Housing Scrutiny Committee

# Housing Revenue Account Medium Term Financial Strategy (HRA Business Plan Update)

CAMBRIDGE CITY COUNCIL

**September 2017**

2017/18 to 2046/47

Cambridge City Council

# Contents



# Appendices

# Section 1
## Introduction and Local Context

# Foreword by the Executive Councillor

The Medium-Term Financial Strategy is an opportunity to consider the financial assumptions and projections made when putting forward the Housing Revenue Account Budget for 2018/19 and review the following years in the context of our long-term Business Plan.

The pressures on, and uncertainty for, the Housing Revenue Account arising from changes in national policy in the areas of welfare reform and housing policy have run like a thread through the HRA Budget papers over the last seven years. Some, like the 1% rent cut which resulted in an almost £15,000,000 deficit over its four years, are immediate and stark. Others, like Pay to Stay, required work to be done on the possible implications before a welcome reversal.

The Devolution Grant, used in conjunction with our Right to Buy receipts, will enable the Council to build at least 500 potentially debt free new council homes on sites across the City, and together with savings achieved through the Housing Transformation Programme, helps put the HRA Business Plan back onto a sustainable footing.

However, too many uncertainties and potential pressures remain. It is imperative that this year the Government fulfils its commitment in the Housing White Paper to develop its future rent setting policy from 2020 with both councils and housing associations, and that it removes uncertainty around supported housing in its promised review.

The tragedy at Grenfell Tower has opened up a national conversation about the value we place on social housing. Too many times since 2010 stock holding councils have borne the brunt of policy changes. As by far the largest provider of social housing in Cambridge, this council has always been clear that council housing must be an integral part of national housing policy. The Higher Value Levy remains a significant threat to our Housing Revenue Account and whilst we welcomed the November 2016 announcement confirming no levy would be required during 2017/18, a complete reversal on this damaging policy would be the best outcome and a welcome signal of a recognition of the role of stock holding councils in meeting the national housing challenge.

*Councillor Kevin Price.*

Executive Councillor for Housing

# Background and Executive Summary

The Housing Revenue Account (HRA) Medium Term Financial Strategy is one of two updates each year of the HRA 30-Year Business Plan approved in February 2012, which update the position for the HRA operating in a self-financing environment.

The report allows the authority to review assumptions and consider material changes, which may need the authority to change financial strategy, policy or to take alternative courses of action, to ensure a financially viable Housing Revenue Account in future years. Both revenue and capital investment is considered in this report, with the impact of any proposed changes on the HRA Business Plan clearly identified. A review of the strategic risks facing the HRA is presented at **Appendix A.** The HRA Medium Term Financial Strategy re-states the budget for the current year (2017/18), highlighting only significant or exceptional in-year changes for approval, reviews and updates financial assumptions and presents updated projections for the following 4 years from 2018/19 to 2021/22, in the context of the longer-term financial position.

The inclusion of 500 new homes, funded largely by Devolution grant, coupled with the savings either already made, or anticipated in the coming budget year as part of the revised Housing Transformation Programme, deliver a sustainable position for the HRA over the longer-term. It must be noted, however, that the current forecasts have been constructed whilst there are still a number of areas of uncertainty in the housing sector, and with the assumptions that 75% of debt will be re-financed, that the sale of higher value voids levy will be further deferred and that rent increases can be re-introduced at the previously assumed levels once the remaining 2 years of rent cuts have taken place. Financial forecasts will be reviewed again as further information is made available to the authority.

# Timetable

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

| Date | Task |
|---|---|
| **2017** | |
| 21 September | Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in recommendations to Council |
| 19 October | Council considers HRA Medium Term Financial Strategy |
| **2018** | |
| 17 January | Executive Councillor for Housing considers HRA Budget Setting Report, alternative budget proposals, approves rent levels and sets revenue budgets, considering Housing Scrutiny Committee views, making capital recommendations to Council |
| 22 February | Council approves HRA Budget Setting Report |

# Section 2
## Housing Stock

# Housing and Leasehold Stock

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

| **Housing Category (Including Shared Ownership)** | **Actual Stock Numbers as at 1/4/2017** | **Estimated Stock Numbers as at 1/4/2018** |
|---|---|---|
| General Housing | 6,428 | 6,511 |
| Sheltered Housing | 511 | 511 |
| Supported Housing | 22 | 22 |
| Temporary Housing (Individual Units) | 47 | 48 |
| Temporary Housing (HMO's / EA) | 24 | 24 |
| Miscellaneous Leased Dwellings | 17 | 17 |
| Shared Ownership Dwellings | 87 | 110 |
| **Total Dwellings** | **7,136** | **7,243** |

| **Property Type (Excluding Shared Ownership)** | **Actual Stock Numbers as at 1/4/2017** | **Estimated Stock Numbers as at 1/4/2018** |
|---|---|---|
| Bedsits | 103 | 103 |
| 1 Bed | 1,684 | 1,687 |
| 2 Bed | 2,409 | 2,476 |
| 3 Bed | 2,237 | 2,247 |
| 4 Bed | 96 | 100 |
| 5 Bed | 7 | 7 |
| 6 Bed | 2 | 2 |
| Sheltered Housing | 511 | 511 |
| **Total Dwellings** | **7,049** | **7,133** |

## Leasehold Stock

At 1st April 2017, the Council retained the freehold and managed the leases for 1,157 leasehold flats.

## Housing Stock Changes

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

| Year | Opening Stock | RTB's | Other Disposals / Demolitions | Conversions / Other Changes | Acquisitions / New Builds | Closing Stock |
|---|---|---|---|---|---|---|
| 2016/17 | 7,040 | (58) | (7) | (1) | 75 | 7,049 |
| 2015/16 | 7,016 | (42) | (4) | 5 | 65 | 7,040 |
| 2014/15 | 7,164 | (51) | (109) | (7) | 19 | 7,016 |
| 2013/14 | 7,235 | (60) | (45) | 1 | 33 | 7,164 |
| 2012/13 | 7,280 | (41) | 0 | (6) | 2 | 7,235 |
| 2011/12 | 7,290 | (12) | 0 | 0 | 2 | 7,280 |
| 2010/11 | 7,364 | (17) | (62) | 0 | 5 | 7,290 |
| 2009/10 | 7,387 | (13) | (2) | (8) | 0 | 7,364 |
| 2008/09 | 7,438 | (6) | (44) | (1) | 0 | 7,387 |
| 2007/08 | 7,524 | (43) | (42) | (1) | 0 | 7,438 |
| Total | | (343) | (315) | (18) | 201 | |

# Section 3
## The National Policy Context and External Factors

# External Factors

In reviewing financial assumptions as a pre-cursor to strategic decision making, it is necessary to consider external factors, outside of the control of the organisation and to update financial projections in light of any changes or trends in these areas.

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

### Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). The last 18 months has seen a steady increase in this measure of inflation, with the rate of growth rising from 0.2% in December 2015 to 2.6% by June 2017, a level which until recently has not been seen since mid-2013. The Office for Budget Responsibility (OBR) is currently still predicting a return to the Bank of England's target level for CPI of 2% in the longer-term.

In light of the decision, and resulting negotiations, for the UK to leave the European Union, coupled with changes in government at a national level, it is difficult to accurately predict in which direction this indices will move in the short or medium term.

With this in mind, forecasts for the rate of base inflation have been amended as part of the Medium Term Financial Review, from the previously assumed level of 2.4% from 2018/19 on an ongoing basis, to a rate of 2.6% for 2018/19, 2.2% for 2019/20, 2.3% for 2020/21 and 2% then ongoing, to reflect the current view of the Bank of England. This assumption will be revisited again as part of the 2018/19 Budget Setting Report.

Expenditure in respect of building maintenance is inflated in the financial forecasts using the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) all in tender price index. This index is historically volatile, with huge peaks and troughs in the rates between years, depending upon the level of activity and availability of both labour and materials for the industry. Again, a decision to leave the European Union is anticipated to have a direct impact in this industry, with current uncertainty about the price that can be secured for building materials, whether financial institutions will continue to lend on the same terms for building projects in the UK, and whether the labour market will be directly impacted.

According BCIS All in Tender Price Index, forecasts for the next 5 years are for a real reduction in prices of 0.7% for 2018/19, followed by growth of 1.4%, 5.2%, 6.6% and 5.9% in the following 4 years. These revised assumptions, with the exception of the reduction in 2018/19 where contract prices are unlikely to actually go down, have been incorporated into the financial forecasts, using an average rate of 3.7% form year 6 onwards.

## Interest Rates

The Housing Revenue Account is entitled to its proportion of any interest earned on cash balances invested by the authority, with a mix of investments adopted by the Council. The Housing Revenue Account proportion includes balances which are revenue or capital in nature. Interest returns currently remain relatively low; with revised interest rate assumptions are included in **Appendix B**.

In respect of HRA borrowing, the self-financing loan portfolio with the Public Works Loans Board remains, with rates of between 3.46% and 3.53%. Additional borrowing must be within the level of the current HRA borrowing cap, with headroom of approximately £16m, and there is no indication that the borrowing cap will be increased in the immediate future. Any transfer of land between the General Fund and the HRA to allow development, would impact the HRA Capital Financing Requirement, effectively utilising any borrowing headroom which may exist. Therefore any decisions in this regard will need to be taken with the borrowing cap in mind.

Although any additional borrowing in the HRA could be lent from the General Fund if funds allowed, for prudency in financial planning, the assumption that the HRA will borrow externally has been retained.

The external borrowing rates previously assumed for the HRA were 2.5% in 2017/18, rising to 2.7% from 2018/19 onwards. Having reviewed the rates currently available from the PWLB for maturity loans with a 30 year duration, and taken into consideration market projections, it is proposed to marginally increase these rates to 2.8%, as part of the HRA Medium Term Financial Strategy, recognising that a certainty rate providing rates at 20 basis points below the standard rate is still available at present.

Although the rates available currently mean that the rates are still lower than those secured for the self-financing settlement in 2012, any attempt to re-finance the loans now to take advantage of the lower rates would incur significant early redemption penalties. Any interest saving would be far outweighed by the penalty, which would need to be paid at the point of re-financing.

## Right to Buy Sales

In 2016/17, 118 right to buy applications were received and recorded, compared with 114 and 141 in the two previous years respectively. Only 31 applications have been received in the first 4 months of 2017/18. This seems to indicate that the increased activity in 2015/16, deemed to be attributable to the anticipated introduction of 'Pay to Stay', the requirement for those on higher income to pay up to market rent for living in their council home, may now have returned to prior year levels, following the scheme being abolished. In 2016/17, 58 of the applications proceeded to completion of the sale of the property, compared with 42 in 2015/16. In the first 4 months of 2017/18, 19 sales have completed, supporting the view that interest has plateaued.

It is impossible to accurately predict future sales, although the recent decline in applications and the current uncertainty in the country at national level, indicates it may be prudent to marginally decrease the assumption of sales, with a reduction to 40 sales in 2018/19, then reducing by 5 sales per annum, until 25 sales per annum are assumed from 2021/22 onwards.

## Right to Buy Receipts

The authority is still subject to the agreement with CLG, allowing the retention of an agreed proportion of right to buy receipts, subject to a set of specific conditions, the authority still holds a significant sum for re-investment. Receipts must be spent, within 3 years, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism, with the balance funded from the Council's own revenue resources or borrowing.

It has recently been confirmed that the authority is unable to directly utilise capital receipts from the sale of land and other housing assets as a form of match funding for retained right to buy receipts. Although this is a change to our previous assumptions, we are still able to utilise these housing capital receipts for any other form of capital investment in the provision of affordable housing, which allows us to utilise this resource to fund any other areas of the HRA capital programme, in effect switching the funding previously identified for these areas to match fund the retained right to buy receipts, thus achieving the same aim.

The authority has now formally entered into the Devolution Agreement, which includes the provision for grant of £70 million over 5 years to be paid to Cambridge City Council to assist in the delivery of 500 new homes in the city, to meet the increased housing demand. This resource is expected to be combined with retained right to buy receipts (of up to 30% of the total cost).

Whilst held, the capital receipts can be invested by the authority to earn interest in the short-term, but if not spent appropriately within the 3 year time frame, have to be paid over to central government, with 'penalty' interest payable at 4% above the base rate, far exceeding the level of interest that will have been earned in the interim.

**Appendix C** summarises the latest position in respect of both receipts held and re-invested. Although a deadline has not yet been breached, there has been the need to undertake a number of strategic acquisitions during 2016/17, with more anticipated in 2017/18, to ensure that funds are re-invested locally, and not paid to central government with an interest penalty attached. The Strategic Director has delegation to draw down funds from HRA ear-marked reserves to acquire homes on the open market, and it is anticipated that up to £5,000,000 may be spent during 2017/18 to ensure that investment is made well in advance of the prescribed deadlines.

However, now that the Cambridge Investment Partnership (CIP) is operational, it is anticipated that new build delivery will accelerate over the coming months.

The option to pass retained receipts to registered providers still remains, with the registered provider delivering affordable housing to which we would receive nomination rights. The same time constraints apply in this instance, as does the need for the 70% top up funding.

Following confirmation of funding for HRA housing in Cambridge through the devolution arrangements, the authority will be in a position to retain all right to buy receipts allowed under the 1-4-1 retention agreement, on the assumption that the devolution funding will provide the 70% top up of resource required to allow re-investment. The need to invest the resource within 3 years of receipt will remain, despite the 5 year timeframe approved for the investment of the devolution funding.

# National Housing Policy

## National Rent Setting Policy

The legislation approved as part of the Welfare Reform and Work Bill 2015, requires local authority landlords and registered providers to continue to apply a 1% rent reduction for the next two years, from April 2018 and April 2019.

The authority is still expected to move rents in void properties from actual (transitional) rents directly to target rent levels before relet, recognising that the target rent for each property will also reduce by 1% each year for the remaining two years of this rent policy.

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 in 2020/21 at the previous levels of CPI plus 1% per annum.

In respect of affordable rents, the government requires local authorities to determine what 80% of the market rent would be for a property, and to apply the 1% reductions to this rent level, with the resulting sum being the maximum which a local authority can charge.

## Mandatory Disposal of Higher Value Housing Stock

The ability, as included in the Housing and Planning Act 2016, for Central Government to impose a financial levy on stock owning authorities in respect of the assumed sale of higher value housing stock, is still subject to regulation. There is a need for secondary legislation to be passed by Government before the policy can be implemented.

The levy would be expected to vary for each financial year, with the value arrived at on a formulaic basis, after a period of consultation with local authorities. Although no regulations are available, it is anticipated that the authority would have some discretion over which assets it disposes of, in order to meet the levy, with periodic payments due throughout each financial year.

Review of the HRA Acquisition and Disposal Policy under an agreed delegation, to ensure that the authority can act to dispose of assets quickly if required, has been placed on hold until further announcements are made. A land audit is however, still being carried out by the Housing

Development Agency, in order to provide updated information on sites within our ownership, highlighting potential use for these sites.

The latest formal announcement in November 2016, by the then Housing Minister, Gavin Barwell, confirmed, that the government will not be requesting any higher value voids levy payments from councils during 2017/18.

The need for secondary legislation to be laid before parliament, coupled with a number of other challenges facing Government at present, are now bringing into question whether this legislation could now be enacted by April 2018, if it is enacted at all.

On the strength of this, it is not considered appropriate to retain the assumption that the authority will be required to dispose of assets to meet a levy with effect from April 2018, and as a result this assumption has been deferred until April 2019, with our financial modelling now assuming that we do not begin to hold any voids until October 2018. This supports the view of Government that if and when detail is announced, local authorities will be afforded appropriate lead in time to prepare.

The HRA Medium Term Financial has therefore been constructed on the assumption that the compulsion to sell will still require the equivalent of approximately 1.8% of the housing stock each year to be disposed of, representative of just under 130 properties per annum initially, but with payment simply deferred until 2019/20. Scenario modelling has been undertaken to demonstrate the impact on the HRA of an earlier implementation and no implementation of this policy at all.

# Welfare Reforms

## Universal Credit

Universal Credit was introduced in Cambridge on the 29th February 2016 and is currently only applicable to single, working age customers, otherwise entitled to make a claim for Jobseekers Allowance. Universal credit generally includes housing costs for this group and this is paid directly to the customer unless it can be demonstrated that there are budgeting concerns. Claims must be made online. The full digital service that will allow claims from couples and those with children will be rolled out to Cambridge Job Centre in June 2018. The current number of claims continues to be low, with most for people who do not have a rental liability such as non-dependants.

As part of the Delivery Partnership Agreement, requests for Personal Budgeting Support are being accommodated by Cambridge Citizens Advice Bureau (CAB). There have been low numbers of these, and many have not attended their appointment at CAB, which the partners (CAB, DWP and the City Council) are working to resolve.

## Benefit Cap

The project to manage the impact of the reduced Benefit Cap is progressing well. The Council has contacting those affected by letter, telephone or by visiting, with a number of these households having been identified as receiving incomes that exempt them from the cap or having started work or increased their hours of work which will remove them from the cap. Liaison work with social landlords remains key to supporting their tenants and City Homes officers have been working with tenants to find solutions that work for them.

A number of referrals have been made to Citizens Advice for budgeting support and some have been referred to Cambridge Housing Society to look at ways to help those affected into work. Others may need short term Discretionary Housing Payments (DHP's) to support them until they are able to improve their circumstance. DHPs are used extensively to support those affected by welfare reforms. There are 20 claims affected by the Benefit Cap currently receiving DHP.

There are currently 101 capped claims, with 55 being City Homes tenants. Three of these tenants are also currently impacted by the Removal of the Spare Room Subsidy.

## Removal of the Spare Room Subsidy

Numbers of customers affected by the removal of the spare room subsidy is remaining steady with 350 HRA tenants currently affected by the reform, with 299 impacted by a reduction of 14% and 51 by 25%. Of the 350 households currently affected by the removal of the spare room subsidy, 90 households are in receipt of DHP.

## Limiting the Child Element to two children

From 1 April 2017, new benefit claims and current benefit claims which increase the family element above two children, do not have additional child elements included in the Housing Benefit calculation.

There are some exemptions for multiple births, result of abuse and adoption, or similar.

It will not impact on current claimants with more than two children, unless they have more children, then the child allowances will not increase, subject to the above exemptions.

## Local Housing Allowance Restriction

Social sector rents used in the calculation of Housing Benefit and the Housing Costs element of Universal Credit will be restricted to the prevailing Local Housing Allowance rates from April 2019. Local Housing Allowance rates will be the maximum Housing Benefit payable, towards both rent and any service charges. Regulations have not yet been released, but following the guidance issued thus far it will apply to both general needs housing and supported, impacting those of working age as well as pensioners. However, the shared accommodation rate for under 35's will not apply to those in Supported Housing for Housing Benefit or the Housing element in Universal Credit.

LHA rates are set to be frozen for the remainder of this parliament but may go down if average rents decrease within the Cambridge Broad Rental Market area.

## Supported Accommodation Review

DWP launched a consultation considering new funding for supported housing once many of the above changes come into effect from April 2019, with findings now expected to be published in the autumn of 2017.

# Support for Vulnerable People

Cambridge City Council is still in contract with the County Council, under a partnership arrangement, for the delivery of tenure neutral support services to older people across the city as a whole, with an initial term of just under 3 years from 30th April 2014 to 31st March 2017, extended under an agreed contract extension until 31 March 2018. The contract sum is £180,000 per annum.

The County Council are currently reviewing the specification for this service and are consulting stakeholders, exploring options for the future delivery of this service, with the potential for a formal tender for the continued provision of support services being considered as an option, alongside a continued partnership arrangement.

The authority is also contracted to deliver support services in extra care housing, operating under temporary extensions arrangements whilst the County Council decide upon the most appropriate delivery vehicle for the future.

In both of these areas, there is a risk to the level of service which may be provided to residents if Cambridge City Council were no longer to deliver services, as the current contractual provision for both care and support is enhanced by the local authority. In the event of an alternative provider stepping in, the City Council would need to decide to what degree, if any, it wanted to continue to in some way support the delivery of these services. Any enhanced support provision could be met financially from the HRA, but any input into care would need to be funded from the General Fund.

# Section 4
## Revenue Resources – Rent and Other Income

# Rent Arrears and Bad Debt Provision

Rent collection performance locally remains consistently good, with over 99% of the value of rent due, collected in 2016/17.

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) |
|---|---|---|---|
| | | | |
| 31/3/2013 | £661,246 | 1.86% | £862,042 |
| 31/3/2014 | £619,986 | 1.68% | £967,755 |
| 31/3/2015 | £637,735 | 1.67% | £763,491 |
| 31/3/2016 | £598,820 | 1.51% | £735,539 |
| 31/3/2017 | £645,398 | 1.63% | £728,050 |

Performance in the collection of current tenant debt displays some challenges in 2016/17, with the ongoing impact for residents of both the social sector size criteria reduction in housing benefit and the benefit cap potentially now having a visible impact. Officers continue to work proactively with all tenants, but particularly those already, or soon to be, affected by the benefit changes, in an attempt to mitigate any further negative financial impact on the Housing Revenue Account. Following the recent restructure of the housing service, dedicated teams are now in place to ensure that income recovery is maximised, whilst the most vulnerable of our residents get all of the financial assistance to which they are entitled and still receives the support they need to remain in their homes.

The collection of former tenant arrears continues to prove challenging, although with focussed effort the level of arrears has been marginally reduced each year over the last 3 years. There is still work to do to ensure that the former tenant debt held, is only that which is realistically collectable, and to facilitate write off of any which isn't. Provision is made in the Housing Revenue Account to write off just under 91% of former tenant debt, but a decision to do this is not taken until all avenues for collection have been exhausted.

An increase in rent arrears is anticipated over the next few years, as Universal Credit is rolled out more widely, and more tenants are moved to direct payment.

The current contributions to the bad debt provision increase from 0.84% in 2017/18 to 1.12% in 2018/19. These assumptions have been retained as part of this review. The level of provision for the longer term will be reviewed once the authority has more experience of payment performance locally.

At 31 March 2017, the total provision for bad debt stood at £1,202,756, representing 88% of the total debt outstanding.

# Void Levels

The value of rent not collected as a direct result of void dwellings in 2016/17 was £511,864, representing a void loss of 1.38%, compared with £389,281 in 2015/16, representing a void loss of 1.05%.

The significant increase in void loss in 2016/17 was due to a combination of holding vacant units at Ditchburn Place pending the start of the refurbishment of the scheme, vacating flats and bungalows Anstey Way in preparation for demolition and re-build and some new build units which were unoccupied for longer than anticipated, partly due to the time it is taking to market and find suitable buyers for the new shared ownership homes at Scholar's Court. If shared ownership housing proves difficult to sell, there is an option for the HRA to explore conversion of these units to affordable rented homes, but this may require obtaining permission from planning and also, in the event of the units being in receipts of grant funding, the Homes and Communities Agency.

On an ongoing basis, an assumption of 0.84% voids in general housing is still assumed, recognising the reduction in void times anticipated as part of changes resulting from the Housing Transformation Programme. However, it is proposed to temporarily increase this assumption in the short-term to 1.25%

in 2018/19 and 1% in 2019/20, recognising the anticipated release of a considerable amount of new build affordable housing in the city, and the ongoing refurbishment of Ditchburn Place.

# 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 2018, the authority is required to apply the third year of a four year rent cut in social housing rents of 1% per annum.

In respect of affordable rented homes, the government require local authorities to determine what 80% of the market rent is for each dwelling, and ensure that the combined rent and service charges levied for a property does not exceed this level, minus the 1% reduction required each year for the four years from April 2016. As local policy limits affordable rents to the Local Housing Allowance level (approximately 60% of market rent) from the point of introduction, it is argued that the 4 year reduction has already been applied for these properties at inception. As a result, affordable rents are reviewed in line with the Local Housing Allowance each year, ensuring that they do not exceed 80% of what is deemed to be market rent, less the impact of 4 years of reducing this by 1%.

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, followed by CPI plus 0.5% from April 2024.

The authority identified savings as part of the 2016/17 and 2017/18 budget processes, to offset the financial impact of years 1 and 2 of this policy, but there are a further 2 years reductions anticipated.

The HRA Rent Setting Policy has been updated, particularly to reflect the requirement to reduce rents for a four year period, and is presented at **Appendix L** of this report.

## Rent Restructuring

Property specific target social rents under the rent restructuring regime still apply, but the requirement to reduce social housing rents by 1% for a further 2 years, means that the target rents will also continue to reduce in line with this.

The authority has the ability to close the gap between target social rent and the actual rent being charged for a dwelling, only when a property becomes void, and actively does this.

The average target 'rent restructured' rent at the start of 2017/18 across the general housing stock was £103.75, with the average actual rent charged being £99.37, both recorded on a 52 week basis. By April 2017, 21.1% of the social rented housing stock was being charged at target rent levels, compared with 16.7% in April of the previous year.

The gap between actual and target rent levels now equates to an annual loss of income of approximately £1,566,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated well before now.

There were 173 new build properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at 1st April 2017.

# Reserves

## Housing Revenue Account General Reserves

Reserves are held in part to help manage risks inherent in financial forecasting and budget-setting. Risks include changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies, such as uninsured damage to the housing stock. In addition, reserves may be used fund the up-front impact of investment which is anticipated to deliver savings in the longer-term. For the Housing Revenue Account the target level of reserves is £3,000,000, with a minimum level of reserves of £2,000,000. HRA reserves continue to be held at levels above target, due to a desire to be in a position to fund some re-provision of existing homes on development sites, where retained right to buy receipts and devolution funding can't be used for this purpose.

The impact on HRA reserves for 2016/17, and 2017/18 to date is shown in the table below:

| Budgeted or Actual Use of / (Contribution to) HRA Reserves | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Opening General HRA Reserves | **(9,790)** | **(10,178)** |
| **Changes in HRA Reserves** | | |
| Original Budget (Approved in February) | 1,737 | 2,317 |
| Carry Forwards (Approved in June) | 191 | 545 |

| | | |
|---|---|---|
| MTFS Mid-Year Review (Approved in October) | (190) | (367) |
| Budget Setting Report Revised Budget (February) | (230) | - |
| Estimated Closing General HRA Reserves | **(8,282)** | **(7,683)** |
| Actual Outturn for the Year (Reported in June) | (388) | - |
| Contribution from Ear-Marked Reserves | - | - |
| Actual Closing General HRA Reserves | **(10,178)** | **-** |

The original budget for 2017/18 approved a net use of general reserves of £2,317,380, incorporating a revenue contribution of £925,520 to fund capital expenditure.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources, approved carry forwards from 2016/17, changes in anticipated interest due for 2017/18 based upon revised cash balance assumptions, changes to rent income and the bad debt provision due to re-profiled new build schemes and as a result of changes in assumptions about the sale of higher value vacant homes and the short-term removal of budget for additional rent collection costs as a result of welfare reforms.

The final general HRA reserves position reported at 31 March 2017 was £10,178,140.

The revised projection of the use of general reserves in the current year (2017/18) now indicates that there is expected to be a net use of reserves of £2,494,610, which would leave a balance of £7,683,530 at 31st March 2018.

There is now a proposed use of £4,614,210 of direct revenue financing of capital expenditure in 2017/18 and nothing in 2018/19. This is lower than previously anticipated in the longer-term due to the assumption that devolution grant is used to match retained right to buy receipts at every opportunity.

## Earmarked Funds

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

# Section 5
## Detailed Review of Revenue Budgets

# Housing Transformation Programme

In response to the financial pressures faced, or anticipated to be faced by the HRA, the Fundamental Review of Housing delivered an initial tranche of savings from 2016/17, with the Housing Transformation Programme approving a second tranche of significant revenue savings from April 2017.

Many of the approved savings for 2017/18 have been delivered as anticipated, with service restructures completed, and processes undergoing review to ensure that other operational savings can be delivered by the end of the year.

Failure to identify a suitable sub-tenant for the south area office, for the remainder of the lease term (just over 3 years), however, means that this 2016/17 saving has not been delivered as anticipated. The negative impact of this (approximately £110,000 per annum, including rent, insurance, business rates, health and safety expenditure and utilities) has been taken account of in the financial forecasts for the HRA, recognising that the authority may need to meet these costs until December 2020.

The Housing Transformation Programme continues in 2017/18, with a number of service areas identified for consideration. With the key aim of ensuring that the authority is best placed to respond to changes in the economy and in national housing policy whilst still meeting the needs of the most vulnerable.

The work streams being considered as part of the 2017/18 programme include:

- Response Repairs Standards and Rechargeable Repairs
- Anti-Social Behaviour
- Garage Review
- Section 20 Works and Cost Recovery
- Disposal of Higher Value Voids Levy (if, and when detail is available)

The findings from the above review work streams will be presented to Housing Scrutiny Committee, with any detailed resulting budget proposals to be incorporated as part of the 2018/19 budget process and included in the 2018/19 HRA Budget Setting Report.

# 2017/18 Mid-Year Budget Changes

As part of the HRA Medium Term Financial strategy, there is no formal mid-year review of service delivery or operational budgets, but there is an opportunity to review the HRA position for the current year from a strategic perspective, allowing incorporation of any major in-year changes in income or financing arrangements as a direct result of changes in the capital programme.

For 2017/18, there is the need to recognise and approve the following changes in the HRA mid-year:

- Revised rental income assumptions as a result of delays in the delivery of the new build programme, more than offset by the assumption that holding voids in anticipation of the disposal of higher value voids levy has been deferred until mid 2018/19.

- Removal of the budget in 2017/18 identified to meet the increased rent collection costs associated with direct payment, with funding re-included from 2018/19 on a phased basis, and in full again by 2019/10.

- A marginal increase in the 2017/18 contribution to the bad debt provision, recognising the additional rental income now assumed in year.

- A marginal reduction in the amount of interest that the HRA will expect to pay on notional internal borrowing in 2017/18 due to a reduction in the HRA Capital Financing Requirement (CFR), and therefore in the level of notional internal borrowing.

- An increase in the anticipated interest received on cash balances for 2017/18, as although the interest rate assumptions are retained, the level of balances held is higher due to underspending in 2016/17, re-phased capital expenditure and increased sales receipts.

- Re-inclusion of a 3% employee turnover saving from 2018/19 onwards, for all cost centres except those with a single employee, shared service or recharged services.

These changes are detailed in **Appendix D**, and are incorporated into the HRA Summary Forecast at **Appendix G**.

# Section 6
## Capital - Existing Stock

# Stock Condition / Decent Homes

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

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2017 at 97%, compared with 92% achieving the desired standard at 31 March 2016. There were 215 properties that were considered to be non-decent (in addition to refusals), with another 375 anticipated to become non-decent during 2017/18.

# Stock Investment

Following the tragic events at Grenfell Tower in June 2017, the authority has reviewed the construction and cladding types on flats. The Council owns two high rise blocks (6 storeys or more) at Hanover Court and Scholar's Court. Hanover Court is constructed of brick and concrete, and has no external cladding or insulation. Scholar's Court has some external cladding, although principally to the top (sixth floor) and which is Class 0 (lowest) fire rated. The construction meets all current building requirements and the Council has confirmed with both government (DCLG) and the Fire service that there is no need for any further inspection

Fire Risk Assessments of all communal areas in HRA property are completed by external consultants on a 3 year rolling programme. Any remedial works which are identified as high priority as a result of the assessments are dealt with as quickly as possible and any other lesser work is separately collated and scheduled for action either as building repairs, or progressed by Housing Officers where the remedial action requires a leaseholder response or advice to residents generally about their use of communal spaces (storage etc). Additional resource is nevertheless, being re-directed to ensure that any backlogs of non-urgent fire risk management repairs are completed as a priority.

It is anticipated that the ongoing Inquiry into the Grenfell Tower Fire disaster will result in recommendations for improved fire management practices and possible changes to high rise building standards generally. However, it is too early to know how such changes might apply to the Council's HRA communal properties, which are of different construction and height to Grenfell Tower and cannot be readily compared. The developing investigations are nevertheless being kept under close review and any early findings or advice will be used to improve our overall fire management practices where appropriate.

Condition surveys have been undertaken on a number of HRA Commercial properties and a programme of repairs is currently being developed. It is anticipated that the cost of the surveyed repairs can be contained within the overall annual budget of £30,000 per annum. Properties include:

- Akeman Street Shops (4 units, subject to current re-development proposal)
- Anstey Way Shops (6 units)
- Barnwell Road Shops (6 units)
- Campkin Road Shops (4 units)
- Hazelwood Road Shops (1 unit)
- Walpole Road Shops (1 unit)
- Wulfstan Way Shops (2 units)

The current HRA Business Plan and resulting Housing Capital Investment Plan remain constructed on the basis that a partial investment standard is retained in the housing stock, reduced previously as part of the Fundamental Review of the Housing Service. It should be recognised that consideration needs to be given to the impact that any further reductions in investment levels over the longer-term may have, particularly quantifying the impact of a return to the basic decent homes standard, weighed up against the flexibility this may provide to respond to any increased financial pressure that the HRA faces.

Following a recent procurement exercise, Fosters have been successful in securing a contract with the Council for the majority of external planned works to the housing stock, blocks and estates. The previous contractor for these planned works, Kiers, finished in March 2017, but the new contractor will not be fully mobilised until September / October of this year. As a direct result, it will not be possible to deliver the full programme in 2017/18, and therefore some re-phasing of expenditure has been incorporated as part of this report.

**Appendix H** provides detail of the revised 5-Year Housing Capital investment Plan, and incorporates the following items in relation to existing stock:

- Expenditure as approved in the HRA Budget Setting Report in February 2017.
- Re-phasing of expenditure anticipated to take place in 2016/17, into 2017/18 and beyond, as approved in June / July 2017.
- Re-phasing of budgets for energy improvement, central heating, electrical re-wiring, roof structures, HHSRS, communal areas, communal area floor coverings, and associated overheads form 2017/18 into 2018/19 as a result of the handover between planned maintenance contractors (as detailed in **Appendix E**).
- Re-phasing of budget for remedial works associated with sulphate to the end of the current programme.
- Removal of the budget for major works to a property in Gwydir Street, as a direct result of the decision to dispose of the property on the open market (as detailed in **Appendix E**).
- Virement of £150,000 between the budget heads for communal areas and wall structures, to allow some external works to flatted blocks (as detailed in **Appendix E**).

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

## Asset Management

Consideration continues to be given to the strategic acquisition or disposal of assets, in line with the current HRA Acquisition and Disposal Policy. The policy will be reviewed, under an approved delegation, once any formal announcements are made about the regulations that would underpin the introduction of any higher value voids levy. This legislation would require a completely new approach to the asset management of the housing stock.

Receipts from individual asset disposals are currently recognised in the HRA's reserves at the point of receipt and after all relevant costs have been provided for, but this would need to change if the new regulations are brought in, as it will be necessary to forecast the number of sales which will take place in each period, in order to plan effectively to meet any levy imposed.

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

| Acquisition / Disposal | Comment | Status |
|---|---|---|
| 188 Kendal Way | 3-bedroom house currently owned by the County Council approved for acquisition (linked to 12 Mortlock Avenue) | In progress, but with delay due to County Council decision making processes |
| 12 Mortlock Avenue | 3-bedroom house currently leased to the County Council approved for disposal to the County (linked to 188 Kendal Way) | |
| 1 Ferry House | 2-bedroom house approved for disposal | Sold |
| 23 Kingsway | 1-bedroom flat in Arbury acquired using right to buy receipts for rental purposes | Completed |
| 65b Ekin Road | 2-bedroom flat in Abbey, acquired using right to buy receipts for rental purposes | Completed |
| 2a Anstey Way | 2-bedroom flat in Trumpington, acquired using right to buy receipts for rental purposes | Completed |
| 8 Gray Raod | 1-bedroom flat in Coleridge, acquired using right to buy receipts for rental purposes | Completed |

| Acquisition / Disposal | Comment | Status |
|---|---|---|
| 33 Atkins Close | 2-bedroom maisonette in Kings Hedges, acquired using right to buy receipts for rental purposes | Completed |
| 82 Verulam Way | 2-bedroom flat in Arbury, acquired using right to buy receipts for rental purposes | Completed |
| 47 Bridewell Road | 3-bedroom semi-detached house in Cherry Hinton, acquired for rental purposes, but with potential future development opportunities | Completed |
| 68 Colville Road | 2-bedroom flat in Cherry Hinton, acquired for rental purposes, but with potential future development opportunities. | Completed |
| 2-bed flat in Cherry Hinton | 2-bedroom flat in Cherry Hinton, with acquisition considered for rental purposes | Offer accepted and in progress |
| 3-bed maisonette in Arbury | 3-bedroom maisonette in Arbury, with acquisition considered for rental purposes | Offer accepted and in progress |
| 3-bed house in Arbury | 3-bedroom house in Arbury, with acquisition considered for rental purposes | Offer accepted and in progress |
| 2-bed flat in East Chesterton | 2-bedroom adapted flat in East Chesterton, with acquisition considered for rental purposes | Offer accepted and in progress |

# New Build & Re-Development

## General Approach

All new build housing in the HRA is now commissioned by the Council, and is delivered by the Housing Development Agency (HDA), who project manage the sites. The Council has formed the Cambridge Investment Partnership (CIP), a limited liability partnership (LLP) with Hill Investment Partnerships Limited, for the development of land in the city. It is anticipated that the majority of new homes in the HRA will be delivered through the Cambridge Investment Partnership, as this will bring significant external expertise into the development process and a supply chain that is expected to aid delivery. The HRA is not, however, committed to using the Cambridge Investment Partnership in respect of an site, and could procure an alternative developer or build contractor, if it so chose.

The Cambridge Investment Partnership will design and price the delivery of new build housing to the HRA, to include build cost, fees (architects, etc) and their fee for effectively project managing both the supply chain and the delivery of new homes. The H.D.A will continue to charge a fee for its role in the detailed project management for the delivery of new homes, but the fee will be lower than previously charged, as a proportion of the team will be funded by the Cambridge Investment Partnership, recognising their role in the wider Investment Team.

Potential new build schemes are still identified, and incorporated into the rolling affordable housing programme to allow formal feasibility investigation and consultation with stakeholders. Each scheme is subsequently considered and approved at Housing Scrutiny Committee based upon indicative costs, and then incorporated into the Housing Capital Investment Plan at the next approval opportunity. As the scheme design progresses and planning approval is sought, revised and more accurate scheme costs are available, culminating ultimately in a build contract value which forms the final budget for each scheme. Where land is leased to the CIP during the development phase of a site, the detailed design and delivery on each site will be determined by the CIP Board, with the proposed site mix and layout reported back to Housing Scrutiny Committee for information. The land will revert back to HRA ownership at the end of the development phase, by virtue of a pre-agreed break clause in each lease.

Many of the HRA re-development sites will incorporate an element of re-provision of existing homes, usually with the density of the new site being significantly increased. This iteration of the HRA Business Plan incorporates approval of an ear-marked sum of £2,000,000 per annum for 5 years from 2018/19 to allow for re-provision of existing homes alongside those built with devolution grant and retained right to buy receipts.

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

## New Build Schemes Completed

At the time of writing this report 231 new homes had been completed since April 2012, of which 32 were shared ownership homes.

The table below details the new build schemes and acquisitions completed to date:

| Scheme | Date Completed | Social Housing / SO Units | External Funding Source | Percentage Social Housing on Site |
|---|---|---|---|---|
| Jane’s Court | November 2013 | 20 | HCA Grant | 59% |
| Anstey Way | January 2015 | 1 | RTB Receipts | 50% |
| Latimer Close | March 2015 | 12 | HCA Grant | 60% |
| Barnwell Road | July 2015 | 12 | HCA Grant | 59% |
| Campkin Road | March 2016 | 20 | HCA Grant | 63% |
| Stanesfield Road | March 2015 | 4 | HCA Grant | 50% |
| Atkins Close | June 2015 | 8 | HCA Grant | 100% |
| Wadloes Road | October 2015 | 6 | RTB Receipts | 100% |
| Colville Road (Acquisitions) | June 2015 | 6 | RTB Receipts | 76% |
| Atkins Close (Acquisitions) | June 2015 | 4 | RTB Receipts | 100% |
| Wadloes Road (Acquisitions) | October 2015 | 3 | RTB Receipts | 100% |
| Colville Road | June 2016 | 19 | HCA Grant | 76% |
| Aylesborough Close | September 2016 | 20 | HCA Grant | 59% |
| Homerton | December 2016 | 39 (10 Shared Ownership) | RTB & Sales Receipts | 40% |
| Clay Farm (Virido) – Block 1 | June 2017 | 57 (22 Shared Ownership) | RTB & Sales Receipts, HCA Grant | 50% |
| **Total** | | **231 (incl. 32 Shared Ownership)** | | |

## New Build Schemes On Site / In Progress

Following early delays in delivery due to securing vacant possession and planning, there have been further delays during construction and handover on new build sites being delivered by Keepmoat. This has not only resulted in the need to further re-phase expenditure between years, but also impacts receipt of the anticipated future revenue streams for each of the sites. The contract clause (liquidated and ascertained damages), that requires the contractor to make payment, equal to the loss of rental income has been evoked in a number of cases, with invoices of £195,000 having been raised to the contractor, and paid to date and further sums due to be invoiced at completion of the remaining schemes.

The table below summarises new build schemes, where scheme specific budget approval is in place, which are either on site, or in progress, providing details of the anticipated costs and number of units that will be delivered on each site once complete:

| **Scheme** | **Approved (Indicative) Social Housing Units** | **Approved Shared Ownership Units** | **Latest Budget Approved (Capital Cost net of Land Transfer)** | **HCA Grant, RTB Receipt and Sales Receipt Funding** | **Devolution Grant** | **Net Capital Cost to the HRA** |
|---|---|---|---|---|---|---|
| Hawkins Road | 9 | 0 | 1,413,720 | (424,120) | 0 | 989,600 |
| Fulbourn Road | 8 | 0 | 1,320,540 | (396,160) | 0 | 924,380 |
| Ekin Road | 6 | 0 | 1,091,740 | (327,520) | 0 | 764,220 |
| Water Lane | 14 | 0 | 1,510,460 | (719,000) | 0 | 791,460 |
| Clay Farm | 43 (+ 35 handed over) | 4 (plus 22 handed over) | 16,204,780 | (6,163,809) | 0 | 10,040,971 |
| Nun's Way / Cameron Road | 7 | 0 | 2,691,000 | (807,300) | (1,829,100) | 54,600 |
| Wiles Close | 3 | 0 | | | | |
| Tedder Way | 2 | 0 | | | | |
| Kendal Way | 2 | 0 | | | | |
| Uphall Road | 2 | 0 | 322,000 | (96,600) | (221,900) | 3,500 |
| Queensmeadow | 2 | 0 | 431,000 | (129,300) | (301,700) | 0 |
| Hills Avenue | 1 | 0 | 249,000 | (74,700) | (174,300) | 0 |
| Wulfstan Way | 6 | 0 | 819,000 | (245,700) | (573,300) | 0 |
| Anstey Way | 54 | 0 | 10,197,000 | (1,632,410) | (2,980,950) | 5,583,640 |
| Ventress Close | 19 | 0 | 4,153,000 | (933,570) | (2,178,320) | 1,041,110 |
| Akeman Street | 10 | 0 | 1,986,000 | (462,000) | (1,078,000) | 446,000 |
| Colville Road Garages | 3 | 0 | 693,000 | (207,900) | (485,100) | 0 |

| Scheme | Approved (Indicative) Social Housing Units | Approved Shared Ownership Units | Latest Budget Approved (Capital Cost net of Land Transfer) | HCA Grant, RTB Receipt and Sales Receipt Funding | Devolution Grant | Net Capital Cost to the HRA |
|---|---|---|---|---|---|---|
| Housing on General Fund Sites (Contingency) | TBC | 0 | 320,000 | (96,000) | (224,000) | 0 |
| **Total Due** | **191** | **4** | | | | |

The Housing Capital Investment Plan, an updated version of which is attached at **Appendix H**, incorporates the funding for new build schemes as identified in the tables above. 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.

The table below confirms the site type and the current status of schemes which are not yet on site, with the latest assumed number of new homes which can be delivered, subject to planning approval.

| Scheme | Site Type | Status | Potential New Build Units |
|---|---|---|---|
| Nuns Way / Cameron Road | Garage and In-fill | Planning approved | 7 |
| Wiles Close | Garage | Planning approved | 3 |
| Tedder Way | In-fill | Awaiting planning | 2 |
| Kendal Way | In-fill | Planning approved | 2 |
| Uphall Road | Garage | On site,  in-house build | 2 |
| Queensmeadow | In-fill | Pre-planning | 2 |
| Hills Avenue | In-fill | Pre-planning | 1 |
| Wulfstan Way | In-fill | Pre-planning | 6 |
| Anstey Way | Existing Housing | Pre-planning | 54 |

| Scheme | Site Type | Status | Potential New Build Units |
|---|---|---|---|
| Ventress Close | Existing Housing | Pre-planning | 19 |
| Akeman Street | Existing Mixed Use | Design stage | 10 |
| Colville Road | Garage Site | Pre-planning | 3 |

The budget required for the schemes in the table above may change as planning negotiations progress and the work is priced in detail.

## Akeman Street

Akeman Street currently comprises a mixed commercial and residential development, providing only 2 social rented homes. Housing Scrutiny Committee considered an outline scheme in January 2016, which would deliver 10 new affordable homes. Resources were ear-marked in the capital programme for the site, based upon this proposal, but recognising that a revised scheme needed to be presented which increased density on the site, and determined whether re-provision of commercial and community facility were required.

A revised scheme is expected to be presented to Housing Scrutiny Committee in the next committee cycle, at which point revised costs will be built into both the financial forecasts and the resulting HRA Business Plan.

## Wulfstan Way

Although originally incorporated into the Housing Capital Plan as part of the 2016/17 garage and in-fill site programme, this scheme is presented for scheme specific approval as part of this committee cycle, for an increased density site, anticipated to deliver 6 one-bedroom flats, subject to planning approval. Budget has therefore been incorporated into the capital plan as part of the HRA Medium Term Financial Strategy on this basis.

## Colville Road Garage Site

Also presented as part of this committee cycle, is a report to obtain scheme specific approval for a small garage site in Colville, Road, where it is anticipated that 2 three-bedroom house and 1 twobedroom house can be delivered, again subject to planning approval. Budget has therefore been incorporated into the capital plan as part of the HRA Medium Term Financial Strategy on this basis.

## General Fund Sites

To allow the HRA to consider acquiring the affordable housing on any General Fund sites which are taken forward for development purposes, there will be the need for the HRA to contribute to some of the early site development costs. An additional budget allocation of £320,000 to allow this, has been included in this Medium-Term Financial Strategy for approval.

## Capital Programme

**Appendix H** provides detail of the revised 5-Year Housing Capital investment Plan, and incorporates the following items in respect of new build and acquired housing:

- Expenditure as approved in the HRA Budget Setting Report in February 2017.
- Re-phasing of expenditure anticipated to take place in 2016/17 into 2017/18 and beyond, as approved in June / July 2017.
- Re-allocation of new build budget between the unallocated / generic new build budgets and individual scheme specific budgets, in line with approvals, or revised approvals to proceed with schemes at Ventress Close, Anstey Way, Queensmeadow and Hills Avenue, recognising the latest financial sums approved for investment.
- As part of this HRA Medium Term Financial Strategy, approval to re-phase budgets in respect of the 2015/16 garage sites, Hills Avenue, Queensmeadow, Wulfstan Way, Anstey Way, Akeman Street, Ventress Close and the unallocated new build devolution programme budget is being sought.
- As part of this HRA Medium Term Financial Strategy, approval for the inclusion of funding for the Colville Road garage site, an increase in the funding for the in-fill sites to allow the Wulfstan Way scheme to proceed, and for early costs of housing to be delivered on General Fund sites, is sought.
- Formal inclusion of a budget of £5,000,000 for the acquisition of existing homes during 2017/18 to utilise retained right to buy receipts in advance of the deadlines for payment of them to central government. This budget has already been drawn upon in 2017/18 to date under a delegation to the Strategic Director.

- As part of this HRA Medium Term Financial Strategy, approval to include an ear-marked sum of £2,000,000 per annum for 5 years from 2018/19 to allow re-provision of existing HRA homes alongside new homes delivered using devolution funding and retained right to buy receipts.
- Inclusion of a budget of £4,000,000 per annum from 2022/23 for the continued delivery of some new build housing once the initial devolution funding has been exhausted. The government has, however, indicated that there may also be longer-term funding available through the devolution programme which would allow the authority to continue to re-invest ongoing retained right to buy receipts locally.
- Capital financing has been updated in respect of revised assumptions in right to buy and other capital receipts, grants, revenue funding of capital expenditure and borrowing requirements.

# Devolution

Cambridge City Council is now signed up to a Cambridgeshire and Peterborough Combined Authority Devolution Agreement, alongside six other local authorities. The Devolution deal transfers resources, powers and responsibilities form Central Government, to Cambridgeshire and Peterborough. The mayor for the Combined Authority has now been duly elected.

Government funding of £100 million has been made available for housing and infrastructure costs to meet the impact of growth in the area, with an additional, £70 million ear-marked over 5 years, for specific investment in housing in Cambridge, recognising the increased housing demand, and ring-fenced for social rented housing to be spent in Cambridge City Council's HRA. An allocation of £20 million over 30 years has also been provided to meet the ongoing costs of supporting infrastructure.

£70 million of funding over 5 years is expected to allow the delivery of up to 500 homes over a five year period, assuming that this is also combined with right to buy receipts where they are available. The new homes will be let at Cambridge affordable housing rent levels, using the Local Housing Allowance as a guide for this. The resource could be invested on HRA sites, General Fund sites, or for the delivery of the affordable housing element on Section 106 sites. As any new homes on HRA sites are unlikely to carry any liability in the form of prudential borrowing, these assets will make a positive contribution to the HRA business plan from the outset, helping to offset some of the impact of homes lost through right to buy and the requirement to reduce rents by 1% for a further two years.

# Section 8
Summary and Conclusions

# HRA Budget Strategy

## The Budget Process

The HRA budget for 2018/19 will incorporate the outcome of work carried out as part of the first phases of the Housing Transformation Programme, and will include the anticipated impact of any recommendations form the final phase planned for during 2017/18. The budget process itself will remain broadly similar to that for previous years in terms of timing and detailed administration.

The work undertaken to date, and planned for 2017/18, as part of the Transformation Programme to exemplify savings allows the authority to respond to the initial impact of some of the changes in national housing policy, but also enables strategic re-direction of resource into other areas of investment, such as new build housing, if all of the financial pressures are not as originally anticipated.

Devolution alters the short-term position for the HRA, but in isolation, would not address the delivery of a sustainable HRA over the full 30 years if the higher value voids levy were to be implemented at some point, as we are still assuming. A degree of further cost reduction or additional income generation would still be required to ensure the longer-term viability of the business.

Some of the changes in assumptions made as part of this update of the HRA Business Plan, have a positive impact for the HRA, including deferral of the assumption as to when the sale of higher value voids levy will be introduced, reductions in assumptions for long-term pay progression, employee turnover savings and reduced long-term inflation rates

As these changes improve the current outlook for the HRA, this report proposes that instead of seeking the balance of transformation savings anticipated to be delivered from April 2018 (£1,099,130), that a reduced savings target of £250,000 be incorporated for 2018/19, with a commitment to review this again during 2018/19, as part of the 2018/19 HRA medium Term Financial Strategy. The retention of a savings target, albeit at a lower level than previously assumed, will ensure that efficiencies are still sought in the service where possible. The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2018/19 budget bids and savings process.

For 2017/18 the HRA Medium Term Financial Strategy incorporates changes in the anticipated interest earned in year from a revenue perspective, recognising that the opening balances at the start of the year were higher than anticipated and adjusts the anticipated level of rental income based upon updated knowledge of the timing of sales, assumptions about the higher value vacant homes levy and the delivery of new build homes. Also incorporated are changes in the capital programme in respect of the budget now required for specific new build schemes, adjusted as they reach the next milestone in the development process. Longer-term, budgets for non-scheme specific new build investment or strategic acquisitions are incorporated based upon the level of investment required to avoid paying any retained right to buy receipts to Central Government, instead ensuring they are re-invested in the locality. Resource for the re-provision of existing HRA homes on development sites has also been incorporated.

## Approach to HRA Savings

The Housing Transformation Programme incorporated a target level of savings of £1,000,000 per annum for 2017/18 and 2018/19. The savings approved for 2017/18 were marginally short of the target, resulting in deferral of £99.130 of the target into 2018/19, with the assumption therefore that £1,099,130 of savings would be sought from 2018/19 onwards. No savings target was incorporated from 2019/20 onwards, but an adjustment in respect of repairs expenditure in line with estimated stock changes was maintained.

It was recognised when the HRA Budget Setting Report was presented in January 2017, that the inclusion of 500 new homes due to the promise of Devolution Grant would alter the financial forecasts for the HRA, and a commitment was given to reviewing future targets as part of the HRA Medium Term Financial Strategy.

This report proposes that the savings target of £1,099,130 for 2018/19 be reduced to £250,000, recognising positive changes in some of the business planning assumptions, such as reductions in inflation assumptions for expenditure, re-inclusion of an employee turnover allowance and deferral of the sale of higher value voids levy, all alongside the recognition of 500 new homes without the need for borrowing. The reduced target is however mindful of extended uncertainty in some areas of national housing policy. The continued uncertainty does not mean that some of the national changes proposed that will negatively impact the HRA won't materialise at all, but avoids the authority cutting services too severely, too soon. The authority will need to review and evaluate its position for 2019/20 onwards, once there is clarity at a national level.

Transformation funding of an additional £120,000 per annum for a 3 year period, beginning in 2016/17 is still incorporated, allowing not only the one-off costs associated with change and transformation to be met, but also any ongoing revenue spending that may be required as a result of changes in the housing sector, for example to allow the authority to meet any unmet costs of responding to changes in housing policy. If not utilised in full to fund ongoing expenditure, some of the transformation budget could be offered as a savings towards the target set.

At this stage, pending the outcome of the review of the self-financing debt as part of the transformation programme, the assumption that the authority attempts to set-aside resource for the repayment of up to 25% of the housing debt by the point at which the loan portfolio begins to reach maturity, is retained. The authority will reconsider its approach to set-aside once legislation around the sale of higher value vacant homes levy has either been passed or the scheme confirmed as having been abolished.

As part of the 2018/19 budget setting process, any areas of new revenue investment, outside of that to be met from the Transformation Programme fund, will need to be offset by the identification of additional savings or increased income generation elsewhere across the HRA.

Now that the devolution arrangements are in place, there is sufficient resource available to match fund retained right to buy receipts with the 70% of additional investment required. One of the key challenges for 2017/18 and 2018/19 will be to bring forward enough new build housing in quick enough timeframes to allow the investment of these resources. Failure to invest the retained right to buy receipts within the required 3 year timeframe will still carry the penalty of paying them to central government with interest currently at 4.5%, calculated from the quarter in which they were originally received.

The position will be reviewed again as part of the January 2018 HRA Budget Setting Report, with a view to maximising investment in new homes, maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst also ensuring that the existing housing stock is maintained to the latest standards.

# Base Assumptions

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

In all cases, the revised assumptions included are derived from the best information available at the current time, utilising both historic trend data and the expert advice and opinion of specialists where appropriate.

The base financial assumptions included in the financial model are included at **Appendix B**, with continuing uncertainties for the HRA summarised at **Appendix K.**

**Appendix G** summarises the revenue budget position for the HRA for the period between 2017/18 and 2021/22, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

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

# HRA MTFS Conclusions

Updating the base assumptions for the HRA has had a material impact on the future financial projections for the housing business.

Changes to assumptions in interest rates, particularly in the building cost inflation indices (BCIS) used to drive projected costs for future investment in the housing stock have had a positive impact on the financial projections, as has the assumption that the sale of higher value voids levy is deferred for a further year.

When, and in fact if, the sale of higher value voids will be implemented is completely uncertain at present, but the assumption that it is deferred has been cautiously made, in advance of any formal notification.

The assumptions made that we are able to revert to the previous national policy around the level of rent increase that may be applied after the remaining two years of imposed rent reductions is critical. If the authority is not able to increase rents from April 2020 as assumed, the financial forecasts for the HRA will be materially different, with the need to take significant action.

Another key risk, is the authorities ability to invest retained right to buy receipts within the timescales, despite now having devolution grant to provide the 70% match funding for these. The time taken for the Housing Development Agency, and then the Cambridge Investment Partnership, to form, engage specialist input, obtain the relevant approvals and take sites forward has been longer than anticipated. The Cambridge Investment Partnership has now appointed a number of key specialists, in terms of planning consultants and architects, and schemes are now moving forwards.

The previous assumption in respect of the delivery of savings was that the authority would seek savings of £1,099,130 in 2018/19, to ensure that the assumption made as part of the Housing Transformation Programme, that savings totalling £2,000,000 would be identified across 2017/18 and 2018/19 was met. This assumption has been amended in light of the positive changes in assumptions that have been made at present, to £250,000 for 2018/19, in full recognition that this may need to be reviewed and revisited when government regulations are released around some of the pending changes in national housing policy.

# Appendix A

## Key Risk Analysis

| Risk Area & Issue arising | Controls / Mitigation Action |
|---|---|
| **Effects of Legislation / Regulation** | |
| Implications of new legislation / regulation or changes to existing are not identified | • Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted |
| Funding is not identified to meet the costs associated with changes in statutory requirements | • Additional / specific funding requirements for new services can be identified through the budget process, to allow effective prioritisation of resources. Minimum reserves are held to allow immediate investment if required. |
| HRA Debt Settlement could be re-opened by Government (or not re-opened when changes dictate that it should) | • The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies |
| Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes | • Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible.<br>• Consideration could be given to deviating from national rent policy at a local level if statute were to allow |
| Implementation of Fixed Term Tenancies carries administrative cost and dictates the need for system change at a time when the Housing Management Information System is being re-procured | • Limited resource is incorporated into financial plans for the ongoing costs associated with housing transformation, with the opportunity to review this annually. Project Board for system replacement are aware of the potential need for changes to IT systems |
| **Housing Portfolio & Spending Plans** | |
| The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets | • Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact<br>• The Business Plan includes long-term trend analysis on key cost drivers<br>Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures |

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

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

# Appendix B

## Business Planning Assumptions (Highlighting Changes)

| Key Area | Assumption | Comment | Status |
|---|---|---|---|
| **General Inflation (CPI)** | **2.6% for 2018/19, 2.2%, 2.3%, then 2% ongoing** | **General inflation on expenditure included at 2.6% for 2018/19, then 2.2%, 2.3% and 2% ongoing, per Bank of England projections.** | **Amended** |
| **Capital Inflation** | **0% for 2018/19, 1.4%, 5.2%, 6.6%, 5.9%, then 3.7% ongoing** | **Based upon the BCIS forecast for the next 5 years, using an average over this period as the ongoing assumption** | **Amended** |
| Debt Repayment | Set-aside 25% to Repay Debt | Assumes surplus is re-invested in income generating assets, with 25% of resource set-aside to repay debt as loans reach maturity dates, pending review of the set-aside policy once any impact of a sale of higher value voids levy is clear. | Retained |
| Capital Investment | Reduced Partial Investment Standard | Base model assumes a reduced partial investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed again during 2017/18. | Retained |
| **Pay Inflation** | **1.5% Pay Progression plus: Pay Inflation for 2018/19 onwards at 2.0%** | **Assume allowance for increments at 1.5% and cost of living pay inflation at 2% on an ongoing basis.** | **Amended** |
| **Employee Turnover** | **3%** | **Employee budgets assume a 3% turnover, unless service area is a single employee, or is a shared service, externally recharged service or trading account.** | **Amended** |
| Social Rent Review Inflation | -1% from 2018/19 for 2 years, then CPI plus 1% for 4 years, then CPI plus 0.5% from 2024/25 | Rent decreases of 1% per annum in line with government guidelines from 2016/17 to 2019/20, then CPI plus 1% until the end of the 10 year period, reverting to inflation plus 0.5% after this. Assume CPI in preceding September is as above. | Retained |
| Affordable Rent Review Inflation | CPI for 2 years, then CPI plus 1% for 4 years, then CPI plus 0.5% from 2024/25 | Affordable rents to be reviewed annually in line with Local Housing Allowance, ensuring that they do not exceed 80% of market rent less the 4 years of 1% rent cuts. | Retained |
| Rent Convergence | Voids Only | Ability to move to target rent achieved only through movement of void properties directly to target rent. | Retained |
| External Lending Interest Rate | 1.11%, 1.3%, 1.3% then 1.36% | Interest rates based on latest market projections, including the impact of additional CCLA | Retained |

| Key Area | Assumption | Comment | Status |
|---|---|---|---|
| | ongoing | investment. | |
| Internal Lending Interest Rate | 1.11%, 1.3%, 1.3% then 1.36% 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** | **2.8%** | **Assumes additional borrowing using Capita predictions of PWLB rates, currently 2.8%, including assumed certainty rate.** | **Amended** |
| **Internal Borrowing Interest Rate** | **2.8%** | **Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.** | **Amended** |
| HRA Minimum Balances | £2,000,000 | Maintain HRA minimum balance at £2,000,000, pending a review once the impact of the higher value voids levy and other housing policy changes are clear. | Retained |
| HRA Target Balances | £3,000,000 | Maintain HRA target balance at £3,000,000, pending a review once the impact of the higher value voids levy and other housing policy changes are clear. | Retained |
| **Right to Buy Sales** | **50, 40, 35, 30, then 25 sales ongoing** | **An uncertain economy expected to result in a marginal decline in activity. Assume 50 for 2017/18, reducing to 40 in 2018/19, then by 5 sales per annum, until 25 are assumed ongoing.** | **Amended** |
| Right to Buy Receipts | Settlement right to buy and assumed one-for-one receipts included | Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for one receipts included, but with only those received to date ear-marked for direct new build spend. Debt repayment proportion assumed to be set-aside. | Retained |
| **Void Rates** | **1.25% for 2018/19. 1% for 2019/20, then 0.84% ongoing** | **Assumes 1.25% in 2018/19, reducing to 1%, then 0.84% from 2020/21, recognising refurbishment works and improved void processes longer-term** | **Amended** |
| Bad Debts | 0.84% for 2017/18 then 1.12% ongoing | Bad debt provision increased by 100% long term from base of 0.56%, reflecting the requirement to collect 100% of rent directly, assuming an extension of the existing payment profile for housing stock as direct payment is phased in | Retained |
| **Savings Target** | **£250,000 for 2018/19, then to be reviewed** | **Final year target amended to reflect assumed deferral of sale of higher value voids levy, retaining an efficiency target of £250,000 for 2018/19. Additional pressure to reduce spending may exist longer term once national policy is clear.** | **Amended** |
| Responsive Repairs Expenditure | Adjusted pro rata to stock changes | An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers. | Retained |

| Key Area | Assumption | Comment | Status |
|---|---|---|---|
| Transformation Fund | £120,000 for 2018/19, then nil | Housing Transformation / Spend to Save Fund for 1 further year (now 3 in total), with delegation to Director to spend. | Retained |

# Appendix C

## 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 | 6,033,316.06 | 1,809,994.82 | 0.00 | 0.00 |
| 31/12/2012 | 1,052,927.43 | 1,358,621.87 | 4,528,739.57 | 31/12/2015 | 9,420,870.94 | 2,826,261.28 | 0.00 | 0.00 |
| 31/03/2013 | 721,056.95 | 2,079,678.82 | 6,932,262.73 | 31/03/2016 | 13,631,090.94 | 4,089,327.28 | 0.00 | 0.00 |
| 30/06/2013 | 558,506.21 | 2,638,185.03 | 8,793,950.10 | 30/06/2016 | 15,331,604.93 | 4,599,481.48 | 0.00 | 0.00 |
| 30/09/2013 | 649,210.49 | 3,287,395.52 | 10,957,985.07 | 30/09/2016 | 17,863,405.41 | 5,359,021.62 | 0.00 | 0.00 |
| 31/12/2013 | 939,637.07 | 4,227,032.59 | 14,090,108.63 | 31/12/2016 | 25,179,180.06 | 6,473,754.02 | 0.00 | 0.00 |
| 31/03/2014 | 1,556,452.02 | 5,783,484.61 | 19,278,282.03 | 31/03/2017 | 24,483,659.29 | 7,345,097.79 | 0.00 | 0.00 |
| 30/06/2014 | 1,053,196.82 | 6,836,681.43 | 22,788,938.10 | 30/06/2017 | 26,195,293.76 | 7,858,588.13 | 0.00 | 0.00 |
| 30/09/2014 | 517,057.26 | 7,353,738.69 | 24,512,462.30 | 30/09/2017 | | | - | - |
| 31/12/2014 | 1,004,106.23 | 8,357,844.92 | 27,859,483.07 | 31/12/2017 | | | 499,256.79 | 1,664,189.31 |
| 31/03/2015 | 831,750.78 | 9,189,595.70 | 30,631,985.67 | 31/03/2018 | | | 1,331,007.57 | 4,436,691.91 |
| 30/06/2015 | 595,447.59 | 9,785,043.29 | 32,616,810.97 | 30/06/2018 | | | 1,926,455.16 | 6,421,517.21 |
| 30/09/2015 | 902,092.08 | 10,687,135.37 | 35,623,784.57 | 30/09/2018 | | | 2,828,547.24 | 9,428,490.81 |
| 31/12/2015 | 857,169,10 | 11,544,304,47 | 38,481,101.49 | 30/12/2018 | | | 3,685,716.34 | 12,285,721.14 |
| 31/03/2016 | 1,591,834,76 | 13,136,139.23 | 43,787,130.77 | 31/03/2019 | | | 5,277,551.10 | 17,591,837.01 |
| 30/06/2016 | 2,263,872.93 | 15,400,012.16 | 51,333,373.88 | 30/06/2019 | | | 7,541,424.03 | 25,138,080.11 |
| 30/09/2016 | 1,874,821.59 | 17,274,833.75 | 57,582,779.18 | 30/09/2019 | | | 9,416,245.62 | 31,387,485.41 |
| 31/12/2016 | 1,293,367.76 | 18,568,201.51 | 61,894,005.04 | 31/12/2019 | | | 10,709,613.38 | 35,698,711.27 |
| 31/03/2017 | 1,313,143.16 | 19,881,344.67 | 66,271,148.90 | 31/03/2020 | | | 12,022,756.54 | 40,075,855.14 |
| 30/06/2017 | 2,045,445.56 | 21,926,790.23 | 73,089,300.80 | 30/06/2020 | | | 14,068,202.10 | 46,894,007.01 |

# Appendix D

## 2017/18 HRA Mid-Year Revenue Budget Adjustments

| Area of Income / Expenditure | Description | Budget Amendment in 2017/18 Budget (£) | Budget Amendment in 2018/19 Budget (£) | Comment |
|---|---|---|---|---|
| **Budgeted use of / (contribution to) HRA Reserves pre MTFS** | | **2,861,930** | | |
| **HRA General Management** | | | | |
| Rent Collection Costs | Remove funding for additional costs of rent collection due to Welfare Reforms and re-phase back in by 2019/20 | (106,020) | (53,010) | Budget of £106,020 retained from 2019/20 |
| Employee Turnover | Re-inclusion of 3% employee turnover for all administrative and non0recharged cost centres. | 0 | (78,660) | Reduces base budget for future years |
| **Total HRA General Management** | | **(106,020)** | | |
| **HRA Summary Account** | | | | |
| Rent Income | Increase in rent income due to deferring the assumption that higher value vacant homes levy comes in from April 2018 to April 2019. | (143,550) | Incorporated into base assumptions | Built into base for future years |
| Bad Debt Provision | Increase in bad debt provision linked to increase in rent income, as provision is linked to a percentage of rent. | 1,150 | Incorporated into base assumptions | Built into base for future years |
| Depreciation | Reduction in depreciation estimates based upon latest stock numbers | (92,740) | Incorporated into base assumptions | Built into base for future years |
| Interest paid on Borrowing | Interest paid for notional internal borrowing has been reduced as a direct result of a reduction in the HRA Capital financing Requirement. | (1,130) | Incorporated into base assumptions | Built into base for future years |
| Interest earned on HRA Balances | Although interest rate assumptions have been retained, the level of balances held by the HRA result in an estimated increase in the level | (25,030) | Incorporated into base assumptions | Built into base for future years |

| Area of Income / Expenditure | Description | Budget Amendment in 2017/18 Budget (£) | Budget Amendment in 2018/19 Budget (£) | Comment |
|---|---|---|---|---|
| | of interest that will be earned. | | | |
| Transfer from ear-marked reserves | Release of funds from ear-marked reserve in line with delegation to Director to acquire existing market homes using RTB receipts | (3,500,000) | 0 | One off |
| Direct Revenue Financing of Capital | Increase in revenue financing of capital to allow for acquisition of market homes using 30% RTB receipts | 3,500,000 | 0 | One off |
| **Total HRA Summary** | | **(261,300)** | | |
| **Revised use of / (contribution to) HRA Reserves post MTFS** | | **2,494,610** | | |

# Appendix E

## 2017/18 Mid-Year HRA Capital Budget Amendments

| Area of Expenditure And Change | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2021/22 £'000 |
|---|---|---|---|---|
| **Total Housing Capital Plan Expenditure pre HRA MTFS** | **49,931** | **30,390** | **32,018** | **35,182** |
| **General Fund Housing** | | | | |
| Increase in budget for DFG's to enable spending of increased Better Care Fund Grant | 3 | 0 | 0 | 0 |
| **Decent Homes and Other HRA Stock Investment** | | | | |
| Re-phase budget for energy improvements | (384) | 384 | 0 | 0 |
| Re-phase budget for central heating | (1,000) | 1,000 | 0 | 0 |
| Re-phase budget for electrical re-wiring | (200) | 200 | 0 | 0 |
| Re-phase budget for roof structure works | (150) | 150 | 0 | 0 |
| Re-phase budget for HHSRS works | (50) | 50 | 0 | 0 |
| Re-phase budget for remedial works due to sulphate to end of current programme | (75) | 0 | 0 | 0 |
| Remove budget for major works at Gwydir Street, as property to be sold on the open market | (59) | 0 | 0 | 0 |
| Re-phase budget for communal areas | (330) | 330 | 0 | 0 |
| Re-phase budget for communal floor coverings | (70) | 70 | 0 | 0 |
| Vire budget for communal areas to wall structures | (150) | 0 | 0 | 0 |
| Vire budge to wall structures from communal areas | 150 | 0 | 0 | 0 |
| Adjust contractor overheads to reflect re-phased spend | (218) | 255 | 9 | 0 |
| Adjustment to allocation for new build decent homes work to recognise delays and additions in the programme | (38) | (181) | (122) | (128) |
| **New Build** | | | | |
| Inclusion of latest cost estimates and re-phasing of budget for Anstey Way | (3,998) | 5,962 | 1,703 | 0 |
| Re-phasing of budget for 2015/16 Garage Sites | (2,090) | 2,090 | 0 | 0 |
| Re-phasing of budget for 2016/17 In-fill Sites | (639) | 639 | 0 | 0 |
| Inclusion of additional resource to allow the Wulfstan Way scheme to proceed | 0 | 807 | 0 | 0 |
| Inclusion of latest cost estimates and re-phasing of budget for Akeman Street | (1,874) | 1,884 | 0 | 0 |
| Inclusion of scheme specific budget for Ventress Close | 1,023 | 3,130 | 0 | 0 |
| Inclusion of budget for development of Colville Road garage site | 0 | 693 | 0 | 0 |

| Area of Expenditure<br>And Change | 2017/18<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2021/22<br>£'000 |
|---|---|---|---|---|
| Inclusion of budget for early costs of affordable housing provision on General Fund sites | 320 | 0 | 0 | 0 |
| Recognition of draw down under delegation for acquisition of existing market homes | 5,000 | 0 | 0 | 0 |
| Re-phasing of new build spend utilising devolution grant and retained RTB receipts and recognition of sums transferred to specific schemes in year | (20,000) | (400) | 0 | 0 |
| Inclusion of era-marked budget for re-development of existing HRA stock | 0 | 2,000 | 2,000 | 2,000 |
| **Sheltered Housing** | | | | |
| No changes | 0 | 0 | 0 | 0 |
| **Other HRA Spend** | | | | |
| No changes | 0 | 0 | 0 | 0 |
| **Inflation Allowance** | | | | |
| Adjust inflation allowed to reflect new base and revised inflation assumptions | 0 | (294) | (478) | (456) |
| **Total Housing Capital Plan Expenditure post HRA MTFS** | **25,102** | **49,159** | **35,130** | **36,598** |

# Appendix F

## New Build Investment Cashflow

| New Build / Re-Development Scheme | 2017/18 Budget £'0 | 2018/19 Budget £'0 | 2019/20 Budget £'0 | 2020/21 Budget £'0 | 2021/22 Budget £'0 | 2022/23 Budget £'0 |
|---|---|---|---|---|---|---|
| **New Build / Acquisiiton / Re-Development Cash Expenditure (Net of Developer's Cross Subsidy / Notional Land Value)** | | | | | | |
| Hawkins Road | 61,000 | 0 | 0 | 0 | 0 | 0 |
| Fulbourn Road | 646,000 | 0 | 0 | 0 | 0 | 0 |
| Clay Farm | 4,109,000 | 0 | 0 | 0 | 0 | 0 |
| Garage Sites 2015/16 (4 sites) | 523,000 | 2,090,000 | 0 | 0 | 0 | 0 |
| Garage Sites 2015/16 - Uphall Road | 317,000 | 0 | 0 | 0 | 0 | 0 |
| Hills Avenue | 25,000 | 224,000 | 0 | 0 | 0 | 0 |
| Queensmeadow | 45,000 | 403,000 | 0 | 0 | 0 | 0 |
| Wulfstan Way | 0 | 819,000 | 0 | 0 | 0 | 0 |
| Anstey Way | 1,217,000 | 5,962,000 | 1,703,000 | 0 | 0 | 0 |
| Akeman Street | 99,000 | 1,884,000 | 0 | 0 | 0 | 0 |
| Ventress Close | 1,023,000 | 3,130,000 | 0 | 0 | 0 | 0 |
| Acquisitions or New Build -Retained RTB Investment | 5,000,000 | 0 | 0 | 0 | 0 | 4,000,000 |
| Colville Road (Garage Site) | 0 | 693,000 | 0 | 0 | 0 | 0 |
| Housing on General Fund Sites | 320,000 | 0 | 0 | 0 | 0 | 0 |
| Re-Development Programme | 0 | 19,600,000 | 20,000,000 | 20,000,000 | 20,000,000 | 6,030,600 |
| Devolution and RTB New Build Programme | 0 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| **Total New Build/ Re-Development Expenditure** | **13,385,000** | **36,805,000** | **23,703,000** | **22,000,000** | **22,000,000** | **12,030,600** |
| New Build / Re-Development HCA Grant Funding | | | | | | |
| Clay Farm | (97,125) | 0 | 0 | 0 | 0 | 0 |

| New Build / Re-Development Scheme | 2017/18 Budget £'0 | 2018/19 Budget £'0 | 2019/20 Budget £'0 | 2020/21 Budget £'0 | 2021/22 Budget £'0 | 2022/23 Budget £'0 |
|---|---|---|---|---|---|---|
| New Build Devolution Grant Funding | | | | | | |
| Garage Sites 2015/16 (4 sites) | (366,100) | (1,463,000) | 0 | 0 | 0 | 0 |
| Garage Sites 2015/16 - Uphall Road | (221,900) | 0 | 0 | 0 | 0 | 0 |
| Hills Avenue | (17,500) | (156,800) | 0 | 0 | 0 | 0 |
| Queensmeadow | (31,500) | (282,100) | 0 | 0 | 0 | 0 |
| Wulfstan Way | 0 | (573,300) | 0 | 0 | 0 | 0 |
| Anstey Way | (298,200) | (2,086,700) | (596,050) | 0 | 0 | 0 |
| Akeman Street | (28,560) | (1,049,440) | 0 | 0 | 0 | 0 |
| Ventress Close | (217,830) | (1,960,490) | 0 | 0 | 0 | 0 |
| Colville Road (Garage Site) | 0 | (485,100) | 0 | 0 | 0 | 0 |
| Housing on General Fund Sites | (224,000) | 0 | 0 | 0 | 0 | 0 |
| Devolution and RTB New Build Programme | 0 | (13,720,000) | (14,000,000) | (14,000,000) | (14,000,000) | (4,221,430) |
| **Total New Build / Re-Development Funding** | **(1,502,715)** | **(21,776,930)** | **(14,596,050)** | **(14,000,000)** | **(14,000,000)** | **(4,221,430)** |
| **Use of Retained Right to Buy Funding** | | | | | | |
| Hawkins Road (Garage Site) | (18,300) | 0 | 0 | 0 | 0 | 0 |
| Fulbourn Road (Garage Site) | (193,800) | 0 | 0 | 0 | 0 | 0 |
| Clay Farm | (914,740) | 0 | 0 | 0 | 0 | 0 |
| Garage Sites 2015/16 (4 sites) | (156,900) | (627,000) | 0 | 0 | 0 | 0 |
| Garage Sites 2015/16 - Uphall Road | (95,100) | 0 | 0 | 0 | 0 | 0 |
| Hills Avenue | (7,500) | (67,200) | 0 | 0 | 0 | 0 |
| Queensmeadow | (13,500) | (120,900) | 0 | 0 | 0 | 0 |
| Wulfstan Way | 0 | (245,700) | 0 | 0 | 0 | 0 |
| Anstey Way | (127,800) | (894,300) | (255,450) | 0 | 0 | 0 |
| Akeman Street | (12,240) | (449,760) | 0 | 0 | 0 | 0 |
| Ventress Close | (93,360) | (840,210) | 0 | 0 | 0 | 0 |
| Acquisition or New Build - Retained RTB Investment | (1,500,000) | 0 | 0 | 0 | 0 | (1,100,000) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Colville Road (Garage Site) | 0 | (207,900) | 0 | 0 | 0 | 0 |
| Housing on General Fund Sites | (96,000) | 0 | 0 | 0 | 0 | 0 |
| Devolution New Build Programme | 0 | (5,880,000) | (6,000,000) | (3,000,000) | (1,000,000) | (1,356,900) |
| **Total Use of Retained Right to Buy Funding** | **(3,229,240)** | **(9,332,970)** | **(6,255,450)** | **(3,000,000)** | **(1,000,000)** | **(2,456,900)** |
| **Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts** | **8,653,045** | **5,695,100** | **2,851,500** | **5,000,000** | **7,000,000** | **5,352,270** |
| **Total HRA Borrowing** | **0** | **0** | **0** | **0** | **0** | **0** |

# Appendix G

## HRA Summary Forecast 2017/18 to 2021/22

| Description | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Rental Income (Dwellings) | (36,740,450) | (36,498,880) | (36,090,740) | (37,406,490) | (38,438,870) |
| Rental Income (Other) | (1,119,500) | (1,148,610) | (1,173,880) | (1,200,880) | (1,224,890) |
| Service Charges | (2,724,240) | (2,789,500) | (2,846,160) | (2,906,700) | (2,960,550) |
| Contribution towards Expenditure | (3,360) | (3,450) | (3,520) | (3,600) | (3,680) |
| Other Income | (456,960) | (455,500) | (458,710) | (462,290) | (464,420) |
| **Total Income** | **(41,044,510)** | **(40,895,940)** | **(40,573,010)** | **(41,979,960)** | **(43,092,410)** |
| Expenditure | | | | | |
| Supervision & Management - General | 3,557,280 | 3,513,110 | 3,801,490 | 3,912,900 | 3,958,930 |
| Supervision & Management - Special | 2,454,880 | 2,526,630 | 2,594,060 | 2,665,030 | 2,732,970 |
| Repairs & Maintenance | 6,449,440 | 6,339,870 | 6,549,280 | 6,810,010 | 7,101,130 |
| Depreciation – to Major Repairs Res. | 9,765,080 | 10,544,350 | 11,165,290 | 11,670,680 | 12,165,420 |
| Debt Management Expenditure | 0 | 0 | 0 | 0 | 0 |
| Other Expenditure | 3,362,380 | 3,411,950 | 3,475,120 | 3,562,790 | 3,639,770 |
| **Total Expenditure** | **25,589,060** | **26,335,910** | **27,585,240** | **28,621,410** | **29,598,220** |
| **Net Cost of HRA Services** | **(15,455,450)** | **(14,560,030)** | **(12,987,770)** | **(13,358,550)** | **(13,494,190)** |
| HRA Share of operating income and expenditure included in Whole Authority I&E Account | | | | | |
| Interest Receivable | (449,110) | (619,550) | (656,900) | (680,670) | (692,750) |
| **(Surplus) / Deficit on the HRA for the Year** | **(15,904,560)** | **(15,179,580)** | **(13,644,670)** | **(14,039,220)** | **(14,186,940)** |
| Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance | | | | | |
| Loan Interest | 7,515,220 | 7,515,220 | 7,515,220 | 7,515,220 | 7,515,220 |
| Housing Set Aside | 6,769,740 | 2,981,470 | 2,981,470 | 2,981,470 | 2,981,470 |
| Appropriation from Ear-Marked Reserve | (500,000) | 0 | 0 | 0 | 0 |
| Depreciation Adjustment | 0 | 0 | 0 | 0 | 0 |
| Direct Revenue Financing of Capital | 4,614,210 | 0 | 0 | 3,224,810 | 2,714,970 |
| **(Surplus) / Deficit for Year** | **2,494,610** | **(4,682,890)** | **(3,147,980)** | **(317,720)** | **(975,280)** |
| Balance b/f | (10,178,140) | (7,683,530) | (12,366,420) | (15,514,400) | (15,832,120) |
| **Total Balance c/f** | **(7,683,530)** | **(12,366,420)** | **(15,514,400)** | **(15,832,120)** | **(16,807,400)** |

# Appendix H

## Housing Capital Investment Plan (5 Year Detailed Investment Plan)

| Description | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|---|---|---|---|
| **General Fund Housing Capital Spend** | | | | | |
| Disabled Facilities Grants | 605 | 550 | 550 | 550 | 550 |
| Private Sector Housing Grants and Loans | 195 | 195 | 195 | 195 | 195 |
| **Total General Fund Housing Capital Spend** | **800** | **745** | **745** | **745** | **745** |
| **HRA Capital Spend** | | | | | |
| **Decent Homes** | | | | | |
| Kitchens | 206 | 274 | 655 | 640 | 252 |
| Bathrooms | 275 | 305 | 331 | 1,036 | 189 |
| Central Heating / Boilers | 1,210 | 1,583 | 2,586 | 3,536 | 1,463 |
| Insulation / Energy Efficiency | 112 | 758 | 583 | 274 | 758 |
| External Doors | 169 | 114 | 112 | 351 | 99 |
| PVCU Windows | 0 | 0 | 0 | 6 | 30 |
| Wall Structure | 292 | 140 | 134 | 254 | 73 |
| External Painting | 0 | 0 | 0 | 300 | 300 |
| Roof Structure | 175 | 450 | 300 | 300 | 300 |
| Roof Covering | 361 | 334 | 334 | 334 | 334 |
| Chimneys | 1 | 0 | 1 | 0 | 1 |
| Electrical / Wiring | 581 | 493 | 555 | 932 | 435 |
| Sulphate Attacks | 27 | 102 | 102 | 102 | 102 |
| Major Voids / Major Works | 0 | 0 | 0 | 0 | 0 |
| HHSRS Contingency | 50 | 150 | 100 | 100 | 100 |
| Other Health and Safety Works | 312 | 50 | 50 | 50 | 50 |
| Other External Works | 0 | 0 | 0 | 0 | 0 |
| Capitalised Officer Fees - Decent Homes | 305 | 305 | 305 | 305 | 305 |
| Decent Homes Planned Maintenance Contractor Overheads | 415 | 524 | 643 | 904 | 493 |
| Decent Homes New Build Allocation | 219 | 269 | 482 | 638 | 801 |

| Description | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Total Decent Homes** | **4,710** | **5,851** | **7,273** | **10,062** | **6,085** |
| **Other Spend on HRA Stock** | | | | | |
| Garage Improvements | 123 | 100 | 100 | 100 | 100 |
| Asbestos Removal | 100 | 50 | 50 | 50 | 50 |
| Disabled Adaptations | 878 | 878 | 878 | 878 | 878 |
| Communal Areas Uplift | 23 | 651 | 321 | 321 | 321 |
| Fire Prevention / Fire Safety Works | 96 | 50 | 50 | 50 | 50 |
| Hard surfacing on HRA Land - Health and Safety Works | 284 | 225 | 225 | 225 | 225 |
| Communal Areas Floor Coverings | 58 | 170 | 100 | 100 | 100 |
| Lifts and Door Entry Systems | 13 | 13 | 13 | 13 | 13 |
| Capitalised Officer Fees - Other HRA Stock Spend | 114 | 114 | 114 | 114 | 114 |
| Other Spend on HRA Stock Planned Maintenance Contractor Overheads | 173 | 235 | 191 | 191 | 191 |
| **Total Other Spend on HRA stock** | **1,862** | **2,486** | **2,042** | **2,042** | **2,042** |
| **HRA New Build / Re-Development** | | | | | |
| 3 Year Affordable Housing Programme | 707 | 0 | 0 | 0 | 0 |
| New Build - Clay Farm | 4,109 | 0 | 0 | 0 | 0 |
| New Build - Homerton | 0 | 0 | 0 | 0 | 0 |
| Anstey Way | 1,217 | 5,962 | 1,703 | | 0 |
| 2015/16 Garage & In-Fill Sites | 523 | 2,090 | 0 | 0 | 0 |
| Uphall Road | 317 | 0 | 0 | 0 | 0 |
| 2016/17 In-Fill Sites | 70 | 1,446 | 0 | 0 | 0 |
| Akeman Street | 99 | 1,884 | 0 | 0 | 0 |
| Ventress Close | 1,023 | 3,130 | 0 | 0 | 0 |
| Colville Road Garage Site | 0 | 693 | 0 | 0 | 0 |
| Housing on General Fund Sites (Contingency) | 320 | 0 | 0 | 0 | 0 |
| Acquisition or New Build - Retained RTB Receipt Investment | 5,000 | 0 | 0 | 0 | 0 |
| New Build - Devolution Programme | 0 | 19,600 | 20,000 | 20,000 | 20,000 |
| Re-development of Existing HRA Stock | 0 | 2,000 | 2,000 | 2,000 | 2,000 |
| **Total HRA New Build** | **13,385** | **36,805** | **23,703** | **22,000** | **22,000** |

| Description | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **City Homes Estate Improvement Programme** | | | | | |
| City Homes Estate Improvement Programme | 21 | 0 | 0 | 0 | 0 |
| **Total City Homes Estate Improvement Programme** | **21** | **0** | **0** | **0** | **0** |
| **Sheltered Housing Capital Investment** | | | | | |
| Ditchburn Place | 2,137 | 1,880 | 0 | 0 | 0 |
| **Total Sheltered Housing Capital Investment** | **2,137** | **1,880** | **0** | **0** | **0** |
| **Other HRA Capital Spend** | | | | | |
| Orchard Upgrade / Mobile Working | 523 | 0 | 0 | 0 | 0 |
| Stores Reconfiguration | 130 | 0 | 0 | 0 | 0 |
| Shared Ownership Repurchase | 300 | 300 | 300 | 300 | 300 |
| Commercial and Administrative Property | 63 | 30 | 30 | 30 | 30 |
| **Total Other HRA Capital Spend** | **1,016** | **330** | **330** | **330** | **330** |
| | | | | | |
| **Total HRA Capital Spend** | **23,131** | **47,352** | **33,348** | **34,434** | **30,457** |
| | | | | | |
| **Total Housing Capital Spend at Base Year Prices** | **23,931** | **48,097** | **34,093** | **35,179** | **31,202** |
| Inflation Allowance and Stock Reduction Adjustment for Future Years | 1,171 | 1,062 | 1,037 | 1,419 | 1,792 |
| **Total Inflated Housing Capital Spend** | **25,102** | **49,159** | **35,130** | **36,598** | **32,994** |
| | | | | | |
| **Housing Capital Resources** | | | | | |
| Right to Buy Receipts | (522) | (527) | (532) | (537) | (543) |
| Other Capital Receipts (Land and Dwellings) | 0 | 0 | 0 | 0 | 0 |
| Major Repairs Reserve | (9,305) | (14,951) | (11,176) | (13,265) | (12,165) |
| Direct Revenue Financing of Capital | (4,614) | 0 | 0 | (3,225) | (2,715) |
| Other Capital Resources (Grants / Shared Ownership / R&R Funding) | (5,803) | (22,077) | (14,896) | (14,300) | (14,300) |
| Retained Right to Buy Receipts | (3,229) | (9,333) | (6,255) | (3,000) | (1,000) |
| Disabled Facilities Grant | (605) | (271) | (271) | (271) | (271) |
| Prudential Borrowing | 0 | 0 | 0 | 0 | 0 |
| **Total Housing Capital Resources** | **(24,078)** | **(47,159)** | **(33,130)** | **(34,598)** | **(30,994)** |

| Description | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | |
| Net (Surplus) / Deficit of Resources | 1,024 | 2,000 | 2,000 | 2,000 | 2,000 |
| | | | | | |
| **Capital Balances b/f** | **(9,752)** | **(8,728)** | **(6,728)** | **(4,728)** | **(2,728)** |
| | | | | | |
| Use of / (Contribution to) Balances in Year | 1,024 | 2,000 | 2,000 | 2,000 | 2,000 |
| | | | | | |
| **Capital Balances c/f** | **(8,728)** | **(6,728)** | **(4,728)** | **(2,728)** | **(728)** |
| | | | | | |
| **Other Capital Balances (Opening Balance 1/4/2017)** | | | | | |
| | | | | | |
| Major Repairs Reserve | (5,550) | Utilised in future years to fund investment in the housing stock | | | |
| Retained 1-4-1 Right to Buy Receipts | (12,536) | Utilised between 2017/18 to 2019/20 above | | | |
| Right to Buy Receipts for Debt Redemption | (6,877) | Retained for future debt repayment | | | |
| **Total Other Capital Balances** | **(24,963)** | | | | |

# Appendix I

## HRA Earmarked & Specific Revenue Funds (£'000)

### Repairs & Renewals

| | Opening Balance | Contributions | Expenditure to July | Current Balance |
|---|---|---|---|---|
| General Management | (982.8) | (80.7) | 0.5 | (1,063.0) |
| Special Services | (963.1) | (142.3) | 12.3 | (1,093.1) |
| Repairs and Maintenance | (306.3) | (63.3) | 0.0 | (369.6) |
| **Total** | **(2,252.2)** | **(286.3)** | **12.8** | **(2,525.7)** |

### Tenants Survey

| | Opening Balance | Contributions | Expenditure to July | Current Balance |
|---|---|---|---|---|
| Tenants Survey | (28.6) | (6.3) | 0.0 | (34.9) |

### Debt Set-Aside (Revenue)

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

## HRA Earmarked & Specific Capital Funds (£'000)

### Debt Set-Aside (Capital)

| | Opening Balance | Contributions | Expenditure to July | Current Balance |
|---|---|---|---|---|
| Debt Set-Aside | (6,876.7) | (572.9) | 0.0 | (7,449.6) |

### Major Repairs Reserve

| | Opening Balance | Contributions | Expenditure to July | Current Balance |
|---|---|---|---|---|
| MRR | (5,549.5) | 0.0 | 0.0 | (5,549.5) |

# Appendix J

## Business Plan Key Sensitivity Analysis

| Topic | Business Plan Assumption | Key Sensitivity Modelled | Financial Impact |
|---|---|---|---|
| Rents Inflation | 1% reduction for 2 years, then return to CPI plus 1% for remaining 4 years of 10 year rent settlement followed by CPI plus 0.5% | There is no guarantee that there will be the ability to return to previously assumed rent increase if rents are set legislatively, so assume a rent freeze from 2020/21 | Debt cap breached by year 14. Inability to set a balanced revenue budget and reserves exhausted by year 12. |
| Sale of Higher Value Assets | Assumed that payment is deferred until April 2019, with voids held from mid-2018/19 | Assume that legislation is enacted earlier, and the policy is implemented from April 2018 as per the statement from the previous Housing Minister. | Debt cap breached by year 27 |
| Sale of Higher Value Assets | Assumed that payment is deferred until April 2019, with voids held from mid-2018/19 | Assume that legislation is never enacted and the policy is not implemented at all. | Ability exists to repay housing debt in full by the end of the business plan should the authority so choose. Alternatively significant investment in new homes would be possible. |
| Direct Payments (Universal Credit) | Bad Debts at 0.84%, then 1.12% | Evidence from the pilot authorities for direct payment indicated that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2019/20. | Debt cap breached in year 19. |

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

# Appendix K

## Areas of Uncertainty

### Housing Revenue Account – Revenue Uncertainties

**Self-Financing for the HRA**

Future uncertainty exists about the ability to manage the cashflow and service / re-pay the debt for the HRA in a self-financing environment, particularly in light of rent legislation that now imposes rent levels for the HRA. The debt cap, over which the HRA is not allowed to borrow, currently remains, although additional borrowing represents additional risk if the authority is not in control of its revenue streams. The authority has explored a variety of avenues to persuade government that re-opening the debt may be required.

**Right to Buy Sales**

The number of sales has increased significantly since pre April 2012, and a slight decline in interest was temporarily offset by the threat Pay to Stay. Current uncertainty in the economy and the removal of Pay to Stay from the agenda is predicted to result in a marginal decline in sales in the coming years, although this is impossible to predict accurately. The implications of higher levels of sales from a revenue perspective are significant, with the potential loss of rental income being the major factor.

**Right to Buy Retention Agreement**

The resource currently retained in respect of 1-4-1 receipts can only be appropriately re-invested in the HRA due to the £70 million fund announced for the HRA as part of the Cambridgeshire & Peterborough Devolution Deal. Any inability to combine these resources would put the authority at risk of having to return funds, as would any delay in delivery of new homes. At present, sufficient investment is incorporated into the HRA financial model to avoid penalty, but specific sites for all of the investment of the resource have not been identified and approved to proceed. The potential interest that will be payable if the receipts are not utilised within the agreed 3-year period has not been incorporated into the HRA revenue projections.

**Ditchburn Place Extra Care**

The current care and support contract is operating under temporary arrangements pending decisions by the County Council about the future of this contract at Ditchburn Place. Although technically not an HRA function care is delivered alongside HRA services, and the inextricable links to the provision of landlord services mean that any changes to the delivery of care and support services will impact HRA services also.

**HRA Commercial Property**

Stock condition surveys and investment profiles are still required in respect of the HRA's commercial property portfolio, to ensure that sufficient resource is identified in the Housing Capital Plan to maintain the properties in a lettable condition. Any introduction of the disposal of higher value assets levy will accelerate the need for this information.

**Welfare Reforms**

The negative impact that the introduction of Universal Credit may have on the level of rent arrears and bad debts within the HRA is still unquantifiable, although indications from earlier adopters are that it will be significant.

## Housing Revenue Account – Revenue Uncertainties

**HRA New Build**

Further delays in the delivery of the new build programme have the potential to impact negatively upon rental income. If any individual development scheme does not proceed, the initial outlay needs to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of borrowing costs and anticipated rental streams.

**HRA Area Office Closure**

Although vacated, the lease for the south area office does not expire until January 2020. The option to sub-let the premises in the short term has not yet identified a suitable tenant, although marketing is still ongoing. With the current uncertainty in the economy, and many companies still holding off on investment decisions, it may prove difficult to find a sub-lessee at the values required to offset the costs of the lease payments still being made.

**National Rent Policy**

The change in national rent policy, with what was previously rent guidance, now being legislation, requires rent reductions of 1% per annum from April 2016 for four years. There is no guarantee that rent increases will be re-introduced at CPI plus 1% after this period, although our financial plans are constructed on this basis.

**Compulsion to Sell Higher Value Homes Levy**

The Housing and Planning Act allowed the introduction of an annual levy, representative of the proportion of high value homes which may become vacant in any one year. Until secondary legislation is laid, and the regulations surrounding the legislation are released, significant uncertainty exists about the value of the levy and the timing within which payments may be due. In addition to the loss of rental income, the process to dispose of a large number of assets in any one year will be costly and administratively burdensome. It is possible that the implementation of the policy may be deferred further, as is currently being assumed or not progressed at all.

## Housing Revenue Account - Capital Uncertainties

**Ditchburn Place**

Funding has been ear-marked for the re-development of the extra care housing at Ditchburn Place, and work is underway for phase I. The scheme has been considered using indicative costs, but although tendered, the finalised costs will not be available until all works have been packaged and sub-contracted. The decision to phase the works also poses additional uncertainty in terms of both the costs and the length of the build. Uncertainty exists with regard the future of care provision at Ditchburn Place, which could necessitate a review of the later phases of the investment decision altogether.

**Sulphate Attack**

Sulphate attack was identified a number of years ago in a few council dwellings, resulting in the potential need to invest £1.87m to eradicate the problem. Following a risk assessment, the approach taken has been to address the defect when the property is void. Currently 12 of the 110 properties potentially affected have been rectified. Reduced funding of approximately £0.9m is included in the Housing Capital Programme over the next 9 years to continue to fund this risk-based approach. This will not meet the remedial costs of all sites where sulphate has been identified and there is the potential for similar sulphate attacks in the structures of other council dwellings constructed at a similar time, resulting in the need for additional investment.

**Disabled Facilities Grants and Private Sector Housing Grants and Loans**

Although DFG's are currently fully funded by the Better Care Fund, any future investment by the authority in Private Sector Housing Grants and Loans or increased DFG's is wholly dependent upon the generally available element of right to buy receipts in any year, with funding dependent upon 25% of the first 10 to 17 right to buy sale receipts per annum, as assumed to be available for general use in the self-financing settlement. This could put at significant risk the desired level of investment in this area, particularly if funding via the Better Care Fund were to reduce.

**Right to Buy Sales and Retained Right to Buy Receipts**

Interest in right to buy saw another peak, with the threat of 'Pay to Stay', but has begun to decline marginally now that the policy has been abolished. Under the terms of the agreement signed with CLG, the authority is committed to invest the receipts in new homes within 3 years of the date of the retained 1-4-1 receipt, with this funding meeting no more than 30% of the cost of the dwelling. For the next 5years, the resource is expected to be topped up with Devolution Grant, which has alleviated the immediate financial pressure. However, receipts may need to be paid over to central government at the end of each quarter, if delays in the delivery of new homes mean that deadlines are breached.

**Fire Safety Works in Flatted Accommodation**

Following the tragic events at Grenfell Tower, the authority awaits information on the potential for changes to fire safety regulations, which may impact the investment need in flatted accommodation. The cost of any works required under revised regulations will need to be met from reserves in the short-term, with a wider review of stock investment budgets to follow.

# Appendix L

## Housing Revenue Account

## Rent Setting Policy

## 1 Introduction

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

## 2 Policy Statement

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

The Council will set rents following consideration of any national rent legislation, and the Government's 'Guidance on Rents for Social Housing', and any subsequent publications, in the context of both local housing demand and Cambridge's pressured housing market.

Rents are set at a level that ensures that the Council can meet its landlord obligations to tenants and maintain its housing stock to a minimum of the Decent Homes Standard, whilst also delivering a financially viable Housing Revenue Account over the longer term, facilitating investment in the delivery of new Affordable Housing.

## 3 Policy Objectives

The objectives of the rent setting policy are:

- To consider, and respond locally, to Government legislation and guidance on setting rents for Affordable Housing (social housing, affordable housing and intermediate housing)
- To identify how Cambridge City Council will set rents for general stock properties
- To identify how Cambridge City Council will set rents for shared ownership properties
- To identify how Cambridge City Council will set rents for new build properties

- To identify how Cambridge City Council will set rents for garages and parking spaces
- To identify the process for providing statutory notice to tenants of proposed changes in rent levels

## 4 Background

For social rented properties, rent restructuring was introduced in April 2002, with the aim of achieving consistency in the calculation of rents for both local authorities and other Registered Providers (RP's), ensuring that social rents were more affordable, fairer and less confusing for all tenants.

The Government rent restructuring policy requires rents to be set based upon a formula driven by a combination of relative county earnings and relative property values, weighted for the number of bedrooms that a property has.

The Government 'Guidance on Rents for Social Housing' document of May 2014 set out the anticipated approach to setting rents in the social sector for a ten year period. This guidance was then over-ridden in some areas by the Welfare Reform and Work Act 2016 and subsequent amending regulations, which amongst other things imposed a 1% rent cut for four years from April 2016.

## 5 Detailed Implementation

In line with the rent restructuring policy, Cambridge City Council calculates a 'target' rent for all existing, and any new socially rented properties, based on the Government's 'target' rent formula as set out below:

- 70% based on the average county-level manual earnings compared with the national average manual earnings;
- 30% based on the January 1999 property valuation of an individual property, compared with the national average value of a social housing property;
- An additional 'weighting' based on the number bedrooms in the property.
- A weekly rent cap for properties based upon the number of bedrooms in the property.

Actual rents currently charged below target rents will move towards target rents only when an existing property becomes void, in line with government legislation.

## 6 Annual Rent Review

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

Rent levels will be reviewed annually, in line with current rent legislation and government guidelines, with a 1% rent cut for socially rented properties to be applied from April 2018 and April 2019. From April 2020, rent levels will be reviewed in line with previous government guidelines, 'Guidance on Rents for Social Housing', resulting in an adjustment to reflect the change in prices between one year and the next, with inflation plus 1.0% applied across all properties (based on the consumer price index (CPI) inflation rate for the preceding September).

Where the rent charged for a property is below the target rent for the dwelling, no additional increase will be applied to move towards rent convergence whilst the property is occupied by the existing tenant.

The approach from April 2020 would be superseded by any rent legislation of government guidelines issued between now and then, which would result in a review of this Rent Setting Policy.

Rent will be due on each Monday during the rent year 52 (or 53) weeks, but will be raised on rent accounts across 48 (or 49) chargeable weeks for collection purposes.

## 7 General Needs, Sheltered and Supported Housing

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

Rents in respect of void properties will be set at target rent levels before the property is re-let. This will not apply in the case of mutual exchanges, where there is no formal void period and therefore rents will remain as they do in respect of existing tenants.

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

## 8 Shared Ownership Housing

Rents for shared ownership properties will be reviewed annually in line with the requirements of the leases in force.

For pre-2012 shared ownership properties, target rents will be reduced by 20%, in line with the terms of the shared ownership lease, to reflect the tenant's liability for repairs to the property.

Rents will be increased (or decreased) in line with government guidelines for rent restructuring as far as possible within the terms of the lease, with a maximum increase of inflation (CPI at the preceding September) plus 1.0%

Rents in respect of void properties will be set at target rent levels before the property is re-let.

For post-2012 shared ownership properties, rents will be set at a maximum of 2.75% of market value of the share of the property which the Council retains.

Rents will be reviewed annually as at 31st March each year, and increased from 1st April by the change in the Retail Price Index (RPI) for the 12 months up to January of each year plus 0.5% or 0.5%, whichever is the greater, in line with the terms of the HCA model shared ownership lease.

## 9 New Build Housing

In respect of new build housing, consideration will be given to rent levels in the context of the financial viability of the initial investment, with affordable rents considered at up to 80% of market rent levels.

There is a local commitment to deliver a Cambridge Rent Programme, with rent levels no higher than the Local Housing Allowance, currently considered to be between 60% and 65% of market rent levels in the city.

Where Local Housing Allowance is used as the measure for rents to be set, the level at the preceding April will be used for all properties completed during each financial year. Rent levels will be assessed against the latest available market data at that time as a check how they compare with the 60% target level, bearing in mind that market rents can vary significantly over time.

This policy allows for new build homes to be delivered with rents of between an estimated 60% and 80% of market rent levels, dependent upon scheme mix and scheme viability, thus allowing for rents to be set at as low as approximately 60% where viable, but at up to 80%, in line with government guideline, should the investment dictate this.

Although there is also a requirement to reduce affordable by 1% per annum for 4 years from April 2016 as with social rents, the local decision to introduce new homes at the Local Housing Allowance level of approximately 60% of market rent, is argued to have more than pre-applied the 4 years of 1% rent cuts, allowing the authority to review affordable rents annually in line with Local Housing Allowance levels, as long as these don't exceed 76% of market rent, as measured at the outset.

## 10 Garages and Parking Spaces

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

A variable charging structure will apply, which recognises both tenure type and proposed use of the garage. The variable charging structure will be subject to periodic review, with the next review anticipated to be in January 2018.

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

## 11 Monitoring

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

## 12 Review of the Rent Setting Policy

The Rent Setting Policy will be reviewed by officers at a minimum of every 3 years, with any changes being presented to Housing Scrutiny Committee for debate, and then approval by the Executive Councillor for Housing.

Reviewed Policy Date September 2017

Next Review Date September 2020