

Housing Scrutiny
Committee

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



September
2018

2018/19 to 2047/48

Cambridge City Council

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Section 1

Introduction and Local Context

Foreword by the Executive Councillor

The City Council's Housing Revenue Account (HRA) Medium-Term Financial Strategy (MTFS) provides an opportunity to examine the financial assumptions that underpin the HRA budget for the current financial year, and sets the scene for the 2019/20 budget within the context of our long-term business plan.

Changes in national housing policy since 2010 have put undeniable pressure on the ability for local authorities to meet the existing and future needs of those who require secure, affordable housing. But, thanks to lobbying efforts from this council and others, including housing associations, charities and the Local Government Association, the government's recent pronouncements signal a welcome move away from some of the most damaging of these policies. For example, the government has promised not to continue with the 1% annual rent cut after 2020, and the Housing Green Paper confirmed its intent to repeal legislation referring to the compulsory disposal of vacant high-value HRA stock.

Nevertheless, other aspects of housing policy are not fully addressed by the Green Paper. It makes no commitment to remove the cap on council borrowing to build new homes, nor does it go far enough on the subject of Right to Buy (RTB) receipts retained by local authorities. Indeed, the government's desire to extend RTB to housing association stock will likely only reduce the net number of homes for social rent in Cambridge and other cities across the country. This council will be making these points, and more, when responding to the Ministry of Housing, Communities and Local Government's consultation.

In spite of these challenges, I am proud that since 2014 this council has delivered nearly 250 new homes for council rent. Furthermore, the council's determination to hold out for a devolution deal for Cambridge which understood the need for more affordable housing to deliver growth led to us being awarded £70 million which, together with RTB receipts, will allow us to build at least 500 new council homes over the next few years.

We are getting on with the job in building these much-needed council homes with the devolution grant, with our current forecast being that the number of starts on site will number a total of 134 units in 2018/19 alone. We remain on course for all the new homes to be built and occupied by 2022 as per the assumptions laid out in the devolution deal.

The council is getting ready for the October start of Universal Credit being rolled out to all existing social security claimants, and over the last few years it has undertaken a significant amount of planning with the Department for Work and Pensions and other agencies like the Citizens' Advice Bureau to ensure any detrimental impact on tenants – and the HRA in respect of rent arrears – is minimised as far as possible.

Elsewhere, the MTFS provides an update on the Housing Transformation Programme, confirming that the council is committed to ensuring the HRA's business plan is deliverable and remains on a sustainable footing, bearing in mind the possible economic turbulence thrown up by Brexit and other factors as alluded to within the report and its appendices.

Councillor Richard Johnson.

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 Self-Financing Business Plan, originally approved in February 2012, which updates the position for the HRA.

The report allows the review of key assumptions and consideration of any material change, which may necessitate a change in financial strategy, policy or direction of travel for the business, to ensure a financially viable Housing Revenue Account in future years. Both revenue and capital investment is considered, 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 (2018/19), highlighting only significant or exceptional in-year changes for approval, reviews and updates financial assumptions and presents updated projections for an extended period, now covering the following 9 years from 2019/20 to 2027/28, in the context of the longer-term financial position.

The inclusion of 500 new homes, funded largely by Devolution grant, coupled with savings made as part of the Housing Transformation Programme over the last 3 years, project a sustainable position for the HRA over the longer-term. It must be noted, however, that the current forecasts have still been constructed with a number of areas of uncertainty in the housing sector, with the assumptions that 75% of debt will be re-financed, the sale of higher value voids levy will be further deferred and that rent reductions remain for one further year, before being re-introduced at the previously assumed levels of CPI plus 1%. 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
2018	
27 September	Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in recommendations to Council
18 October	Council considers HRA Medium Term Financial Strategy
2019	
16 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
21 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 1/4/2018	Estimated Stock Numbers as at 1/4/2019
General Housing	6,480	6,434
Sheltered Housing	511	511
Supported Housing	22	22
Temporary Housing (Individual Units)	50	50
Temporary Housing (HMO's / EA)	24	24
Miscellaneous Leased Dwellings	16	16
Shared Ownership Dwellings	110	110
Total Dwellings	7,213	7,167

Property Type (Excluding Shared Ownership)	Actual Stock Numbers as at 1/4/2018	Estimated Stock Numbers as at 1/4/2019
Bedsits	99	98
1 Bed	1,672	1,657
2 Bed	2,470	2,453
3 Bed	2,241	2,228
4 Bed	101	101
5 Bed	7	7
6 Bed	2	2
Sheltered Housing	511	511
Total Dwellings	7,103	7,057

Leasehold Stock

At 1st April 2018, the Council retained the freehold and managed the leases for 1,169 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
2017/18	7,049	(47)	(29)	(1)	131	7,103
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
Total		(347)	(302)	(18)	332	

Section 3

The National Policy Context and External Factors

External Factors

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

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 12 months has seen an increase in the rate, from 2.6% in June 2017 to 3.1% by November 2017, but with this quickly reducing to a level of 2.4% by April 2018, where it remained in June.

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 medium-term, with the decline to this level now expected to be more steep than previously assumed, with the potential for a dip below the 2% level before stabilisation.

The negotiations surrounding the UK leaving the European Union, coupled with changes in government at a national level, make it difficult to accurately predict in which direction this indices may actually 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, to 2.2% for 2019/20, 2.1% for 2020/21, then 2% from 2021/22 ongoing (amended from the previously assumed levels of 2.2% for 2019/20, 2.3% for 2020/21 and then 2% on an ongoing basis), to reflect the current view of the Bank of England. This assumption will be revisited again as part of the 2019/20 Budget Setting Report.

The assumptions surrounding building maintenance expenditure inflation are derived from a mix of forecast using the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) all in tender price index and CPI. This recognises that older planned maintenance contracts (TSG) are let as Option C Target Contracts which use the BCIS as an inflation driver, and those let more recently (Fosters) have been let as lump sum priced contracts, instead adopting CPI as the measure of inflation for contract price increases.

The latest projections for the BCIS All in Tender Price Index over the next 4 years are for growth of 0.6% for 2019/20, followed by, 4.1%, 4.2% and 5.8% in the following 3 years. Taking an average of these rates of growth gives rise to an annual increase of 3.68%.

On a similar average basis, the assumptions for CPI over the same period are 2.08%, a difference of 1.6%. As only 50% of the work programme is anticipated to be subject to the BCIS indices, half of the uplift has been applied and a rate of CPI plus 0.8% has been incorporated into the business plan forecasts.

Interest Rates

The Housing Revenue Account is entitled to its proportion of any interest earned on revenue and capital cash balances invested by the authority, with a mix of investments adopted by the Council. Interest returns currently remain low, with revised interest rate assumptions 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 has been allowed up to the level of the HRA borrowing cap, with headroom of approximately £16m. Any transfer of land between the General Fund and the HRA to allow development, impacts the HRA Capital Financing Requirement, effectively utilising any borrowing headroom which may exist. Therefore any decisions in this regard need to be taken with the borrowing cap in mind.

Announcements in June 2018 confirm the ability for local authorities in areas of high affordability pressure (where market rents are more than £50 per week higher on average than social rents) to bid for permission to increase their borrowing cap to allow the development of new homes in their housing stock. £1 billion of borrowing approval has been announced, with £400 million in 2019/20, £300 million in 2020/21 and £300 million in 2021/22. 50% of this is ear-marked for use by London Boroughs.

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

The external borrowing rate previously assumed for the HRA was 2.8% from 2018/19. 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 retain the rate 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 2017/18, 65 right to buy applications were received and recorded, compared with 118 in 2016/17. Only 29 applications have been received in the first 5 months of 2018/19. This seems to confirm that interest has slowed and stabilised, leaning towards the lower levels experienced prior to the housing policy changes and reinvigoration of the scheme that increased interest for a period.

In 2017/18, 47 of the applications proceeded to completion of the sale of the property, compared with 58 in 2016/17. In the first 5 months of 2018/19, 16 sales have completed, supporting the view that interest has slowed and may be stabilising.

It is difficult predict future sales, although the continued lower level of initial interest in the scheme, coupled with the uncertainty in the country at national level, caused by exit from the European Union indicate it may be prudent to retain the assumption of a marginal decrease in sales, with 40 sales in 2018/19, reducing by 5 sales per annum, until 25 sales per annum are assumed from 2021/22 onwards.

Right to Buy Receipts

Still subject to an agreement with CLG allowing the retention of an agreed proportion of right to buy receipts, subject to a set of specific conditions, the authority holds a significant sum for re-investment. Receipts must currently 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, borrowing and more latterly £70 million of Devolution Grant.

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.

The authority is unable to directly utilise capital receipts from the sale of land and other housing assets, Section 106 receipts or other forms of public subsidy as a form of match funding for retained right to buy receipts.

A Ministry of Housing, Communities and Local Government consultation on the use of receipts from right to buy sales was published in August 2018, with response due by 9 October 2018.

The consultation recognises some of the difficulties experienced by local authorities' in appropriately reinvesting right to buy receipts and is consulting upon the following proposals:

- Extending the spending deadline from 3 to 5 years for receipts currently held, whilst retaining the 3 year timeframe for any future receipts received.
- Increasing the level of right to buy receipts which can be used to finance a new home from the current cap of 30%, to 50% in respect of social rented homes, where authorities meet the eligibility criteria for the Affordable Homes Programme and can demonstrate a need for social housing over other affordable housing.
- Deter the use of receipts for acquisition of existing market homes by limiting the value of an acquisition to the cost of delivery of a new home as determined by Homes England and the Greater London Authority. This would mean a cap on the value of an acquisition for Cambridge City Council of £167,000.
- Allowing right to buy receipts to be used to fund shared ownership homes as well as rented.
- Allowing land held by the General Fund to be transferred to the HRA for the delivery of affordable homes at zero value, but with some suggestion a time limit may be imposed on how long the General Fund will have had to hold the land prior to transfer.
- Consideration of changes to allow transfer of receipts to a Housing Company or ALMO (Arm's Length Management Organisation), subject to some constraints.

- Allowing a 3 month 'interest free' window after each quarter to allow authorities to make decisions about whether to retain or pay over receipts.

The authority will respond to this consultation before the 9 October 2018 deadline.

Appendix C summarises the latest position in respect of both receipts held and re-invested. Significant investment in respect of a recent land acquisition means that sufficient resource has been reinvested to ensure that deadlines are met up to March 2019.

Although further new build expenditure is planned to ensure that future deadlines can be met, the Strategic Director retains a delegation to draw down funds from HRA ear-marked reserves to acquire homes on the open market to ensure that investment is made well in advance of the prescribed deadlines.

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.

With funding for HRA housing in Cambridge through the devolution arrangements, the authority has sufficient top up resource to be in a position to retain and reinvest all right to buy receipts allowed under the 1-4-1 retention agreement. The need to invest the resource within 3 years of receipt still remains a key challenge.

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 last of years, from April 2019.

After this, the authority is expected to return to the previous national rent policy of increases at CPI plus 1% per annum for a period of 5 years.

In respect of affordable rents, the government has required 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 at the end of the 4 year period.

For those properties still charged at the transitional social rents, which are well below target social rent levels, the authority is still expected to increase rents only in void properties to achieve convergence, recognising that the target rents will still reduce by 1% for a further year.

Housing Green Paper

The Ministry of Housing, Communities and Local Government published a green paper 'A new deal for social housing' in August 2018, with responses to the consultation to be submitted by 6 November 2018.

The five key principles in the document are:

- a safe and decent home which is fundamental to a sense of security and our ability to get on in life;
- improving and speeding up how complaints are resolved;
- empowering residents and ensuring their voices are heard so that landlords are held to account;
- tackling stigma and celebrating thriving communities, challenging the stereotypes that exist about residents and their communities; and,
- building the social homes that we need and ensuring that those homes can act as a springboard to home ownership.

The consultation considers a vast number of points, including:

- The introduction of further safety measures in social housing, reviewing the decent homes standard and engaging residents in how to ensure homes are safe
- Improving mediation for residents, ensuring access to the right advice and support, reviewing process for the handling of complaints.
- Reviewing performance reporting requirements and regulation, enhancing resident engagement / leadership, providing residents with more choice.
- Tackling stigma in social housing, providing good neighbourhood management, tackling anti-social behaviour.

- Striking a balance between funding housing associations to *deliver* new homes, and increasing borrowing caps to allow local authorities' to build more, boost community led housing, increase supply of new homes by providing certainty over longer-term funding, support the development of more share ownership homes.

Mandatory Disposal of Higher Value Housing Stock

The Housing and Planning Act 2016 allows Central Government to choose to impose a financial levy on stock owning authorities in respect of the assumed sale of higher value vacant housing stock. This would require secondary legislation to be passed before the policy could be implemented.

Any 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, not unlike the old housing subsidy system., it is anticipated that the authority may 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, was placed on hold until further announcements were made.

The Housing Green Paper 'A new deal for social housing', indicates a clear commitment from government to revoke the legislation that would allow the levy to be introduced, with the following statement made:

'Therefore to increase councils' confidence to plan ambitious house building programmes, we are confirming in this Green Paper that the Government will not bring the Higher Value Assets provisions of the Housing and Planning Act 2016 into effect. We will look to repeal the legislation when Parliamentary time allows'.

As a result of this, it is not considered appropriate to retain the current assumption that the authority will be required to dispose of assets to meet a levy with effect from April 2019. However, as the announcement currently forms part of a green paper consultation document, and the legislation is yet to be repealed, the assumption has been deferred until April 2020, with our financial modelling now assuming that we do not begin to hold any voids until October 2019. This assumption will be reviewed, and hopefully removed, after the outcome of the green paper is published and the repeal of the legislation is confirmed.

The HRA Medium Term Financial has therefore been constructed on the assumption that the compulsion to sell would 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 further deferred until 2020/21, pending confirmation of the outcome of the green paper. Scenario modelling has been undertaken to demonstrate the impact on the HRA of the abolition of this policy, as is now hoped.

Welfare Reforms

Universal Credit

Universal Credit full digital service is being rolled out from 17th October 2018. Recent changes mean that Universal Credit claimants in temporary housing will receive housing cost support in housing benefit and not Universal Credit. Additionally, a two week overlap for Universal Credit claimants moving from Housing Benefit was also introduced to mitigate the impact of the change.

Cambridge City Council continues to work with partners and local Jobcentre Plus, including a funded post being available in the Jobcentre from early October to provide Personal Budgeting Support. Whilst there has been low take up via the current referral process, Universal Credit customers are still able to contact Cambridge CAB directly for budgeting advice. We are also working with other partners to support digital inclusion and access to support the new Universal Credit claiming process.

Benefit Cap

The project to manage the impact of the reduced Benefit Cap is progressing well and is continuing to support those affected. A number of referrals have been made to Cambridge CAB 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. City Homes officers have been working with tenants to find solutions that work for them.

There are currently 96 capped claims, with 48 being City Homes tenants.

Removal of the Spare Room Subsidy

Numbers of customers affected by the removal of the spare room subsidy is remaining steady with 355 HRA tenants currently affected by the reform. 301 are impacted by a reduction of 14% and 54 by 25%. DHP's are also used to support tenants affected by the Removal of the Spare Room Subsidy.

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.

Supported Accommodation Review

DWP and DCLG launched a further consultation considering new funding for supported housing with an effective date of April 2020.

There were three broad proposals:

- Sheltered housing schemes – a new sheltered rent based on existing social sector rent controls plus eligible service charges. This will be met through claims for Housing Benefit or Universal Credit.
- Short-term and temporary housing schemes with support provided will be supported through a ring fenced grant paid to upper tier authorities who will be responsible for the commissioning of this type of accommodation.
- Longer-term supported housing – these arrangements will continue much as they are with 100% of eligible rent and eligible service charges being met through claims for Housing Benefit or Income Support.

A government press release in August 2018 has confirmed the government's intention to keep funding for supported accommodation within the housing benefit system, and not to implement any of the published proposals.

Support for Vulnerable People

Cambridge City Council remains in contract with the County Council for the delivery of tenure neutral support services to older people across the city as a whole, with a term of up to 4 years from April 2018. The contract sum is fixed at £180,000 per annum.

The authority has been contracted to deliver both care and support services in extra care housing at Ditchburn Place for many years. The County Council is retendering these services, with the tender process anticipated to be concluded to allow a new supplier to take over from March 2019. The City Council have declined to bid, but in its continued capacity as landlord, will instead work proactively with the new supplier to minimise any impact of the change for residents and staff.

Section 4

Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

Rent collection performance has dipped slightly, with 98.5% of the value of rent due, collected in 2017/18, compared with just over 99% in prior years.

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)
31/3/2014	£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
31/3/2018	£779,904	1.96%	£871,620

Performance in the collection of current tenant debt has worsened in 2017/18, with the ongoing impact for residents of the social sector size criteria reduction in housing benefit, the benefit cap and direct payment now having a visible impact. Changes in staffing structures during 2017/18 as part of the Housing Transformation Programme is also thought to have contributed to the increase in arrears, with vacant posts needing to be appointed to and staff being trained in new roles in some areas.

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. A dedicated Income Management Team is in place to ensure that income recovery is maximised.

Arrears performance will be the subject of renewed focus in the remainder of 2018/19. Following the Housing Transformation Programme, and subsequent restructure across Housing Services, it took longer than anticipated to bring the City Homes Team up to full capacity. With a full staff team in place from the end of quarter 1, the service is now able to focus both on current income management performance and preparation for the full rollout of Universal Credit in October. A full suite of policies and procedures are being rewritten as working practices are reviewed and the Council is recruiting a fixed term Policy and Performance Officer across supported housing and City Homes to support this work.

The Council has a Universal Credit project plan underway working with a number of internal and external partners with a view to:

- Support a smooth transition to support for housing costs via Universal Credit for those currently receiving Housing Benefit and other legacy benefits.
- Improve tenants' budgeting skills
- Reduce levels of personal debt and increase disposable income.
- Assist customers in accessing affordable credit thereby avoiding high cost and illegal money lenders.
- Reduce the number of tenancy terminations by tenants affected by welfare reforms.
- Support online access and digital capability, as UC is an online claim.

Funding incorporated into the Housing Revenue Account budget to meet the anticipated increased costs of rent collection due to welfare reforms is now being utilised, with the planned recruitment of an additional fixed term dedicated Universal Credit Advisor in the Income Management Team to increase capacity to work with affected tenants as quickly as possible once they are impacted by change. There is much evidence to suggest that customers need a hand-holding service in the early stages following the switch to Universal Credit. This role will give the team extra capacity to do this. Aside from supporting new claimants the post will also work with existing claimants experiencing difficulties. The post will initially be a 12 month fixed term contract, with a review at the end of this period.

Consideration is also being given to moving from collecting the annual rent due from tenants over 52 weeks in each year as opposed to the current 48 weeks. Tenants would pay the same sum over the rent year, but would have less to pay in any one week and would no longer benefit from non-payment weeks at Christmas and around Easter. This change would bring the City Council in line with

many other local authorities and housing associations and would be consistent with the way in which Universal Credit will be calculated and paid. The change would however, require a change to our tenancy agreement and tenancy conditions, which would be subject to consultation with tenants.

The collection of former tenant arrears continues to prove challenging, with an increase evident during 2017/18, caused by staff directing attention into managing current arrears. Debt that is not realistically collectable is recommended for write off. 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.

A further 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 annual contribution to the bad debt provision is 1.12% from 2018/19. This assumption has 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 after the full rollout of Universal Credit.

At 31 March 2018, the total provision for bad debt stood at £1,392,697, representing 84% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2017/18 was £902,193 representing a void loss of 2.39%, compared with £511,864 in 2016/17, representing a void loss of 1.38%.

The significant increase in void loss in 2017/18 was due to a combination of holding vacant flats and bungalows at Anstey Way prior to their demolition and re-build and at Ditchburn Place during refurbishment, coupled with a large number of new build units which were unoccupied for longer than anticipated. The most significant contributor to the high void levels relates to shared ownership housing, with void loss of approximately £266,000 due predominantly to the time taken to sell the initial share in new build shared ownership homes, with many on the Clay Farm site still vacant. Void loss at Ditchburn Place was in the region of £94,000 in 2017/18 due to the planned refurbishment programme, which is still ongoing. £73,000 of the void loss related to Anstey Way, where units were vacant up to the point of hand over for demolition in November 2017.

The option for the HRA to convert difficult to sell shared ownership units at Virido (Clay Farm), to affordable rented homes is being evaluated, but requires obtaining permission from planning and also, as the units were in receipt of grant funding, Homes England. An alternative option is to review the level at which rent is charged for the unsold equity, making the overall monthly costs to the resident lower. Both options will need to be evaluated in terms of their impact on the HRA Business Plan.

A significant amount of work has been undertaken to review the void and lettings processes as part of the Housing Transformation Programme, with the business process reengineering resulting in an extensive action plan, which has been, and is being, implemented across the service. Once fully rolled out, it is anticipated that there will be tangible improvements in the void times for general voids, although it must be recognised that there will always be the impact of management voids caused by decisions such as redevelopment of a housing estate.

Although longer-term an assumption of 1.0% voids is still considered realistic, recognising the reduction in void times anticipated as part of changes in void process, it needs to be recognised that there will be a continued higher incidence of void activity whilst the Ditchburn Place refurbishment continues, other new build development sites come forward and until the shared ownership unit at Clay Farm are sold, or converted to rented and let. It is therefore proposed to increase this assumption in the short-term to 2% in 2018/19 and 2019/20.

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 2019, the authority is required to apply the final 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%.

From April 2020 the authority is 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, for five years, after which in the absence of any formal announcement, the assumption is a return to inflation plus 0.5% from April 2025.

Rent Restructuring

Property specific target social rents under the rent restructuring regime still apply, with targets to reduce by 1% from April 2019 in line with the requirement to reduce social housing rents by 1%.

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 2018/19 across the general housing stock was £102.76, with the average actual rent charged being £98.69, both recorded on a 52 week basis. By April 2018, 20.8% of the social rented housing stock was being charged at target rent levels, compared with 21.1% in April of the previous year, with the slight reduction in convergence with target due to sale or demolition of more property that may have been at target and separating out some residual service charges in 2017/18.

The gap between actual and target rent levels in the general housing stock now equates to an annual loss of income of approximately £1,439,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated well before now.

There were 295 new build properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at 1st April 2018, compared with 173 in April 2017.

Reserves

Housing Revenue Account General Reserves

Reserves are held to help manage risks inherent in business operation, 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 2017/18, and 2018/19 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2017/18 £'000	2018/19 £'000
Opening General HRA Reserves	(10,178)	(9,018)
Changes in HRA Reserves		
Original Budget (Approved in February)	2,317	(3,281)
Carry Forwards (Approved in June)	545	699
MTFS Mid-Year Review (Approved in October)	(367)	209
Budget Setting Report Revised Budget (February)	(53)	-
Estimated Closing General HRA Reserves	(7,736)	(11,391)
Actual Outturn variance for the Year (Reported in June)	(1,282)	-
Contribution from Ear-Marked Reserves	-	-
Actual Closing General HRA Reserves	(9,018)	-

The original budget for 2018/19 approved a net contribution to general reserves of £3,280,730, incorporating a revenue contribution of £502,530 to fund capital expenditure and set-aside of £4,472,200 for potential debt repayment or re-investment.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources, approved carry forwards from 2017/18, changes in anticipated interest due for 2018/19 based upon revised cash balance assumptions and changes in the bad debt provision due to increased arrears levels. Changes are also incorporated to reflect an in year saving to recognise the early termination of the lease at the south area housing office, more than offset by inclusion of resource to undertake stock condition surveys, to begin the installation of heat detectors in all general housing and to fund a housing officer dedicated to securing vacant possession on any HRA redevelopment sites.

The final general HRA reserves position reported at 31 March 2018 was £9,018,370.

The revised projection of the use of general reserves in the current year (2018/19) now indicates that there is expected to be a net contribution to reserves of £2,372,470, which would leave a balance of £11,390,840 at 31st March 2019.

There is now a proposed use of £597,320 of direct revenue financing of capital expenditure in 2018/19 and nothing in 2019/20. This is lower than previously anticipated due to the assumption that devolution grant is used to match retained right to buy receipts at every opportunity and that receipts from the sale of shared ownership homes are also available for reinvestment.

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 and third tranches of significant revenue savings from April 2017 and April 2018.

The majority of the savings offered as part of the Housing Transformation Programme have now been delivered in full, with termination of lease for the south area office, one of the delayed items to be completed, taking place in March 2018. The financial impact of having not been able to identify a suitable sub-tenant for the office (approximately £108,000 per annum, including rent, insurance, business rates, health and safety expenditure and utilities) had 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 short-term funding can now be removed as part of this HRA Medium Term Financial Strategy and business plan update.

Areas where further work is still required to ensure delivery of the savings agreed include the proposed reduction in void times, anticipated to generate higher rental income levels, the review of rechargeable repairs to ensure greater cost recovery and the increase in fee income anticipated from broadening the work of the Major Projects Team. The latter has been addressed in part as a result of the internal construction of homes at Uphall Road in 2017/18 and the planned construction of homes in Kendal Way in 2018/19.

The Housing Transformation Programme continues in 2018/19, 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. Some workstreams have been deferred to later years for business reasons.

The work streams being considered as part of the 2018/19 programme include:

- Stock Condition Survey (subject to approval of funding for external consultancy)
- Section 20 Works and Cost Recovery (review by HQN commissioned)
- Review of Land Audit
- Identification of external communal works on estates (surveys in progress, with some early recommendations)

The work streams deferred until 2019/20 include:

- Response Repairs Standards and Rechargeable Repairs (deferred to fit with implementation of new Housing Management Information System in 2020).

Recommendations resulting from the above 2018/19 work streams will be presented to Housing Scrutiny Committee where appropriate, with any detailed resulting budget proposals to be incorporated as part of the 2019/20 budget process and included in the 2019/20 HRA Budget Setting Report.

2018/19 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 expenditure, income or financing arrangements as a direct result of changes in the capital programme.

For 2018/19 there is the need to recognise and approve the following changes in the HRA mid-year:

- Inclusion of £100,000 in 2018/19 to undertake stock condition surveys
- Following early termination of the lease for the south area office, removal of the budget for the rent and running costs with effect from April 2018 as opposed to January 2021 when the lease was expected to terminate naturally.

- An increase in the 2018/19 contribution to the bad debt provision, recognising the marked increase in rent arrears by the end of 2017/18 and the marginally lower level of rent collected as a proportion of rent due.
- Inclusion of funding for an additional Housing Officer for a period of 5 years to address the additional specialist workload associated with the consultation, communication, negotiation and administration of relocating tenants and buying out leasehold dwellings on HRA redevelopment sites. Funding to be incorporated from October 2018 onwards.
- Inclusion of revenue funding in the planned maintenance programme of £781,320 (£100,000 in 2018/19, £340,000 in 2019/20 and £341,320 in 2020/21) to allow for the programmed installation of heat detectors in all general housing properties, where they do not already exist, in line with those installed in new build homes, as described in more detail in Section 6 of this report.
- A marginal increase in the amount of interest that the HRA will expect to pay on notional internal borrowing in 2018/19 due to an increase in the HRA Capital Financing Requirement (CFR), and therefore in the level of notional internal borrowing. This is due entirely to the need to appropriate the value of the affordable housing element of the land at Mill Road to the HRA.
- An increase in the anticipated interest received on cash balances for 2018/19, as although the interest rate assumptions are only marginally amended, the level of balances held is higher due to underspending in 2017/18, re-phased capital expenditure and increased sales receipts.

These changes are detailed in **Appendix D**, and are incorporated into the HRA Summary Forecasts at **Appendix G (1)** and **Appendix G (2)**

Section 6

Capital and Planned Revenue - 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 2018 at 95%, compared with 97% achieving the desired standard at 31 March 2017. There were 341 properties that were considered to be non-decent (in addition to refusals), with another 200 to 250 estimated to become non-decent during 2018/19.

Stock Investment

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).

The assessment of fire risk has been reviewed and as a result we have identified some opportunities to increase the level of fire protection in flatted accommodation above the level of compliance it already achieves. This includes funding for fire door replacements should any be required once the government finishes its fire door safety testing programme.

A work programme is being developed to introduce measures which will improve early heat detection for fire prevention purposes and to protect means of escape. Funding has been incorporated into the

Housing Revenue Account as part of this Medium Term Financial Strategy in preparation for this. A capital budget of £432,000 has been incorporated into the Housing Capital Investment Plan plus associated fees and overheads (£148,000 in 2018/19 and £284,000 in 2019/20 plus associated fees and overheads) to fund internal fire doors, windows and emergency lighting in a small proportion of the housing stock and a revenue budget of £781.320 (£100,000 in 2018/19, £340,000 in 2019/20 and £341,320 in 2020/21) to allow for the programmed installation of heat detectors in all general housing properties in line with those now installed as standard in new build homes.

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 is considered appropriate that a strategic review of planned investment in our housing stock be undertaken in 2019/20, once findings from the stock condition survey exercise are available, recognising that the longer-term investment need in HRA assets has not been updated for some time. It should be recognised that any increased investment need in the existing housing stock would have a direct impact on the resource available for other areas of the programme, such as the delivery of new homes. A further reduction in investment levels over the longer-term, particularly quantifying the impact of a return to the basic decent homes standard, may conversely provide greater flexibility to respond to any increased financial pressure that the HRA faces.

From a delivery perspective planned maintenance investment is currently broadly split between two main contractors, with Fosters responsible for the delivery of the majority of external planned works to the housing stock, blocks and estates, whilst TSG deliver the majority of internal planned investment. The contract with Fosters runs until September 2021, with the potential to extend for a further 3 years, and with TSG until October 2019, with the potential to extend by a further 3 years.

Appendix H provides detail of the revised 10-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 2018.
- Re-phasing of expenditure anticipated to take place in 2017/18, into 2018/19 and beyond, as approved in June / July 2018.
- Inclusion of £432,000 plus associated fees and overheads (£148,000 in 2018/19 and £284,000 in 2019/20 plus associated fees and overheads) for identified fire safety works

across the housing stock, to meet the capital costs of enhanced internal fire doors, windows and communal and emergency lighting in a small proportion of the housing stock.

- Inclusion of £1,000,000 for 5 years from 2019/20 to undertake the prioritised estate investment arising from the external estate and common parts surveys. This budget will include capitalisation of programme design and staff costs, where staff are required to project manage this programme.
- Adjustment to the budget for new build decent homes works in line with changes in their delivery profile (as detailed in **Appendix E**).
- Re-allocate £2,500,000 of the inflation held in 2018/19 across the following 5 years to allow for the anticipated impact of re-basing the decent homes budget and other investment in the housing stock following the stock condition survey findings and subsequent update of the asset management system with the latest contract information and prices.
- Virement of £651,000 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, if introduced, 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.

During 2017/18, the HRA acquired 21 properties on the open market in order to appropriately reinvest right to buy receipts, including a block of 12 flats and maisonettes in Tuscan Court and 2 properties as part of re-development decisions. The properties at Tuscan Court have undergone some reconfiguration and decent homes investment, but are now nearing completion and letting.

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, due to complete in September 2018
12 Mortlock Avenue	3-bedroom house currently leased to the County Council approved for disposal to the County (linked to 188 Kendal Way)	
101 Gwydir Street	Bedsit in need of significant investment sold on the open market	Completed

New Build & Re-Development

General Approach

All new build housing in the HRA is now delivered through the Housing Development Agency (HDA), who project manage the sites. There are a number of options for the delivery of new homes. One option for HRA sites is to lease the site to the Cambridge Investment Partnership (CIP), a limited liability partnership (LLP) with Hill Investment Partnerships Limited, and purchase any affordable housing built through an Affordable Housing Agreement. This route is also adopted for General Fund sites where an element of affordable housing is offered for sale. Alternatively, the HRA can contract directly with a builder / developer for a site or package of sites, following a competitive process, delivering the housing under a JCT build contract or similar or can build out sites in-house, deploying the existing workforce in the Major Projects Team in the Estates and Facilities service area.

Where the Cambridge Investment Partnership lease a site, they 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. Some staff time for the H.D.A team is therefore charged directly to CIP as part of the CIP Investment Team costs. The H.D.A will continue to charge a fee for its role in the detailed project management for the delivery of new homes from the Council's perspective, but the fee will be lower, recognising the proportion of the team being funded by the Cambridge Investment Partnership, as part of the wider Investment Team. It is proposed that the fees charged by the H.D.A are reviewed as part of this Medium Term Financial Strategy, recognising both the increased level of input into schemes which are currently being delivered and that where the HRA owns the site, there is no land value associated with the scheme to attract fees. Typically, a 2% fee may be charged as a fee for a site including the associated land value, so for an HRA site where there is no land value, a higher fee is required to provide the same level of income to the Housing Development Agency. The proposed level of H.D.A fees for schemes approved from September 2018 onwards are:

- HRA housing schemes delivered using CIP – 2%
- HRA housing schemes delivered by H.D.A directly – 3%
- 1% addition to be added to each of the above if scheme includes re-development or community facility provision

Potential new build schemes are 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 or affordable housing agreement, which form 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 the affordable housing agreement, supported by a pre-agreed break clause in each lease.

Some of the HRA sites incorporate an element of re-development and therefore re-provision of existing homes, usually with the density of the new site being significantly increased. This iteration of the HRA Business Plan incorporates scheme specific budget for the redevelopment of one further HRA housing site and ear-marks fund for the potential to draw down resource for a second HRA redevelopment site, in line with the addition of this site to the 3 year rolling programme. This will allow for re-provision of existing homes alongside those built with devolution grant and retained right to buy receipts as these sites are built out or are brought forward for scheme specific decision. Resource is also ear-marked in the Housing Capital Investment Plan for other potential sites to be brought forward, allowing this resource to be vired to specific scheme budgets once scheme specific approvals are presented for decision.

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.

Funding for schemes is a mix of retained right to buy receipts, Devolution Grant of up to £70,000,000 and HRA resources.

New Build Schemes Completed

At the time of writing this report 317 new or re-provided homes had been completed since April 2012, of which 36 were shared ownership homes.

The following table details the new build schemes 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%
Scholar's Court, Homerton	December 2016	39 (10 Shared Ownership)	RTB & Sales Receipts	40%
Virido, Clay Farm	June to September 2017	104 (26 Shared Ownership)	RTB & Sales Receipts, HCA Grant	50%
Water Lane (Jolley Ford Court)	September 2017	14	HCA Grant	61%
Ekin Road (Ekin Close)	October 2017	6	RTB Receipts	100%
Uphall Road	February 2018	2	RTB Receipts & Devolution Grant	
Fulbourn Road	February 2018	8	RTB Receipts	100%
Hawkins Road	April 2018	9	RTB Receipts	100%
Total		317 (incl. 36 Shared Ownership)		

The HRA has now taken handover of the entire package of sites contracted for delivery by Keepmoat.

New Build Schemes on Site

Following completion of the remaining new build sites delivered by Keepmoat, attention is now focused on the new delivery routes, with schemes being brought forward by the Cambridge Investment Partnership, the in-house team and by newly appointed build contractors for some sites.

The table below summarises new build schemes, where scheme specific budget approval is in place, which are on site at the time of writing this report, 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	Gain in Affordable Housing Units	Latest Budget Approved	RTB Receipt / Sales Receipt Funding	Devolution Grant	Net Capital Cost to the HRA
Mill Road	91	91	19,155,500	(5,746,650)	(13,408,850)	0
Total Due	91	91				

New Build Schemes in Pipeline

There are a number of sites which have scheme specific approval, or where scheme specific approval is sought as part of this committee cycle, but at the time of writing this report, were not on site. These schemes include expansion of the General Fund site at Mill Road, where a larger proportion of the site is now to be developed for housing, development of a site acquired at Cromwell Road, re-development of existing housing at Colville Road and the creation of two additional flats in the old day centre at Ditchburn Place.

Scheme	Approved Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Devolution Grant	Net Capital Cost to the HRA
Nun's Way / Cameron Road	7	7	1,945,000	(583,500)	(1,361,500)	0
Wiles Close	3	3				

Scheme	Approved Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Devolution Grant	Net Capital Cost to the HRA
Tedder Way	2	2	389,000	(116,700)	(272,300)	0
Kendal Way	2	2	357,000	(107,100)	(249,900)	0
Queensmeadow	2	2	582,520	(174,750)	(407,770)	0
Wulfstan Way	3	3	827,430	(248,230)	(579,200)	0
Anstey Way	56	29	11,391,170	(1,811,510)	(3,398,910)	6,180,750
Ventress Close	15	13	3,450,270	(721,580)	(1,683,670)	1,045,020
Akeman Street	14	12	4,118,680	(1,044,130)	(2,436,320)	638,230
Colville Road Garages	3	3	866,350	(259,900)	(606,450)	0
Markham Close	5	5	1,013,520	(304,060)	(709,460)	0
Gunhild Way	2	2	585,720	(175,710)	(410,010)	0
Kingsway	4	4	410,000	(123,000)	(287,000)	0
Ditchburn Place	2	2	332,000	(99,600)	(232,400)	0
Cromwell Road	Up to 118	Up to 118	25,099,770	(7,529,930)	(17,569,840)	0
Colville Road II	62	42	13,129,650	(2,380,110)	(5,553,590)	5,195,950
Mill Road II	Up to 25	Up to 25	5,287,500	(1,586,250)	(3,701,250)	0
Total Due	Up to 325	Up to 274				

In addition to schemes with, or seeking approval as part of this committee cycle, there are a number of potential sites which are currently in the feasibility stages. The table below provides an indication of the number of homes which are anticipated to be delivered on these sites:

Scheme	Potential Affordable Housing Units	Gain in Affordable Housing Units
4 x Potential Sites	187	162
Total Due	187	162

Where the budgets for existing specific schemes are being proposed for amendment as part of this Medium Term financial Strategy the original approval level and number of units anticipated is compared to the revised budget and number of units included as part of this report;

Scheme	Reason for Change	Latest Budget Approval	Original Estimated Units	Revised Budget Approval	Revised Estimated Units
Anstey Way	Final costs from Affordable Housing Agreement	11,561,210	54	11,379,510	56
Markham Close	Final planning application for 5 units as opposed to 4	855,190	4	1,013,520	5

The Housing Capital Investment Plan, an updated version of which is attached at **Appendix H**, incorporates the funding for new build schemes as identified in the tables above, recognising gross spend on each affordable housing scheme, land values, grant and right to buy receipts separately, 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 Housing Capital Investment Plan also ear-marks funding for potential sites, to ensure that resource is available and budget is approved to allow draw down when a scheme is brought forward for scheme specific approval.

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
Queensmeadow	In-fill	Planning approved	2

Scheme	Site Type	Status	Potential New Build Units
Wulfstan Way	In-fill	Pre-planning	3
Anstey Way	Existing Housing	Planning approved	56
Ventress Close	Existing Housing	Pre-planning	15
Akeman Street	Existing Mixed Use	Pre-planning	14
Colville Road Garages	Garage Site	Pre-planning	3
Markham Close	Garage Site	Awaiting planning	5
Gunhild Way	Garage Site	Awaiting planning	2
Kingsway	Commercial	Pre-planning	4
Ditchburn Place	Community Facility	Design Stage	2
Cromwell Road	Commercial	Outline planning	Up to 118
Colville Road II	Existing Housing	Design Stage	62
Mill Road II	Council Depot	Pre-planning	Up to 25

The budget required for the schemes in the table above may change as planning negotiations progress and the work is priced in detail. If detailed feasibility costs are not available, sums have been ear-marked in the Housing Capital Investment Plan at the level of £200,000, plus H.D.A fees and stamp duty, if applicable.

Ditchburn Place

The Council has re-acquired the day centre at Ditchburn Place which was leased to the County Council on a long lease, but no longer operational. As an extension of the existing refurbishment and re-development contract at Ditchburn Place, it is proposed that the day centre is converted into 2 additional extra care flats. Resource has been incorporated into the Housing Capital Investment Plan to allow this to proceed.

Mill Road (Phase II)

Following confirmation that the YMCA will not re-locate to new premises planned to be built on the Mill Road site, the land holding is now being considered for housing development, to deliver additional

market and affordable housing. A second phase scheme at Mill Road has been incorporated into the Housing Capital Investment Plan, assuming that up to a further 25 affordable homes could be built on the land, subject to design and planning. Officers will need to explore the correct accounting treatment for the purchase of the resulting dwellings from CIP, or for the transfer of this additional land to the HRA. Any implications will be addressed in the HRA Budget Setting Report in January 2019.

Cromwell Road

The authority has acquired a parcel of commercial land off Cromwell Road in Cambridge with outline planning permission in place for 245 new homes (40% to be affordable homes), with the acquisition costs met 40% by the HRA and 60% by the General Fund. It is anticipated that this land will be leased to the Cambridge Investment Partnership for redevelopment, with the HRA acquiring the affordable housing delivered on the site. The land assembly costs (land acquisition and stamp duty land tax) have been included against the specific scheme in the Housing Capital Investment Plan, with funding for the development of the affordable housing also ear-marked against the scheme in line with the report to be presented to Housing Scrutiny Committee in this committee cycle. A detailed planning application will need to be submitted, with options for more housing, or a different housing mix, being explored as part of this process, and as such the funding incorporated allows for up to 118 affordable homes to be acquired by the HRA should this be required.

Colville Road (Phase II)

Also presented as part of this committee cycle, is a report to obtain scheme specific approval for redevelopment of phase two of Colville Road, where 20 tenanted dwellings and 4 leasehold properties would be replaced with 62 anticipated new homes, subject to securing vacant possession and planning approval. Budget has therefore been incorporated into the capital plan as part of the HRA Medium Term Financial Strategy to allow this scheme to proceed.

Campkin Road (Phase II)

Approval is sought in this committee cycle, to include the re-development of the second phase of the Campkin Road site in the 3 year rolling programme. If brought forward as a scheme specific report to Housing Scrutiny Committee, the resource for the scheme would be vired from the unallocated new build budget against this scheme.

General Fund Sites

For 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 to consider the impact of the transfer of land between the General Fund and the HRA and any resulting impact of the HRA Capital Financing Requirement. Any increase in this reduces the level of borrowing headroom available to the HRA. If General Fund sites are built out using the Cambridge Investment Partnership, and it is the intention of the Council to exercise the break clause in a lease in order to acquire the affordable homes, it is considered necessary for this land to be appropriated between the General Fund and the HRA at existing use value prior to lease to the Cambridge Investment Partnership.

This may change as a result of the current government consultation, where General Fund land may in future be allowed to be transferred to the HRA at nil cost. The impact of this on the General Fund, however, would need to be fully quantified.

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 2018.
- Re-phasing of expenditure anticipated to take place in 2017/18 into 2018/19 and beyond, as approved in June / July 2018.
- Re-allocation of new build budget between the unallocated / generic new build budgets and individual scheme specific budgets, in line with approvals to proceed with schemes at Ditchburn Place, Mill Road Phase II, Colville Road Phase II and Cromwell Road, 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 (Nuns and Cameron, Wiles, Tedder and Kendal), Queensmeadow, Wulfstan Way, Colville Road Garages, Anstey Way, Akeman Street, Ventress Close, Mill Road, Gunhild Way and Markham Close is being sought.
- Approval for removal of the budget for the site at Hills Avenue, where site constraints make delivery of a single new home cost prohibitive.
- Approval to reduce the budget for Anstey Way in line with the final purchase price agreed in the Affordable Housing Agreement.

- Approval to increase the budget for Markham Close, recognising that the planning application submitted is for 5 units and not the original 4 units considered possible on the site.
- Inclusion of a budget of £10,000,000 per annum from 2022/23 for the continued delivery of 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.

Section 8

Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget for 2019/20 will incorporate the outcome of work carried out as part of the Housing Transformation Programme. The budget process itself will remain broadly similar to that for previous years in terms of timing and detailed administration, but will be carried out within the Council's new Financial Management System, T1.

Assuming that all savings identified for 2018/19 are delivered in full over the longer-term the net savings target required for the HRA was over-achieved by £225,000 when the HRA Budget Setting Report was approved in January / February 2018.

Work undertaken to date as part of the Transformation Programme and the incorporation of Devolution Grant has put the authority in a good position to respond to the impact of the changes in national housing policy that have been implemented over the last 3 years, and paves the way to respond to anticipated further changes. The robust approach to financial management for the HRA, where efficiencies are sought wherever possible, 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.

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 further deferral of the assumption about when the sale of higher value voids levy may be introduced pending formal confirmation that it will not be introduced at all, a reduction in the assumption for inflation in 2020/21 and a reduction in the inflation assumption driven by the BCIS indices. Other changes in assumptions result in a negative impact, with an increase in the level of void in the short term and an increased level of arrears and therefore bad debt provision, due to welfare reform.

As the net impact of these changes improves the current outlook for the HRA, this report proposes a budget strategy where efficiency savings are sought to ensure that value for money can be demonstrated and that tenants and leaseholders continue to receive services at the best price possible, whilst also incorporating a strategic investment fund, which will allow re-direction of resources into key areas of the Housing Service to meet the challenges that providers of affordable housing are facing. A commitment is given to review this again during 2019/20, as part of the 2019/20 HRA Medium Term Financial Strategy

The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2019/20 budget bids and savings process, to ensure that these can be weighed up against any strategic re-investment proposed.

For 2018/19 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, adjusts the anticipated contribution required to the bad debt provision based upon recent increase in arrears levels, defers assumptions about the higher value vacant homes levy, reviews the delivery timetable of new build homes and proposes some changes in operational budgets. 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, ensuring that they are above 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.

Approach to HRA Savings

The Housing Transformation Programme originally incorporated a target level of savings of £1,000,000 per annum for 2017/18 and 2018/19, with no savings target incorporated from 2019/20 onwards, but only the adjustment in respect of repairs expenditure in line with estimated stock changes was maintained.

Following the inclusion, as part of the HRA Budget Setting Report in January 2017, of 500 new homes funded utilising Devolution Grant, the savings target for 2018/19 was reduced to £250,000, with no further savings assumed from 2019/20. No savings target was incorporated for 2019/20 when the 2018/18 budget was approved in January / February 2018.

Following review of the assumptions in the HRA business plan as part of the Medium Term Financial Strategy, it is recommended that a savings target is reintroduced, but in the form of an efficiency target. It is also proposed to include a corresponding strategic reinvestment fund.

The inclusion of a 4% of general management and repairs administration expenditure (£130,000 per annum) efficiency target is considered prudent in light of continued uncertainty in some areas of national housing policy, and may allow resource to be identified for strategic reinvestment in other areas of the housing service. The continued uncertainty does not mean that some of the national changes proposed that would negatively impact the HRA won't materialise at all, and inclusion of an efficiency target, and an associated strategic reinvestment fund ensures that the authority is best placed to respond to change, but avoids the authority cutting services too severely, too soon. The authority will need to review and evaluate its position for 2020/21 onwards, once there is clarity at a national level.

The assumption that repairs expenditure is adjusted in line with any stock changes is also retained.

Inclusion of strategic reinvestment funding of £130,000 per annum, funded from any efficiency savings identified, for a 5 year period, beginning in 2019/20, allows the authority to either redirect resource into key areas or alternatively to hold off in the event of financial pressure, allowing the efficiency savings identified to contribute to an overall reduction in HRA expenditure in response to any national policy announcements. There is also the option in any one year, if efficiency savings are not identifiable, to waive any strategic reinvestment, thus negating the need to make savings which may detrimentally impact the delivery of key housing services.

At this stage, pending the outcome of a review of the self-financing debt, 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 has deferred this review, and will reconsider its approach to debt set-aside once legislation around the sale of higher value vacant homes levy has been repealed.

As part of the 2019/20 budget setting process, any areas of new revenue investment, will need to be offset by the identification of savings or increased income generation elsewhere across the HRA.

With Devolution Grant incorporated into financial plans, there is sufficient resource available to match fund retained right to buy receipts with the 70% of additional investment required. The key challenge

remains the ability to bring forward enough new build housing in quick enough timeframes to allow both the investment of these resources and to meet the expectations of the Combined Authority in respect of delivering the 500 homes promised as part of the Devolution Deal.

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 2019 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 2018/19 and 2027/28, 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 were 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.

Following issue of the Housing Green Paper, the introduction of the sale of higher value voids levy is now looking very unlikely to happen, but at present the assumption that it is deferred has been cautiously made, in advance of any formal response to the consultation or repeal of the legislation. Abolition of the policy altogether has been modelled as one of the sensitivities to demonstrate the significant impact this change would have on the financial projections for the HRA.

Delivery against some of the key assumptions is critical to the success of the housing business plan, with the assumption of a return to rent increases at CPI plus 1% for five years from April 2020 being one of the critical assumptions included. Having received national confirmation of this provides a degree of certainty in this regard.

A key risk remains the still unquantifiable impact of the full rollout of Universal Credit, with the authority implementing an action plan in an attempt to mitigate the impact initially being felt, and the increasing impact anticipated.

Another key risk is the authority's 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 acquisition of a large land site in June 2018 has mitigated the risk to the authority in the short-term, but expenditure on the delivery of new homes during the latter part of 2018/19 and early 2019/20 is critical to ensure that any penalty is well avoided. The time taken to obtain the relevant approvals, secure vacant possession and take sites forward remains longer than is ideal in the context of the 3 year right to buy penalty regime.

Although delivery of significant savings in the short to medium term is not critical to the success of the business plan, the inclusion of an efficiency target, offset by a corresponding strategic reinvestment fund is considered to be a prudent approach to ensuring that resources are targeted to the areas that most need them, and that flexibly is maintained to allow response to national housing policy change.

Appendix A

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
<p>Implications of new legislation / regulation or changes to existing are not identified</p>	<ul style="list-style-type: none"> • Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted
<p>Delays in announcement of detail surrounding housing policy change negatively impacts decisions taken at a local level</p>	<ul style="list-style-type: none"> • Decisions taken in the context of a business plan which recognises the uncertainty. Savings taken have impacts exemplified to ensure impact is mitigated
<p>Funding is not identified to meet the costs associated with changes in statutory requirements</p>	<ul style="list-style-type: none"> • 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
<p>HRA Debt Settlement could be re-opened by Government (or not re-opened when changes dictate that it should)</p>	<ul style="list-style-type: none"> • The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies
<p>Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes</p>	<ul style="list-style-type: none"> • Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible • Consideration could be given to deviating from national rent policy at a local level if statute were to allow
<p>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 replaced</p>	<ul style="list-style-type: none"> • Project Board for system replacement are aware of the potential need for changes to IT systems and have discussed this with suppliers as part of the tender process • Fixed term tenancies may now not be imposed, depending upon outcome of Housing Green Paper

Risk Area & Issue arising	Controls / Mitigation Action
HRA Portfolio & Spending Plans	
<p>The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets</p>	<ul style="list-style-type: none"> • Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact • The Business Plan includes long-term trend analysis on key cost drivers • Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures
Financial planning lacks appropriate levels of prudence	
<p>Business Planning assumptions are wildly inaccurate</p> <p>Financial policies, in general, are not sufficiently robust</p> <p>Funding to support the approved Capital Plan is not available</p>	<p>Council has adopted key prudence principles, reflected in:</p> <ul style="list-style-type: none"> • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt
Use of resources is not effectively managed	
<p>There is ineffective use of the resources available to the HRA</p> <p>Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc.</p> <p>Value for money in terms of investment in new build homes is challenged</p>	<ul style="list-style-type: none"> • Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework • A business case is required for all strategic acquisitions, disposals and one-off areas of significant investment • Performance and contractor management procedures are robust and contracts are enforceable • 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 • Council adopts a mix of delivery vehicles • Council employs cost consultants to demonstrate price comparability with the local market

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
<p>Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure</p> <p>Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms</p> <p>Rent income is under-achieved due to a major incident in the housing stock</p> <p>Changes to the right to buy rules and pooling regulations result in a n increase in the level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest</p> <p>Volatility and competition in the property market impacts the ability to fund capital pressures from the sale of assets</p> <p>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</p>	<ul style="list-style-type: none"> • Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation • Increased resources identified for income management. Performance closely monitored to allow further positive action if required. • Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents • Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity • Policy on applying general capital receipts for strategic disposals only at point of receipt • Reconsider appropriate level of HRA reserves to hold as a minimum once any levy vale is known • Retain capital receipts realised in advance of the levy in anticipation of the need for them • Await repeal of legislation to confirm that levy will not now be introduced

Appendix B

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2.2% for 2019/20, 2.1% for 2020/21, and 2% ongoing	General inflation on expenditure included at 2.2% for 2019/20, falling to 2.1% for 2020/21, and then 2% ongoing, per Bank of England forecasts.	Amended
Capital and Planned Repairs Inflation	3% for 2019/20, 2.9%, then 2.8%	Based upon the mix of BCIS and CPI forecasts for the next 4 years, using an average over this period.	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 sale of higher value voids levy is known.	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 kept under review to ensure sufficient resource is available.	Retained
Pay Inflation	1.5% Pay Progression & Pay Inflation for 2019/20 onwards at 2.0%	Assume allowance for increments at 1.5% and cost of living pay inflation at 2% on an ongoing basis.	Retained
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.	Retained
Social Rent Review Inflation	-1% in 2019/20, then CPI plus 1% for 5 years, then CPI plus 0.5% from 2025/26	Rent decreases of 1% per annum in line with government guidelines from 2016/17 to 2019/20, then CPI plus 1% for 5 years, reverting to inflation plus 0.5% after this. Assume CPI in preceding September is as above.	Retained
Affordable Rent Review Inflation	CPI for 2019/20, then CPI plus 1% for 5 years, then CPI plus 0.5% from 2025/26	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	1.2%, 1.25%, then 1.3% ongoing	Interest rates based on latest market projections, including the impact of additional CCLA investment.	Amended

Key Area	Assumption	Comment	Status
Internal Lending Interest Rate	1.2%, 1.25%, then 1.3% ongoing	Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment the General Fund longer-term.	Amended
External Borrowing Interest Rate	2.8%	Assumes additional borrowing using Capita predictions of PWLB rates, currently 2.8%.	Retained
Internal Borrowing Interest Rate	2.8%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Retained
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, 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	40, 35, 30, then 25 sales ongoing	An uncertain economy expected to result in a marginal decline in activity. Assume 40 for 2018/19, reducing to 35 in 2019/20 then by 5 sales per annum, until 25 are assumed ongoing.	Retained
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for-one receipts included, and ear-marked for direct new build spend. Debt repayment proportion assumed to be set-aside.	Retained
Void Rates	2% for 2018/19 and 2019/20, then 1% ongoing	Assumes 2% in 2018/19 and 2019/20, reducing to 1%, from 2020/21, recognising refurbishment works and improved void processes longer-term	Amended
Bad Debts	1.5% from 2018/19 ongoing	Bad debt provision increased to 1.5% from 2018/19 reflecting experience in 2017/18 and the requirement to collect 100% of rent directly more widely from October 2018.	Amended
Savings Target	£130,000 (4% of general and repairs administrative expenditure)	Re-introduce an efficiency target of £130,000 from 2019/20 for 5 years. Allows strategic reinvestment or alternatively a response to pressure from national housing policy change.	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
Strategic Investment Fund	£130,000	Housing Strategic Investment Fund included from 2019/20 for 5 years.	Amended

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)
30/06/2014	1,053,196.82	6,836,681.43	22,788,938.10	30/06/2017	26,191,061.10	7,857,318.33	0.00	0.00
30/09/2014	517,057.26	7,353,738.69	24,512,462.30	30/09/2017	27,431,802.53	8,229,540.76	0.00	0.00
31/12/2014	1,004,106.23	8,357,844.92	27,859,483.07	31/12/2017	29,733,442.31	8,920,032.69	0.00	0.00
31/03/2015	831,750.78	9,189,595.70	30,631,985.67	31/03/2018	34,063,317.03	10,218,995.11	0.00	0.00
30/06/2015	595,447.59	9,785,043.29	32,616,810.97	30/06/2018	44,961,870.46	13,488,561.14	0.00	0.00
30/09/2015	902,092.08	10,687,135.37	35,623,784.57	30/09/2018			-	-
31/12/2015	857,169.10	11,544,304.47	38,481,014.90	30/12/2018			-	-
31/03/2016	1,591,834.76	13,136,139.23	43,787,130.78	31/03/2019			-	-
30/06/2016	2,263,872.93	15,400,012.16	51,333,373.89	30/06/2019			1,911,451.02	6,371,503.41
30/09/2016	1,874,821.59	17,274,833.75	57,582,779.19	30/09/2019			3,786,272.61	12,620,908.71
31/12/2016	1,320,457.44	18,595,291.19	61,984,304.00	31/12/2019			5,106,730.05	17,022,433.51
31/03/2017	1,313,143.16	19,908,437.35	66,361,447.86	31/03/2020			6,419,873.21	21,399,577.38
30/06/2017	2,045,445.56	21,953,879.91	73,179,599.73	30/06/2020			8,465,318.77	28,217,729.24
30/09/2017	1,779,600.43	23,733,480.34	79,111,601.16	30/09/2020			10,244,919.20	34,149,730.68
31/12/2017	2,229,968.03	25,963,448.37	86,544,827.93	31/12/2020			12,474,887.23	41,582,957.44
31/03/2018	646,869.52	26,610,317.89	88,701,059.66	31/03/2021			13,121,756.75	43,739,189.18
30/06/2018	1,604,735.38	28,215,053.27	94,050,177.60	30/06/2021			14,726,492.13	49,088,307.11

Appendix D

2018/19 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2018/19 Budget (£)	Budget Amendment in 2019/20 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		(2,582,040)		
HRA General Management				
South Area Office Costs	Remove funding for cost of south area office from April 2018 to December 2020 when lease expired naturally.	(108,000)	(108,000)	Budget already deleted from 2020
Housing Officer (New Build and Re-development)	Inclusion of a Housing Officer to focus on securing vacant possession on all redevelopment sites	23,780	47,570	Part year in 2018/19, the full year impact
Total HRA General Management		(84,220)		
HRA Repairs				
Stock Condition Surveys	Inclusion of funding to complete stock condition surveys of properties and communal areas	100,000	0	One-off cost to catch up backlog
Heat Detectors	Installation of heat detectors in all general stock consistent with those in new build homes	100,000	340,000	Budget of £341,320 in 2020/21 to complete programme
Total HRA Repairs		200,000		
HRA Summary Account				
Bad Debt Provision	Increase in bad debt provision linked to increase in arrears levels in 2017/18	144,370	Incorporated into base assumptions	Built into base for future years
Interest paid on Borrowing	Interest paid for notional internal borrowing has been increased as a direct result of the appropriation of Mill Road affordable housing land into the HRA	9,030	Incorporated into base assumptions	Built into base for future years
Interest earned on HRA Balances	Although interest rate assumptions have been adjusted, the level of balances held by the HRA result in	(59,610)	Incorporated into base	Built into base for future years

Area of Income / Expenditure	Description	Budget Amendment in 2018/19 Budget (£)	Budget Amendment in 2019/20 Budget (£)	Comment
	an estimated increase in the level of interest that will be earned.		assumptions	
Total HRA Summary		93,790		
Revised use of / (contribution to) HRA Reserves post MTFS		(2,372,470)		

Appendix E

2018/19 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	44,204	40,661	60,056	28,165	21,446
General Fund Housing					
Increase in budget for DFG's to enable spending of increased Better Care Fund Grant	45	103	0	0	0
Decent Homes and Other HRA Stock Investment					
Vire budget for communal areas to wall structures	651	0	0	0	0
Adjustment to allocation for new build decent homes work to recognise delays and additions in the programme	(29)	(41)	(117)	359	412
Vire budget from communal areas to wall structures	(651)	0	0	0	0
Inclusion of additional budget for fire safety works	148	284	0	0	0
Inclusion of Estate Investment Fund	0	1,000	1,000	1,000	1,000
Increase in fees associated with increased budget approvals	16	29	0	0	0
New Build					
Re-phasing of budget for Anstey Way	(1,570)	1,570	0	0	0
Reduction in budget for Anstey Way	(169)	0	0	0	0
Re-phasing of budget for 2015/16 Garage Sites	(1,498)	1,498	0	0	0
Re-phasing of budget for 2016/17 In-fill Sites	(1,276)	1,276	0	0	0
Remove Hills Avenue from the programme	(121)	(93)	0	0	0
Re-phasing of budget for Akeman Street	(1,629)	(738)	2,367	0	0
Re-phasing of budget for Ventress Close	(1,563)	1,302	261	0	0
Re-phasing of budget for Colville Road garage site	(742)	742	0	0	0
Re-phasing of budget for Mill Road	1,350	(241)	(2,556)	1,237	0
Re-phasing of budget for Gunhild Way	(387)	387	0	0	0
Re-phasing of budget for Markham Close	(130)	130	0	0	0
Increase in budget for Markham Close	16	141	0	0	0
Inclusion of ear-marked resource for indicative costs for Cromwell Road	11,444	3,001	4,527	6,127	0
Inclusion of ear-marked resource for future new build schemes	0	0	0	0	10,000
Inclusion of ear-marked resource for indicative costs for Ditchburn Place new build units	194	138	0	0	0
Inclusion of ear-marked resource for indicative costs	625	3,186	9,319	0	0

Area of Expenditure And Change	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
for Colville Road (Phase II)					
Inclusion of ear-marked resource for indicative costs for Mill Road (Phase II)	0	2,614	2,295	379	0
Adjustment to ear-marked resources held for new build reflecting virement to specific schemes	(7,348)	(5,226)	(14,343)	(8,538)	(9,816)
Sheltered Housing					
No changes	0	0	0	0	0
Other HRA Spend					
No changes	0	0	0	0	0
Inflation Allowance					
Adjust inflation allowed to reflect new base and revised inflation assumptions	(2,500)	320	269	447	426
Total Housing Capital Plan Expenditure post HRA MTFS	39,080	52,043	63,078	29,176	23,468

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£'0000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
New Build / Acquisition / Re-Development Cash Expenditure										
Anstey Way	3,786	5,609	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	1,000	1,191	0	0	0	0	0	0	0	0
Kendal Way	50	307	0	0	0	0	0	0	0	0
Queensmeadow	37	508	0	0	0	0	0	0	0	0
Wulfstan Way	83	706	0	0	0	0	0	0	0	0
Akeman Street	53	1,662	2,367	0	0	0	0	0	0	0
Ventress Close	684	2,147	261	0	0	0	0	0	0	0
Colville Road (Garage Site)	62	778	0	0	0	0	0	0	0	0
Mill Road	4,618	6,650	6,650	1,237	0	0	0	0	0	0
Gunhild Way	37	531	0	0	0	0	0	0	0	0
Markham Close	104	890	0	0	0	0	0	0	0	0
Cromwell Road	11,444	3,001	4,527	6,127	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	156	0	0	0	10,000	10,000	10,000	10,000	10,000	10,000
Kingsway Clinic Conversion	408	0	0	0	0	0	0	0	0	0
Ditchburn Place New Build	194	138	0	0	0	0	0	0	0	0
Colville Road (Phase II)	625	3,186	9,319	0	0	0	0	0	0	0
Mill Road (Phase II)	0	2,614	2,295	379	0	0	0	0	0	0

New Build / Re-Development Scheme	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£'0000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CIP Programme (New Build and Re-Development)	753	8,539	21,564	8,702	0	0	0	0	0	0
Total New Build/ Re-Development Expenditure	24,094	38,457	46,983	16,445	10,000	10,000	10,000	10,000	10,000	10,000
New Build Devolution Grant Funding										
Anstey Way	(1,325)	(1,963)	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	(700)	(834)	0	0	0	0	0	0	0	0
Kendal Way	(35)	(215)	0	0	0	0	0	0	0	0
Queensmeadow	(25)	(356)	0	0	0	0	0	0	0	0
Wulfstan Way	(58)	(494)	0	0	0	0	0	0	0	0
Akeman Street	(3)	(997)	(1,420)	0	0	0	0	0	0	0
Ventress Close	(184)	(1,303)	(159)	0	0	0	0	0	0	0
Colville Road (Garage Site)	(43)	(545)	0	0	0	0	0	0	0	0
Mill Road	(3,233)	(4,655)	(4,655)	(866)	0	0	0	0	0	0
Gunhild Way	(26)	(372)	0	0	0	0	0	0	0	0
Markham Close	(73)	(623)	0	0	0	0	0	0	0	0
Cromwell Road	(8,011)	(2,100)	(3,169)	(4,289)	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	0	0	0	0	0	0	0	0	0	0
Kingsway Clinic Conversion	(286)	0	0	0	0	0	0	0	0	0
Ditchburn Place New Build	(136)	(97)	0	0	0	0	0	0	0	0
Colville Road (Phase II)	(72)	(1,062)	(4,419)	0	0	0	0	0	0	0
Mill Road (Phase II)	0	(1,830)	(1,607)	(265)	0	0	0	0	0	0
CIP Programme (New Build and Re-Development)	(97)	(4,462)	(12,352)	0	0	0	0	0	0	0
Total New Build / Re-Development Funding	(14,307)	(21,907)	(27,781)	(5,420)	0	0	0	0	0	0

Use of Retained Right to Buy Funding										
Anstey Way	(568)	(842)	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	(300)	(357)	0	0	0	0	0	0	0	0
Kendal Way	(15)	(92)	0	0	0	0	0	0	0	0
Queensmeadow	(11)	(152)	0	0	0	0	0	0	0	0
Wulfstan Way	(25)	(212)	0	0	0	0	0	0	0	0
Akeman Street	(2)	(428)	(609)	0	0	0	0	0	0	0
Ventress Close	(79)	(558)	(68)	0	0	0	0	0	0	0
Colville Road (Garage Site)	(19)	(233)	0	0	0	0	0	0	0	0
Mill Road	(1,385)	(1,995)	(1,995)	(371)	0	0	0	0	0	0
Gunhild Way	(11)	(159)	0	0	0	0	0	0	0	0
Markham Close	(31)	(267)	0	0	0	0	0	0	0	0
Cromwell Road	(3,433)	(900)	(1,358)	(1,838)	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	(47)	0	0	0	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Kingsway Clinic Conversion	(122)	0	0	0	0	0	0	0	0	0
Ditchburn Place New Build	(58)	(41)	0	0	0	0	0	0	0	0
Colville Road (Phase II)	(31)	(455)	(1,894)	0	0	0	0	0	0	0
Mill Road (Phase II)	0	(784)	(689)	(114)	0	0	0	0	0	0
CIP Programme (New Build and Re-Development)	(41)	(1,915)	(5,389)	(2,610)	0	0	0	0	0	0
Total Use of Retained Right to Buy Funding	(6,178)	(9,389)	(12,001)	(4,933)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	3,609	7,160	7,201	6,092	7,000	7,000	7,000	7,000	7,000	7,000
Total HRA Borrowing	0	0	0	0	0	0	0	0	0	0

Appendix G (1)

HRA Summary Forecast 2018/19 to 2022/23

Description	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Income					
Rental Income (Dwellings)	(36,661,390)	(35,657,270)	(36,980,150)	(38,774,820)	(40,822,760)
Rental Income (Other)	(1,128,710)	(1,153,540)	(1,177,770)	(1,201,320)	(1,225,350)
Service Charges	(3,004,310)	(3,065,580)	(3,125,360)	(3,183,480)	(3,242,760)
Contribution towards Expenditure	(3,450)	(3,520)	(3,600)	(3,670)	(3,740)
Other Income	(455,500)	(458,880)	(461,730)	(464,050)	(473,330)
Total Income	(41,253,360)	(40,338,790)	(41,748,610)	(43,627,340)	(45,767,940)
Expenditure					
Supervision & Management - General	3,719,030	3,470,130	3,549,430	3,690,020	3,950,750
Supervision & Management - Special	2,584,280	2,650,680	2,716,990	2,783,130	2,851,010
Repairs & Maintenance	6,971,740	7,088,500	7,297,210	7,292,190	7,572,290
Depreciation – to Major Repairs Res.	10,041,820	10,304,840	10,380,210	10,849,530	11,106,850
Debt Management Expenditure	0	0	0	0	0
Other Expenditure	3,759,600	3,830,910	3,912,060	3,990,700	4,083,170
Total Expenditure	27,076,470	27,345,060	27,855,900	28,605,570	29,564,070
Net Cost of HRA Services	(14,176,890)	(12,993,730)	(13,892,710)	(15,021,770)	(16,203,870)
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(778,110)	(790,680)	(707,790)	(626,470)	(645,570)
(Surplus) / Deficit on the HRA for the Year	(14,955,000)	(13,784,410)	(14,600,500)	(15,648,240)	(16,849,440)
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,513,010	7,538,040	7,538,040	7,538,040	7,538,040
Housing Set Aside	4,472,200	4,472,200	4,472,200	4,472,200	4,472,200
Appropriation from Ear-Marked Reserve	0	0	0	0	0
Depreciation Adjustment	0	0	0	0	0
Direct Revenue Financing of Capital	597,320	0	5,612,210	6,982,970	6,621,220
(Surplus) / Deficit for Year	(2,372,470)	(1,774,170)	3,021,950	3,344,970	1,782,020
Balance b/f	(9,018,370)	(11,390,840)	(13,165,010)	(10,143,060)	(6,798,090)
Total Balance c/f	(11,390,840)	(13,165,010)	(10,143,060)	(6,798,090)	(5,016,070)

Appendix G (2)

HRA 10 Year Summary Forecast 2018/19 to 2027/28

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Rental Income (Dwellings)	(36,661)	(35,657)	(36,979)	(38,776)	(40,822)	(41,893)	(42,640)	(43,233)	(43,841)	(44,463)
Rental Income (Other)	(1,129)	(1,153)	(1,178)	(1,201)	(1,226)	(1,250)	(1,275)	(1,300)	(1,326)	(1,353)
Service Charges	(3,004)	(3,066)	(3,125)	(3,183)	(3,242)	(3,303)	(3,369)	(3,437)	(3,505)	(3,576)
Contribution towards Expenditure	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Other Income	(456)	(459)	(462)	(464)	(473)	(483)	(492)	(502)	(512)	(522)
Total Income	(41,253)	(40,339)	(41,748)	(43,628)	(45,767)	(46,933)	(47,780)	(48,476)	(49,188)	(49,918)
Expenditure										
Supervision & Management - General	3,719	3,470	3,549	3,690	3,951	4,087	4,219	4,355	4,496	4,641
Supervision & Management - Special	2,584	2,651	2,717	2,783	2,851	2,921	2,992	3,066	3,141	3,218
Repairs & Maintenance	6,972	7,089	7,297	7,292	7,572	7,785	7,644	7,803	8,058	8,271
Depreciation – to Major Repairs Res.	10,042	10,305	10,380	10,850	11,107	11,172	11,240	11,303	11,375	11,450
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	3,759	3,831	3,912	3,991	4,084	4,166	4,246	4,327	4,407	4,492
Total Expenditure	27,076	27,346	27,855	28,606	29,565	30,131	30,341	30,854	31,477	32,072
Net Cost of HRA Services	(14,177)	(12,993)	(13,893)	(15,022)	(16,202)	(16,802)	(17,439)	(17,622)	(17,711)	(17,846)
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(778)	(791)	(707)	(626)	(646)	(682)	(724)	(776)	(820)	(880)
(Surplus) / Deficit on the HRA for the Year	(14,955)	(13,784)	(14,600)	(15,648)	(16,848)	(17,484)	(18,163)	(18,398)	(18,531)	(18,726)
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										
Loan Interest	7,513	7,538	7,538	7,538	7,538	7,538	7,538	7,538	7,538	7,538

Housing Set Aside	4,472	4,472	4,472	4,472	4,472	2,236	2,236	2,236	2,236	2,236
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0	0	0	0	0
Depreciation Adjustment	0	0	0	0	0	0	0	0	0	0
Direct Revenue Financing of Capital	597	0	5,612	6,983	6,620	8,086	7,011	7,594	8,416	5,553
(Surplus) / Deficit for Year	(2,373)	(1,774)	3,022	3,345	1,782	376	(1,378)	(1,030)	(341)	(3,399)
Balance b/f	(9,018)	(11,391)	(13,165)	(10,143)	(6,798)	(5,016)	(4,640)	(6,018)	(7,048)	(7,389)
Total Balance c/f	(11,391)	(13,165)	(10,143)	(6,798)	(5,016)	(4,640)	(6,018)	(7,048)	(7,389)	(10,788)

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	653	653	550	550	550	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195	195	195	195	195	195
Total General Fund Housing Capital Spend	848	848	745	745	745	745	745	745	745	745
HRA Capital Spend										
Decent Homes										
Kitchens	274	655	640	252	484	521	698	895	603	1,204
Bathrooms	305	331	1,036	189	52	142	604	618	131	64
Central Heating / Boilers	1,783	2,586	3,536	1,463	1,568	1,553	1,668	1,397	3,725	740
Insulation / Energy Efficiency	767	583	274	758	539	575	488	380	329	560
External Doors	146	112	351	99	69	146	169	242	99	89
PVCU Windows	0	0	6	30	0	0	66	0	18	0
Wall Structure	791	134	254	73	38	47	34	24	80	74
External Painting	0	0	300	300	300	300	300	300	300	0
Roof Structure	450	300	300	300	300	300	300	200	200	200
Roof Covering	405	334	334	334	334	334	334	334	334	334
Chimneys	0	1	0	1	0	1	2	3	0	0
Electrical / Wiring	493	555	932	435	731	441	320	1,014	189	254
Sulphate Attacks	102	102	102	102	102	102	102	102	75	0

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Major Voids / Major Works	0	0	0	0	0	0	0	0	0	0
HHSRS Contingency	150	100	100	100	100	100	100	100	100	100
Other Health and Safety Works	257	50	50	50	50	50	50	50	50	50
Other External Works	0	0	0	0	0	0	0	0	0	0
Capitalised Officer Fees - Decent Homes	305	305	305	305	305	305	305	305	305	305
Decent Homes Planned Maintenance Contractor Overheads	542	643	904	493	461	507	576	622	686	403
Decent Homes New Build Allocation	226	343	418	1,116	1,620	1,272	1,082	1,166	1,250	1,340
Total Decent Homes	6,996	7,134	9,842	6,400	7,053	6,696	7,198	7,752	8,474	5,717
Other Spend on HRA Stock										
Garage Improvements	100	100	100	100	100	100	100	100	100	100
Asbestos Removal	100	50	50	50	50	50	50	50	50	50
Disabled Adaptations	963	878	878	878	878	878	878	878	878	878
Communal Areas Uplift	0	321	321	321	321	321	321	321	321	321
Fire Prevention / Fire Safety Works	258	334	50	50	50	50	50	0	0	0
Hard surfacing on HRA Land - Health and Safety Works	357	225	225	225	225	225	225	225	225	225
Communal Areas Floor Coverings	210	100	100	100	100	100	100	100	100	100
Lifts and Door Entry Systems	13	13	13	13	13	13	13	13	13	13
Estate Investment	0	1,000	1,000	1,000	1,000	1,000	0	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	114	114	114	114	114	114	114	114	114	114
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	265	220	191	191	191	191	191	186	186	186
Total Other Spend on HRA stock	2,380	3,355	3,042	3,042	3,042	3,042	2,042	1,987	1,987	1,987

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA New Build / Re-Development										
Anstey Way	3,786	5,609		0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	1,000	1,191	0	0	0	0	0	0	0	0
Kendal Way	50	307	0	0	0	0	0	0	0	0
Queensmeadow	37	508	0	0	0	0	0	0	0	0
Wulfstan Way	83	706	0	0	0	0	0	0	0	0
Akeman Street	53	1,662	2,367	0	0	0	0	0	0	0
Ventress Close	684	2,147	261	0	0	0	0	0	0	0
Colville Road (Garage Site)	62	778	0	0	0	0	0	0	0	0
Mill Road	4,618	6,650	6,650	1,237	0	0	0	0	0	0
Gunhild Way	37	531	0	0	0	0	0	0	0	0
Markham Close	104	890	0	0	0	0	0	0	0	0
Cromwell Road (Including Land Acquisition)	11,444	3,001	4,527	6,127	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	156	0	0	0	10,000	10,000	10,000	10,000	10,000	10,000
Kingsway Clinic Conversion	408	0	0	0	0	0	0	0	0	0
Ditchburn Place New Build	194	138	0	0	0	0	0	0	0	0
Colville Road (Phase II)	625	3,186	9,319	0	0	0	0	0	0	0
Mill Road (Phase II)	0	2,614	2,295	379	0	0	0	0	0	0
CIP Programme (New Build and Re-Development)	753	8,539	21,564	8,702	0	0	0	0	0	0
Total HRA New Build	24,094	38,457	46,983	16,445	10,000	10,000	10,000	10,000	10,000	10,000
Sheltered Housing Capital Investment										
Ditchburn Place	3,398	0	0	0	0	0	0	0	0	0

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Sheltered Housing Capital Investment	3,398	0	0	0	0	0	0	0	0	0
Other HRA Capital Spend										
Orchard Replacement / Mobile Working	673	0	0	0	0	0	0	0	0	0
Stores Reconfiguration	93	0	0	0	0	0	0	0	0	0
Estate Service Champion Estate Vehicle	25	0	0	0	0	0	0	0	0	0
Shared Ownership Repurchase	300	300	300	300	300	300	300	300	300	300
Commercial and Administrative Property	30	30	30	30	30	30	30	30	30	30
Total Other HRA Capital Spend	1,121	330	330	330	330	330	330	330	330	330
Total HRA Capital Spend	37,989	49,276	60,197	26,217	20,425	20,068	19,570	20,069	20,791	18,034
Total Housing Capital Spend at Base Year Prices	38,837	50,124	60,942	26,962	21,170	20,813	20,315	20,814	21,536	18,779
Inflation Allowance and Stock Reduction Adjustment for Future Years	243	1,919	2,136	2,214	2,298	2,435	1,926	2,073	2,244	2,346
Total Inflated Housing Capital Spend	39,080	52,043	63,078	29,176	23,468	23,248	22,241	22,887	23,780	21,125
Housing Capital Resources										
Right to Buy Receipts	(407)	(411)	(415)	(419)	(419)	(419)	(419)	(419)	(418)	(445)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0	0	0	0	0	0
Major Repairs Reserve	(9,059)	(17,922)	(11,902)	(10,850)	(11,107)	(11,172)	(11,240)	(11,303)	(11,375)	(11,450)
Direct Revenue Financing of Capital	(597)	0	(5,612)	(6,983)	(6,621)	(8,086)	(7,011)	(7,594)	(8,416)	(5,553)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(1,929)	(1,633)	(300)	(300)	(2,050)	(300)	(300)	(300)	(300)	(300)

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Devolution Grant	(14,307)	(21,906)	(27,781)	(5,420)	0	0	0	0	0	0
Retained Right to Buy Receipts	(6,178)	(9,389)	(12,001)	(4,933)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Disabled Facilities Grant	(605)	(608)	(271)	(271)	(271)	(271)	(271)	(271)	(271)	(271)
Prudential Borrowing	0	0	0	0	0	0	0	0	0	0
Total Housing Capital Resources	(33,082)	(51,869)	(58,282)	(29,176)	(23,468)	(23,248)	(22,241)	(22,887)	(23,780)	(21,019)
Net (Surplus) / Deficit of Resources	5,998	174	4,796	0	0	0	0	0	0	106
Capital Balances b/f	(11,136)	(5,138)	(4,963)	(166)	(166)	(166)	(166)	(166)	(166)	(166)
Use of / (Contribution to) Balances in Year	5,998	175	4,797	0	0	0	0	0	0	0
Capital Balances c/f	(5,138)	(4,963)	(166)	(166)	(166)	(166)	(166)	(166)	(166)	(166)
Other Capital Balances (Opening Balance 1/4/2018)										
Major Repairs Reserve	(8,155)	Utilised in future years to fund investment in the housing stock								
Retained 1-4-1 Right to Buy Receipts	(16,391)	Utilised between 2018/19 to 2020/21 above								
Right to Buy Receipts for Debt Redemption	(8,296)	Retained for future debt repayment								
Total Other Capital Balances	(32,842)									

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(1,012.0)	(80.3)	0.0	(1,092.3)
Special Services	(1,039.1)	(146.1)	0.0	(1,185.2)
Repairs and Maintenance	(369.5)	(60.2)	0.0	(429.7)
Total	(2,420.6)	(286.6)	0.0	(2,707.2)

Tenants Survey

	Opening Balance	Contributions	Expenditure to July	Current Balance
Tenants Survey	(34.9)	(6.3)	0.0	(41.2)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(8,671.4)	(4,472.2)	0.0	(13,143.6)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(8,296.0)	(339.0)	0.0	(8,635.0)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(8,154.8)	0.0	0.0	(8,154.8)

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Rents Inflation	1% reduction for 2019/20, then return to CPI plus 1% for 5 years, 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 after 2024/25, so assume CPI only from 2025/26.	Debt cap is breached by year 18, and currently proposed investment programme would be unsustainable.
Sale of Higher Value Assets	Assumed that payment is deferred until April 2020, with voids held from mid-2019/20	Assume that the primary legislation is repealed and the policy is not implemented at all.	HRA revenue position over 30 year plan allows for repayment of all borrowing as opposed to 25%, with surpluses to re-invest.
Direct Payments (Universal Credit)	Bad Debts at 1.5%	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 is breached by year 13, and currently proposed investment programme would be unsustainable.

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 (with the exception of ability to bid for a fixed increase), although additional borrowing represents additional risk if the authority is not in control of its revenue streams.

Right to Buy Sales

The number of sales increased significantly from April 2012, but have now reduced slightly and seem to be stabilising. Current uncertainty in the economy may result in a further 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 Devolution Grant which the authority was awarded. 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 confirmed 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 whilst the County Council tender the service. 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.

HRA New Build

Delays in the delivery of the new build programme 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 anticipated rental streams.

Housing Revenue Account – Revenue Uncertainties

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 early indications are that we are already experiencing the anticipated increase in arrears levels.

National Rent Policy

The change in national rent policy, with what was previously rent guidance, now being legislation, required rent reductions of 1% per annum from April 2016 for four years. Although a return to increases of CPI plus 1% has been confirmed for the following 5 years, there is no indication of whether this will be legislatively imposed or what will happen from April 2025.

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. In addition to the loss of rental income, the process to dispose of a large number of assets in any one year would be costly and administratively burdensome. It is likely, based upon the content of the Housing Green Paper that the secondary legislation required will not be passed, and the primary legislation may be repealed.

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 complete 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.

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 top up investment by the authority in DFG's or funding for Private Sector Housing Grants and Loans, 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 a peak, with the threat of 'Pay to Stay', but has now reduced following abolition of the policy. 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 4 years, 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

The authority awaits information on the potential for changes to fire safety regulations, which may impact the future 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. In the short-term funding is requested as part of this HRA MTFS to meet current recommendations from Fire Safety Inspections.