orientation**

No disproportionate has been identified for the other bid proposals contained in the 2016/17 HRA Budget Setting Report.

**(j) Other factors that may lead to inequality – in particular – please consider the impact of any changes on low income groups or those experiencing the impacts of poverty (please state):**

**Building cleaning and window cleaning services - Phase 2 of the increase** – following a retendering process, the above element of the service charge for flatted accommodation to tenants and leaseholders has increased. Although the increased costs have been staggered to minimise the impact on tenants, phase 2 of the increase will be put in place from April 2016, with full cost expected to be recovered by April 2017. Although there is the potential for significant negative impact on those who are on low or no income living in flatted accommodation as the charge for services is a mandatory payment that is not always covered by Housing Benefit, this element of the charge is. Payment of these extra charges for some, a reduction in rent of 1% for all and the rolling-out of Universal Credit in Cambridge in February 2016 will likely require the City Homes Teams to provide support to many more tenants struggling to make sense of, and pay, their bills.

**Separate benefit ineligible charge for alarm services in sheltered and dispersed community alarm accommodation** – the cessation of funding for alarms by the County Council from April 2016 means that in order to continue to provide this service all receiving residents will be required to pay for the service, irrespective of whether or not they are in receipt of housing benefit. This has the potential to negatively impact those who currently have the service paid for on their behalf by the County Council. The Independent Living Team will provide advice and support to those impacted.

**One-off cost for a delay to the closure of City Homes South Office** – The closure of the City Homes South Office has had an EqIA completed separately due the significant impact it is likely to have on the tenants and leaseholders living in the area. Delaying the closure of the office requires extra resource that would otherwise be either reinvested into the overall service, or offered as a saving; this protects other services to vulnerable tenants from also having to make savings. The impact of the decision to keep the office open for longer than anticipated will need to be monitored to ensure those other services that provide support and advice to tenants on low/no income are not adversely affected.

The mitigating fact that the office remains open for longer means that officers are physically present and available to tenants in the south of the city to provide this very support where required.

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

## 9. Conclusions and Next Steps

- If you have not identified any negative impacts, please sign off this form.
- If you have identified potential negative actions, you must complete the action plan at the end of this document to set out how you propose to mitigate the impact. If you do not feel that the potential negative impact can be mitigated, you must complete question 8 to explain why that is the case.
- If there is insufficient evidence to say whether or not there is likely to be a negative impact, please complete the action plan setting out what additional information you need to gather to complete the assessment.

## 10. Sign off

Name and job title of assessment lead officer: Catherine Buckle

Names and job titles of other assessment team members and people consulted:  
Julia Hovells – Business Manager/Principal Accountant

Date of completion: November 2015

Date of next review of the assessment: December 2016

## Action Plan

**Equality Impact Assessment title:** Budget 2016/17 (HRA) EqIA

**Date of completion:** November 2015

| Equality Group  | Age  |
|---|--|
| Details of possible disadvantage or negative impact               | <b>Reduction in operational budgets for the Independent Living Service</b> – has the potential to negatively impact on the vulnerable older tenants and residents who rely on the service for support. |
| Action to be taken to address the disadvantage or negative impact | Team to monitor the level of support that they provide going forward, and ensure that inadvertent exclusion does not occur following the savings.  |
| Officer responsible for progressing the action                    | Frances Swann  |
| Date action to be completed by                                    | September 2016.  |

| Equality Group  | Age  |
|---|--|
| Details of possible disadvantage or negative impact               | <b>One-off cost for a delay to the closure of City Homes South Office</b> – has the potential to both positively and negatively impact older and younger service users:  |
| Action to be taken to address the disadvantage or negative impact | The impact of the decision to keep the office open for longer than anticipated will need to be monitored to ensure other services for older or younger tenants are not adversely impacted by the subsequent need to find savings to cover the costs of the South Office. |
| Officer responsible for progressing the action                    | Robert Hollingsworth   |
| Date action to be completed by                                    | June 2016.   |

| Equality Group  | Disability   |
|---|--|
| Details of possible disadvantage or negative impact               | <b>Reduction in operational budgets for the Independent Living Service</b> – has the potential to negatively impact on disabled tenants and residents who rely on the service for support. |
| Action to be taken to address the disadvantage or negative impact | Team to monitor the level of support that they provide going forward, and ensure that inadvertent exclusion does not occur following the savings.  |
| Officer responsible for progressing the action                    | Frances Swann  |
| Date action to be completed by                                    | September 2016.  |

| Equality Group  | Disability   |
|---|--|
| Details of possible disadvantage or negative impact               | <b>One-off cost for a delay to the closure of City Homes South Office</b> – has the potential to both positively and negatively impact disabled service users.   |
| Action to be taken to address the disadvantage or negative impact | The impact of the decision to keep the office open for longer than anticipated needs to be monitored to ensure other services for disabled tenants are not adversely impacted by the subsequent need to find savings to cover the costs of the South Office. |
| Officer responsible for progressing the action                    | Robert Hollingsworth   |
| Date action to be completed by                                    | June 2016.   |

**Other factors that may lead to inequality – in particular – please consider the impact of any changes on low income groups or those experiencing the impacts of poverty (please state):**

|  |  |
|--|--|
| <p>Details of possible disadvantage or negative impact</p>               | <p><b>Building cleaning and window cleaning services - Phase 2 of the increase</b> – There is the potential for significant negative impact on those who are on low or no income living in flatted accommodation.</p> <p><b>Separate benefit ineligible charge for alarm services in sheltered and dispersed community alarm accommodation</b> – Negative financial impact for housing benefit recipients in older persons housing, of cessation of funding for alarms by the County Council</p> |
| <p>Action to be taken to address the disadvantage or negative impact</p> | <p>City Homes to monitor arrears in relation to rents, service charges and Universal Credit and continue to provide focussed advice and support to those struggling to pay their bills.</p> <p>Independent Living Team to advise and support affected residents, signposting to financial advice and support agencies where appropriate.</p>   |
| <p>Officer responsible for progressing the action</p>                    | <p>Robert Hollingsworth</p>  |
| <p>Date action to be completed by</p>                                    | <p>On-going</p>  |