

Item

LIBERAL DEMOCRAT AMENDMENT TO : 2019/20 HOUSING REVENUE ACCOUNT BUDGET SETTING REPORT

To:

Councillor Richard Johnson, Executive Councillor for Housing

Report by:

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Wards affected:

Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Key Decision

1. Executive Summary

1.1 This report sets out amendments proposed by the Liberal Democrat Group to the Housing Revenue Account Budget Setting Report 2019/20, presented to Housing Scrutiny on 16 January 2019 for decision in respect of the revenue aspects of the report by the Executive Councillor for Housing, and consideration of the capital aspects, prior to recommendation to Council on 21 February 2019.

1.2 The appendices to this report incorporate the Liberal Democrat Group budget proposals in relation to specific revenue and capital budget items for the HRA, with the resulting financial implications as follows:

- a) To include additional revenue expenditure from 2019/20 onwards
- b) To include additional revenue savings from 2019/20 onwards
- c) To reduce the level of rent income, and associated costs, in line with proposals made as part of this alternative budget

- d) To incorporate the resulting revenue and capital borrowing impact of these changes on the HRA as a whole.

The proposals are presented as amendments to the published HRA Budget Setting Report, with the changes identified in ***bold italics***. In most cases the sub-section or appendix has been re-stated for ease of reference.

1.3 The Liberal Democrat Group states that its budget amendment addresses the following key areas:

- The difference in rent for family homes of 3 bedrooms or more between the Local Housing Allowance 'Cambridge Rent' and Local Authority rent restructured target rent for all homes built as part of the Council's Devolution Programme. The introduction of Local Authority rent restructured target rents for all 3 and 4 bedroom properties being built as part of the 500 new council homes will materially benefit larger family households on low incomes. This amendment assumes that the estimated 75 three bedroom homes that are built as part of the programme (both new and re-provided homes on the devolution sites) are subsequently let at rent restructured target rents.
- The proposal is made to increase the saving (£4229) identified in the Labour Groups' HRA Budget for a reduction of £32,800 in respect of Housing Transformation Funding, to instead be a reduction of £142,800 in 2019/20, £132,800 in 2020/21, £112,800 in 2021/22 and £72,800 from 2022/23, leaving an ongoing budget of £80,000 per annum from 2022/23 to continue to transform the service in the medium / long-term.
- Many tenants in the councils housing stock will be impacted by the roll out of Universal Credit. Experience of the pilot schemes across the county suggests that there is an initial impact on households of the move to payment of benefit entitlement in arrears. A proposal is made to create a discretionary grant fund within the HRA (£15,000 in 2019/20, £30,000 in 2020/21 and £25,000 from 2021/22) to allow small grant payments to be made to households in financial difficulties, who are materially impacted by this change to assist in the payment of their council house rent.
- Following approval of the Zero Tolerance Policy for Storage in Communal Areas, it is proposed that a one-off revenue bid of

£50,000 is included to allow the Council to provide a fire resistant door mat and planter / plant pot to any council tenant household impacted by the policy who wishes to personalise the space outside of their home, whilst still ensuring fire safety regulations are adhered to.

- The Council has a detailed new build programme which spans the next 3 years, and funding of £10 million per annum after this to continue to build new homes. A proposal is included for a revenue bid to employ a 3 year fixed term Development Officer to specifically focus on bringing forward the next phase of new build after the end of the Devolution Programme. The officer would not only focus on this, but also how the Council could work with developer's on existing and future sites in the city and how the new build programme could be significantly increased, to deliver up to 1,000 new homes by 2030, once work has been undertaken by officers to fully explore the new borrowing opportunities and the sale of higher value voids levy has been repealed.
- A proposal to include a bid for a 1 year fixed term post to develop the concept of Housing First is also included. The post would be employed for one year from October 2019, to ensure that they are able to focus initially on the Housing First opportunities on the Buchan Street site.

1.4 The resulting recommendations refer to the strategy outlined in the HRA Budget Setting Report, as amended by this Liberal Democrat Amendment.

2. Recommendations

Changes to recommendations in the original report are highlighted in ***bold italics***. All of the recommendations have been re-stated in full for clarity.

Under Part 1 of the agenda, the Executive Councillor, is recommended, following scrutiny and debate at Housing Scrutiny Committee, to:

Review of Rents and Charges

- a) Approve that council dwellings rents for all social rented properties be reduced by 1%, in line with legislative requirements, introduced as part of the Welfare Reform and Work Act, with effect from 1 April 2019. This

equates to an average rent reduction at the time of writing this report of £0.99 per week on a 52 week basis.

- b) Approve that affordable rents are reviewed in line with rent legislation, to ensure that the rents charged are no more than 80% of market rent, with this figure then reduced by the 1% per annum, as with social housing. Local policy is to cap affordable rents (inclusive of all service charges) at the Local Housing Allowance level, which will result in rent variations in line with any changes notified to the authority in this level.
- bii) Approve that rents for all 3 or 4 bedroom new build homes, built as part of the programme utilising devolution funding, or re-provided on devolution funded sites, are let at target rent restructured rent levels as opposed to Local Housing Allowance levels, with a resulting amendment to the HRA Rent Setting Policy to be made.***
- c) Approve that rents for shared ownership are reviewed and amended from April 2019, in line with the specific requirements within the lease for each property.
- d) Approve that garage and parking space charges for 2019/20, are increased in line with inflation at 2.2%, with resulting charges as summarised in Section 3 of the HRA Budget Setting Report
- e) Approve the proposed service charges for Housing Revenue Account services and facilities, as shown in Appendix B of the HRA Budget Setting Report.
- f) Approve the proposed leasehold administration charges for 2019/20, as detailed in Appendix B of the HRA Budget Setting Report.
- g) Approve that caretaking, building cleaning, estate services, grounds maintenance, temporary housing premises and utilities, sheltered scheme premises and utilities, digital television aerial, flat cleaning, third party management and catering charges continue to be recovered at full cost, as detailed in Appendix B of the HRA Budget Setting Report, recognising that local authorities should endeavour to limit increases to inflation as measured by CPI at September 2018 (2.4%) plus 1%, wherever possible.
- h) Approve that service charges for gas maintenance, door entry systems, lifts and electrical and mechanical maintenance are increased in an

attempt recover full estimated costs, as detailed in Appendix B of the HRA Budget Setting Report, recognising that local authorities should endeavour to limit increases to inflation as measured by CPI at September 2018 (2.4%) plus 1%, equivalent to an increase of 3.4% in total, wherever possible.

Revenue – HRA

Revised Budget 2018/19:

- i) Approve with any amendments, the Revised Budget identified in Section 4 and Appendix D (1) of the HRA Budget Setting Report, which reflects a net increase in the use of HRA reserves for 2018/19 of £300,670.

Budget 2019/20:

- j) ***Approve with any amendments, any Non-Cash Limit items identified in Section 4 of the HRA Budget Setting Report or shown in Appendix D (2) of the HRA Budget Setting Report.***
- k) ***Approve with any amendments, any Savings, Increased Income, Unavoidable Revenue Pressures and Reduced Income proposals, as shown in Appendix D (2) of the HRA Budget Setting Report.***
- l) ***Approve the resulting Housing Revenue Account revenue budget as summarised in the Housing Revenue Account Summary Forecast 2018/19 to 2023/24 shown in Appendix J of the HRA Budget Setting Report.***

Under Part 2 of the agenda, the Executive Councillor for Housing is asked to recommend to Council (following scrutiny and debate at Housing Scrutiny Committee):

Treasury Management

- m) Recognise the decision to defer the review of the current approach to treasury management, which requires 25% of the value of the housing debt to be set-aside by the point at which the loan portfolio matures until after it is formally confirmed that the legislation allowing the introduction of a levy in respect of the sale of higher value voids will be repealed.

Housing Capital

- n) Approval of capital bids, shown in Appendix D (3) of the HRA Budget Setting Report, to include the replacement of the lifts at Ditchburn Place whilst other major refurbishment work is underway.
- o) Approval of the latest Decent Homes Programme, to include any updated allocation and timing of decent homes expenditure for new build dwellings, as detailed in Appendix E of the HRA Budget Setting Report.
- p) Approval of the latest budget sums, profiling and associated financing for all new build schemes, including new scheme specific approvals for Colville Road, Meadows and Buchan Street and Clerk Maxwell Road, based upon the latest cost information from the Cambridge Investment Partnership (CIP) or direct procurements, as detailed in Appendices E and H, and summarised in Appendix K, of the HRA Budget Setting Report.
- q) Approval of re-phasing of budget for the last phase of refurbishment at Ditchburn Place from 2018/19 into 2019/20, as detailed in Appendix E, and summarised in Appendix K, of the HRA Budget Setting Report.
- r) Approval of the revised Housing Capital Investment Plan as shown in Appendix K of the HRA Budget Setting Report.

General

- s) Approval of delegation to the Head of Finance, as Section 151 Officer, to approve an in year increase or decrease in the budget for disabled facilities grants, in direct relation to any increase or decrease in the capital grant funding for this purpose, as received from the County Council through the Better Care Fund.
- t) Approval of delegation to the Strategic Director to review and amend the level of fees charged by the Shared Home Improvement Agency for disabled facilities grants and repair assistance grants, in line with any decisions s made by the Shared Home Improvement Agency Board.
- u) Approval of delegation to the Strategic Director, in consultation with the Head of Finance, as Section 151 Officer, to draw down resource from the ear-marked reserve for potential debt redemption or re-investment,

for the purpose of open market property acquisition or new build housing development, should the need arise, in order to meet quarterly deadlines for the use of retained right to buy receipts.

- v) Approval of delegation to the Strategic Director, following formal consultation with tenants, to make a decision in respect of the number of rent weeks over which the annual rent is charged for council tenants, and implement any change in policy accordingly.

4. Implications

All budget proposals have a number of implications. A decision not to approve a revenue bid will impact on managers' ability to deliver the service or scheme in question and could have staffing, equal opportunities, environmental and / or community safety implications. A decision not to approve a capital or external bid will impact on managers' ability to deliver the developments desired in the service areas.

(a) Financial Implications

The financial implications associated with decisions are outlined in the HRA Budget Setting Report 2019/20, appended to this report, for consideration by both Housing Scrutiny Committee and Council.

(b) Staffing Implications

Any direct staffing implications are summarised in the HRA Budget Setting Report 2019/20, appended to this report.

(c) Equality and Poverty Implications

An Equalities Impact Assessment has been undertaken in respect of new budget proposals where any impact (positive or negative) is anticipated. The consolidated assessment is presented at Appendix L of the HRA Budget Setting Report.

(d) Environmental Implications

Where relevant, officers have considered the environmental impact of budget proposals, with any impact highlighted in the HRA Budget Setting Report 2019/20, appended to this report.

(e) Procurement Implications

Any procurement implications arising directly from revenue or capital bids will be considered and addressed as part of each individual project.

(f) Consultation and Communication

Consultation with tenant and leaseholder representatives is an integral part of the Housing Scrutiny Committee process. The views of tenants and leaseholders, in respect of investment priorities, were sought as part of the last STAR tenants and leaseholder survey and subsequent consultation activity, and the findings continue to inform investment priorities, and therefore, this budget process.

(g) Community Safety

Any community safety implications are outlined in the HRA Budget Setting Report 2019/20, appended to this report.

6. Background papers

Background papers used in the preparation of this report:

Housing Revenue Account Budget Setting Report 2018/19

Housing Revenue Account Medium Term Financial Strategy 2018/19

7. Appendices

The Housing Revenue Account Budget Setting Report 2019/20 is appended to this report.

8. Inspection of papers

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

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Alternative Budget
Version
(Re-Stated and
Amended Text
Only)

Housing Revenue Account Budget Setting Report 2019/20



January
2019

Cambridge City Council

Section 1

Introduction

Foreword by the Opposition Spokesperson for Housing

The housing market in Cambridge is broken. People continue to struggle to afford to live in Cambridge or even the surrounding area. This position has a major impact on those residents in most need of housing. The number of households on the Housing Needs Register of over 2,450 reflects this. The introduction of Universal Credit is a further negative component in this mix and is likely to have a big effect on existing and new council tenants.

The Liberal Democrat amendment in last year's Housing Revenue Account budget brought forward proposals to start to address these problems. The Housing Scrutiny Committee voted to support the amendment, but the Labour ruling group refused to adopt the proposals. It is therefore good to see that a number of our proposals relating to the much needed support for tenants transferring to Universal Credit and undertaking investment in community areas across the council housing sites have now been adopted in the ruling group's 2019/20 Housing Revenue Account budget proposals.

The Liberal Democrat amendment to the Housing Revenue Account Budget this year looks to build on our proposals from last year. It again reflects the views expressed by

residents across the city regarding the Council's approach to the provision of council housing and the support that it provides to its council tenants. Our proposals comprise:

'Our Cambridge 2030 – Housing for All' - Putting in place the medium/long term HRA council house building vision

The council is a key provider of social housing in Cambridge. Residents are looking to politicians to set out a bold vision that tackles the continued shortage of council housing. The proposed change in legislation allowing local authority housing revenue accounts to borrow, provides a big opportunity to set out a medium term vision for new council house building and also the replacement/ or major renovation of existing council housing stock that has reached the end of its life.

The aim would be to build up to 1,000 addition council houses in the period after 2022. Under the title - 'Our Cambridge 2030 - Housing for All', the member of staff would be responsible for scoping out the strategy for the financing of the new council houses, identifying and pursuing appropriate sites across the city and exploring the most efficient delivery mechanism to build the houses. In addition, the role would look at how a project for replacement / or major renovation of existing council housing stock would be funded and would take place in parallel with the new build programme, using the results of the stock condition survey as a base line for the analysis. The strategy will ensure not only a step change in the provision of new council houses, but will also ensure that existing council house stock is maintained and enhanced.

Resource to ensure the successful delivery of Housing First housing for entrenched rough sleepers

Homelessness continues to be a key issue in Cambridge. It is critical that any action the council takes to address homelessness has the maximum chance of success. Housing First is a model used to provide non conditional accommodation for entrenched rough sleepers, together with extensive support to ensure that their tenancy is successful. As

part of the delivery of the 500 council houses through the devolved funding, the council intends to build a number of Housing First units primarily on the site of the Buchan Street Community Centre. The member of staff would be funded for one year split between 2019/20 and 2020/21. The role would be to work with all key stakeholders to ensure the successful delivery of the project, including the approach to the design and layout of the units on the development, coordinating other stakeholders to ensure that tenants are successfully housed and that the correct levels of support for the tenant are in place to ensure a successful tenancy.

Renting 3-5 bedroom houses that will be built as part of the 500 new council houses at a lower rent – saving a large Cambridge family approximately £2,000 a year

The council intends to charge a rent on the 500+ new council houses that it is building at a Local Housing Allowance level, rather than at the lower level of rent it charges tenants on the majority of its existing properties. Large households (with children) in the city on low incomes are already struggling to make ends meet. With the introduction of Universal Credit, this will increase. The amendment proposes to rent all the properties of 3 bedrooms or more (estimated to be 75 of the houses to be built) at the lower historical rents the council charges. This could save a large Cambridge family (with children) approximately £2,000 a year in rent they pay to the council.

Funding for discretionary housing payments (DHP) to council tenants in relation to the Universal Credit

The introduction of Universal Credit will have a major impact on council tenants, particularly those who because of their circumstances are not able to work and as a result have their Universal Credit payments capped. The fund will allow small payments to be made to council tenant households in financial difficulties as a result of this change, to assist them in the payment of their council rent. The DHP will be administered on a similar basis as the DHP were for the under occupation scheme.

Support to cushion the impact on tenants of the introduction of the zero tolerance policy on storage in communal areas

The council has recently introduced a zero tolerance policy regarding storage in communal areas across the housing stock. The overwhelming majority of council tenants take pride in their homes and often personalise the space around their entrance door. The policy has impacted all items residents have placed on communal areas including door mats and plant pots. The funding will be used specifically for purchase of noncombustible door mats and plant pots for residents impacted by this policy in open communal areas and where the products do not restrict an escape route.

Section 4

Housing Revenue Account Budget

Overall Budget Position - 2019/20 onwards

Overall Budget Position

The overall revenue budget position for the Housing Revenue Account is summarised in the table below and at **Appendix J**, with detail for the period to 2022/23 provided in **Appendix D (2)**:

Proposal Type	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Efficiency Target Included	130,000	130,000	130,000	130,000	130,000
Reduction required to meet Efficiency Target	130,000	260,000	390,000	520,000	650,000
2019/20 Budget Items					
Savings	(311,700)	(301,700)	(281,700)	(241,700)	(241,700)
Increased Income	(452,150)	(51,900)	(51,900)	(51,900)	(51,900)
Unavoidable Revenue Pressures	59,260	55,000	55,000	55,000	55,000
Reduced Income	14,000	26,250	95,760	124,670	143,670
Net Savings Position (above) / below Efficiency Target Requirement	(560,590)	(12,350)	207,160	406,070	555,070

Strategic Investment Fund	(130,000)	(130,000)	(130,000)	(130,000)	(130,000)
Cumulative Strategic Investment Fund	(130,000)	(260,000)	(390,000)	(520,000)	(650,000)
Bids	478,850	266,550	237,300	188,800	188,800
Net Position (above) / below Strategic Investment Fund	348,850	6,550	(152,700)	(331,200)	(461,200)
Net Position (above) / below Net HRA Efficiency / Investment Assumptions	(211,740)	(5,800)	54,460	74,870	93,870
Non-Cash Limit Adjustments	610,130	(644,470)	0	0	0
Net Position for the HRA (above) / below overall assumptions	398,390	(251,880)	(197,420)	(122,550)	(28,680)

Non-Cash Limit Budgets

Non-Cash Limit items are those that do not relate directly to the cost of service provision, including for example direct revenue funding of capital expenditure (DRF), investment income and depreciation. These items are treated outside of the 2019/20 cash limit, with the implications built into the financial forecasts for the HRA as part of the budget process, informing future budget strategy, savings targets and investment priorities. For 2019/20 the non-cash limit items arrive at an increased cost to the HRA, due predominantly to an increase in the level of depreciation to be charged in year and therefore transferred to capital as a funding source of £644,470. This is however, offset in 2020/21 by a corresponding reduction in the level of revenue funding of capital

expenditure, ensuring that the overall level of funding for the capital programme is maintained.

Performance against Savings Target

A new efficiency savings target of £130,000 was incorporated into HRA forecasts for 2019/20 as part of the HRA Medium Term Financial Strategy approved in September 2018. The efficiency target was set in the context of a financial position which is improved by the assumed deferral, and potential abolition, of the implementation of the higher value voids levy.

The savings identified in the table above, and included for decision as part of the HRA Budget Setting Report, are detailed in **Appendix D (2)**.

The savings and increased income that have been identified for 2019/20 are partially offset by the HRA reacting to unavoidable revenue pressures. ***The net position is an over-achievement against the efficiency target for 2019/20 of £560,590, but also a greater demand for strategic re-investment, with this being £348,850 above the sum included for the HRA. Details of the net savings can be found in Appendix D (2).***

Further efficiency targets have been incorporated from 2020/21 for four years, also at the level of £130,000 per annum. This will allow continued strategic re-investment at the same level each year, in an attempt to be in a position to respond to challenges presented by changes in local and national housing and welfare policy.

The result of any corporate transformation activity may have a financial impact for the HRA. The detail, and impact in monetary terms, is not always available at the outset of each project. Any anticipated costs or savings for the HRA are only included once the activity is confirmed corporately as being far enough progressed that some certainty can be given to the incidence of impact between the General Fund and the HRA.

Transformation Fund

A budget of £10,000 in 2019/20, increasing to £20,000 in 2020/21, £40,000 in 2021/22, up to £80,000 from 2022/23 ongoing per annum is retained in the HRA to allow investment in service transformation projects and in spend to save initiatives, in light of the major changes in national housing policy. This has been reduced in the earlier years, recognising recent significant investment in transforming the Housing Service over the last 3 years. To date, the fund has been allocated to one-off projects only, with no ongoing call on the resource.

The responsibility for identification and approval of funding for suitable projects, whether one-off, or ongoing in nature, is delegated to the Strategic Director, who is responsible for ensuring that the authority continues to meet statutory obligations and has a housing offer which is fit for purpose.

Strategic Investment Fund

As part of the HRA Medium Term Financial Strategy, approved in September 2018, approval was given to creation of a Strategic Investment Fund of £130,000 per annum, to be directly offset by efficiency savings identified in the HRA each year, for the next 5 years.

Bids against this fund have been identified as part of the 2019/20 budget process, with the proposals detailed in **Appendix D(2)**.

Section 7

Summary and Overview

Financial Assumptions and Sensitivity

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

All financial assumptions are subject to change, with a number of alternative values that could have been assumed. To mitigate the risks associated with this, modelling of key sensitivities is undertaken to provide context to the financial impact that a change in an assumption will make.

Appendix I provides details of the key sensitivities modelled in the preparation of the HRA Budget Setting Report 2019/20.

Options and Conclusions

Overview

The budget for 2019/20 has been constructed in the wider context of the national position for social housing, with the authority still seeking to achieve a balance in investment against the previously agreed priorities:

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

The authority responded to the requirement to reduce rents by 1% for 4 years, by making significant savings in the first 3 years to mitigate the impact on the business. The final year of rent cuts to be applied is from April 2019.

Uncertainty in respect of regulation for some other changes in national housing policy, still pose significant challenges in predicting the future for the housing service, with the outcome of a number of government consultations still awaited at the time of writing this report. These include the Housing Green Paper, one consultation on the use and application of right to buy receipts and another on the regulation of social rents for local authorities. The full rollout of Universal Credit adds to uncertainty for the Housing Service, with the impact of direct payment anticipated to have a significant negative impact on rent collection levels and arrears, at least in the short-term.

However, a commitment to repeal the legislation surrounding the sale of higher value voids levy and confirmation that the HRA debt cap has been abolished are both significant positive announcements.

The Housing Service has seen considerable change and transformation over the last 4 years, to ensure that the authority is best placed to respond to the ever changing financial environment. Changes in working practices and processes have been, and are being implemented and a programme of training is concluding for staff across the Housing Service to assist with this.

Summary and Conclusions

Work undertaken as part of the 2019/20 budget process has resulted in the development of proposals for setting the budget for the Housing Revenue Account.

In January 2019 Housing Scrutiny Committee will consider the budget proposals, prior to the Executive Councillor for Housing making decisions in respect of the revenue aspects of the budget, making recommendation for the housing capital budget for 2018/19 to 2023/24 to Council for consideration and approval.

The HRA Budget Setting Report recommends, in summary:

- Approval of property rents, garage and parking space rents and service charges
- Approval of any revised budget proposals
- Approval of any unavoidable revenue pressure proposals
- Approval of any savings proposals
- Approval of any increased income proposals
- Approval of any non-cash limit items
- Approval of any capital bids, capital savings, revised scheme costs and timings
- Approval of capital resource re-allocation

The meeting of Council on 21 February 2019 will consider the final proposed Housing Capital Budget as identified in this report for approval.

A significant proportion of the savings identified in the HRA from 2019/20 result from a reduction in the funding for external consultancy support identified for Housing Transformation, from savings in employee cost due to changes in staff employed across the service, the removal of funding to allow for the cover of roles when staff are on maternity leave and a reduction in the funding for the under-occupation scheme.

Increased rent income is anticipated in 2019/20 due to a combination of improved void performance, deferral of the sale of higher value voids levy and delays in decisions in respect of the potential to demolish and re-develop existing housing schemes.

A reduction in rent income is anticipated from 2020/21 as a direct result of the proposal to introduce any 3 and 4 bedroom homes built with Devolution Grant or on the sites where grant is applied, at target social rents, as opposed to Cambridge Rents, which are capped at the Local Housing Allowance (inclusive of service charges).

Savings and increased income are partially offset by unavoidable revenue pressures, predominantly due to an inability to deliver some of the anticipated aspects of corporate change and centralisation / sharing of support services.

The net saving delivered allow for the creation of a Strategic Investment Fund as approved in the HRA Medium Term Financial Strategy, with bids proposed for additional staffing in both Housing Services and Estates and Facilities and for additional fixed term resource to help mitigate the impact of welfare reform change.

Non-cash limit adjustments in respect of depreciation and interest impact the HRA in 2019/20, but are offset by changes in revenue funding of capital expenditure in 2020/21.

The overall position for the HRA for 2019/20 (including non-cash limit adjustments) is an under-achievement of £398,390. This changes from 2020/21 however, with an over-achievement of £251,880 against the cash limit.

There is currently an assumption that efficiency savings of £130,000 per annum will be sought for a further 4 years, allowing the creation of a corresponding Strategic Investment Fund for the same period. Effectively, and increase in costs or investment in new areas of priority will need to be funded through the identification of efficiency savings or increased income elsewhere across the service.

The HRA's approach to long-term financial planning still incorporates the assumption that any surplus resource will be set-aside in the first instance, until 25% of the loan portfolio can be redeemed at maturity, with any balance available for re-investment in income generating assets, whilst also maintaining reasonable financial assumptions in ongoing investment need in the current housing stock. The review of this approach has been deferred until the higher value voids levy has been formally abolished, as any u0turn in this would significantly impact any recommendations arising from this review.

The HRA is making good progress towards the delivery of 500 homes using Devolution Grant over a 5 year period, and a net increase in the housing stock over this period is therefore anticipated, with new homes outweighing those anticipated to be lost through the right to buy.

One of the key challenges for the HRA remains the ability to invest in new homes, using Devolution Grant and retained right to buy receipts, quickly enough to avoid the need to hand any right to buy receipts to central government, with interest penalties attached.

The delegation to the Strategic Director, to allow revenue resource previously transferred into the potential debt redemption / new build reserve to be drawn down to allow the strategic acquisition of market housing for use as affordable rented homes is retained. This will continue to mitigate the risk that delay, or lead in, to the delivery of new homes may result in a requirement to pay retained right to buy receipts over to central government, with an interest penalty attached.

Any review of the need to identify savings in future years will need to consider not only the need to sustain a 30 year business plan, but also the impact of any emerging housing legislation, the authorities aspirations for delivery of new build housing in the future, and the approach to continuing to set-aside resource for the redemption housing debt.

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.	Retained
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.	Retained
Debt Repayment	Set-aside 25% to Repay Debt	Assumes surplus is re-invested in income generating assets, with 25% of resource set-aside to repay debt as loans reach maturity dates, 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%	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
Devolution Programme Rents	LHA Rents (1 and 2 beds) Target Social Rent (3 and 4 beds)	All 3 and 4 bed homes built on Devolution Programme sites to be introduced at the lower target social rent plus service charges	Amended
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	Affordable rents to be reviewed annually in line with Local Housing Allowance, ensuring that they do not exceed 80% of market rent	Retained

Key Area	Assumption	Comment	Status
	CPI plus 0.5% from 2025/26	less the 4 years of 1% rent cuts.	
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% for 2018/19, 1.25%, then 1.3% ongoing	Interest rates based on latest market projections, including the impact of additional CCLA investment.	Retained
Internal Lending Interest Rate	1.2% for 2018/19, 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.	Retained
External Borrowing Interest Rate	3.03%	Assumes additional borrowing using current PWLB rates, currently 3.03%.	Amended
Internal Borrowing Interest Rate	3.03%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Amended
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, pending a review once the impact of the higher value voids levy and other housing policy changes are clear.	Retained
HRA Target Balances	£3,000,000	Maintain HRA target balance at £3,000,000, pending a review once the impact of the higher value voids levy and other housing policy changes are clear.	Retained
Right to Buy Sales	35, 30, then 25 sales ongoing	An uncertain economy expected to result in a marginal decline in activity. Assume 35 in 2019/20 then reducing by 5 sales per annum, until 25 are assumed ongoing.	Retained
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for-one receipts included, and ear-marked for direct new build spend. Debt repayment proportion assumed to be set-aside.	Retained
Void Rates	1.25% for 2019/20, then 1% ongoing	Assumes 1.25% plus known void loss for re-development sites in 2019/20, reducing to 1%, from 2020/21, recognising refurbishment works and improved void processes longer-term	Amended
Bad Debts	1.5% from 2019/20 ongoing	Bad debt provision increased to 1.5% reflecting experience in 2017/18 and the requirement to collect 100% of rent directly more widely from October 2018.	Retained
Savings Target	£130,000 (4% of general and	Re-introduce an efficiency target of £130,000 from 2019/20 for 5 years. Allows	Retained

Key Area	Assumption	Comment	Status
	repairs administrative expenditure)	strategic reinvestment or alternatively a response to pressure from national housing policy change.	
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.	Retained

Savings

Housing - HRA

S4228	Saving in staff costs across HRA General, Special and Repair Services	0	(77,820)	(77,820)	(77,820)	(77,820)	Sandra Farmer	Nil
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A saving has been identified in staff costs across all of the HRA General and HRA Special cost centres due to recruitment to a number of posts at lower points on the scale than previous postholders and existing staff being top of scale and therefore not receiving incremental progression payments. None

S4229 / LDS1	Reduction in housing transformation funding	0	(142,800)	(132,800)	(112,800)	(72,800)	Julia Hovells	Nil
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An element of the housing transformation budget was ear-marked for the employment of external consultancy to support the service transformation. This resource is no longer required as all key posts have now been recruited to. The major transformation undertaken in the housing service over the last 3 years has reduced the need for the level of transformation fund in the near term. The plan allows the rebuilding of the fund to a level of £80,000 per year from 2022/23 None

S4235	Reduction in under-occupation scheme funding	0	(41,900)	(41,900)	(41,900)	(41,900)	Sandra Farmer	Nil
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A reduction in the budget for the Under-Occupation Scheme is proposed in line with demand experienced in 2017/18. None

S4296	Cash limit specific Supplies & Services Budgets	0	(20,000)	(20,000)	(20,000)	(20,000)	Julia Hovells	Nil
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Cash limit non-contractual supplies and services budgets, with the need to manage the delivery of services in 2019/20 within the cash limited sum in the 2018/19 budgets.

S4297	HRA maternity leave costs delegated to service budgets	0	(29,180)	(29,180)	(29,180)	(29,180)	Julia Hovells	Nil
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Following no call on this provision for the last two years it is proposed to remove the central provision so that where cover is needed to maintain service delivery all costs of maternity leave will be met directly by services in 2019/20 and in future years. This will ensure that these costs are correctly attributed to services, and that this funding is released to support service delivery. There will be no impact on the rights of those on maternity leave, who will continue to be entitled to payment in line with Council Maternity Policy.

Total Savings in Housing - HRA		0	(311,700)	(301,700)	(281,700)	(241,700)		
Total Savings		0	(311,700)	(301,700)	(281,700)	(241,700)		

Increased Income

Housing - HRA

II4227	Increased garage rent income	0	(51,900)	(51,900)	(51,900)	(51,900)	Julia Hovells	Nil
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An increase in garage income is anticipated based upon current usage and occupancy levels, coupled with the assumption that None garage protection is phased down as agreed at Housing Scrutiny Committee in January 2018.

II4249	Increase in Rent and Service Charge Income	0	(400,250)	0	0	0	Julia Hovells	Nil
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A net increase in rent income and service charge income is anticipated in 2019/20, with additional rent income due to improved None voids performance, coupled with delays in the assumption that vacant possession is secured in respect of some development schemes, partially offset by reductions in service charge income based upon the cost of services being provided.

Total Increased Income in Housing - HRA	0	(452,150)	(51,900)	(51,900)	(51,900)			
Total Increased Income	0	(452,150)	(51,900)	(51,900)	(51,900)			

Unavoidable Revenue Pressure

Housing - HRA

URP4245	Support Services Review (SSR) - HRA element	0	55,000	55,000	55,000	55,000	Paul Boucher	Nil
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In setting the 2015 budget, £800K was built in as the savings target to be delivered over 4 years to reduce our support and central costs. At that stage we were at the early stages of developing and implementing alternative share service delivery models and the realisation of the full savings was uncertain. £600K savings have been achieved through support service reviews of ICT, Finance and Business Support and from procurement activity leaving £200k allocated £145k to GF and £55k to HRA. There is very little scope for further centralisation or consolidation of CCC support services, in view of the shared services that have been implemented.

URP4308	Increase in HRA Bad Debt Provision	0	4,260	0	0	0	Julia Hovells	Nil
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As a direct result of the anticipated increase in rent income, there is a need to increase the bad debt provision in proportion to this.

Total Unavoidable Revenue Pressure in Housing - HRA	0	59,260	55,000	55,000	55,000
Total Unavoidable Revenue Pressure	0	59,260	55,000	55,000	55,000

Reduced Income

Housing - HRA

RI4231	Loss of income for rental of roof space at Princess / Hanover Court	0	8,300	8,300	8,300	8,300	Sandra Farmer	Nil
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The roof space at Princess / Hanover Court was subject to a lease for a mobile phone aerial. The supplier has terminated the lease and removed the aerial, with a resulting loss of rental income to the HRA.

None

RI4250	Reduction in HRA Commercial Property income	0	5,700	5,700	5,700	5,700	Julia Hovells	Nil
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A reduction in rental income is anticipated based upon the latest rent review and void assumptions for the property portfolio.

None

LDRI1	Reduction in rental income as a result of charging local authority rent restructured rents	0	0	12,250	81,760	110,670	Julia Hovells	Nil
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Reduction in rental income as a result of charging local authority rent restructured rents to homes of 3 bedrooms or more built with devolution funding or re-provided on devolution funded sites.

Total Reduced Income in Housing - HRA

0	14,000	26,250	95,760	124,670
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Total Reduced Income

0	14,000	26,250	95,760	124,670
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Bids

Housing - HRA

B4226	Garage and Former Tenant Arrears Officer	0	32,000	32,000	32,000	32,000	Sandra Farmer	Nil
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This bid is to employ a full time Assistant Housing officer with a particular focus on garage management and former tenant arrears across all tenancies. This post contributes to the effective letting of garages and therefore maximisation of garage rental income.

None

B4230	Policy and Performance Officer for the Housing Service	0	38,800	38,800	38,800	38,800	Laura Adcock	Nil
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This bid is to employ a Policy and Performance Officer across the Housing Service, to provide quality assurance, supporting customer facing services by helping to produce clear policies and procedures, whilst also monitoring performance and developing services.

None

B4232	Cost to apply market supplements to surveying posts in the HRA	0	42,000	42,000	42,000	42,000	Suzanne Hemingway	Nil
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This bid will support the payment of market supplements to Surveyors, Principal Surveyors and associated management posts to aid recruitment and retention in this service area

None

B4233	Additional staffing resource to carry out rolling programme of Housing Stock Condition Surveys	0	38,100	38,100	38,100	38,100	Will Barfield	Nil
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Stock condition data should be updated on a rolling programme. It has been identified that the current resource allocation for this is insufficient to keep the full data set up to date over a 5 year programme. This bid seeks approval for an additional Assistant Surveyor to complement the current resource and allow this to be fulfilled. Employing an additional member of staff is expected to be more cost effective than continuing to use temporary resource and will ensure consistency in the data collected.

None

B4234	Cost to increase the Level 3 Apprentice Surveyor to a Level 6 Apprentice Surveyor	0	12,900	12,900	12,900	12,900	Will Barfield	Nil
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This bid will support the continued employment of an Apprentice Surveyor in the team, allowing progression from a Level 3 Apprenticeship to a Level 6 Apprenticeship to become a fully qualified Surveyor.

None

B4306	Bid to provide revenue funding for estate improvements	0	100,000	0	0	0	David Greening	Nil
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To complement the £1 million per annum for 5 years of capital funding for estate improvements approved as part of the HRA MTFs, revenue resource of £100,000 has been ear-marked in 2019/20 to allow for any revenue investment identified as part of the survey and prioritisation process. The combined capital and revenue resource could allow for investment in pavements, lighting, street furniture, recycling facilities, graffiti removal, remedy of vandalism damage, parking facilities, garage site improvements, removal of abandoned cars, landscaping works, fly tipping removal, pest control and open space investment, as examples.

B4307	Additional funding to respond to Welfare Reform	0	50,000	0	0	0	David Greening	Nil
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The HRA has already identified permanent funding to employ two additional officers to work with those impacted by Welfare Reform changes and to meet the additional costs of cash collection associated with the changes. This bid for 2019/20 will provide £50,000 of additional fixed term funding to allow the deployment of temporary support where necessary to mitigate the impact of change. This may be through funding staff in the Citizen's Advice Bureau or alternatively through funding temporary staff within Housing Services.

B4315	Financial Inclusion Officer (HRA share)	0	27,300	0	0	0	Naomi Armstrong	Nil
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Extension of Financial Inclusion Officer post to assist with supporting welfare reforms
This existing post (previously funded through sharing prosperity fund) provides support and hands-on assistance in helping people affected by welfare reforms to maximise their income, reduce their costs and explore options for improving their lives going forward. The client group tends to be those on lowest incomes, the most vulnerable claimants and families with complex needs and often chaotic lifestyles.
This is the HRA share (65%).

LDB1	One off funding to cushion impact of zero tolerance policy on storage in communal areas	0	50,000	0	0	0	David Greening	Nil
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The Council has recently introduced a zero tolerance policy regarding storage in communal areas across the housing stock. The policy has impacted all items residents have placed on communal areas including door mats and plant pots. The funding will be used specifically for purchase of non combustible door mats and plant pots for residents impacted by this policy in open communal areas and where the products do not restrict an escape route.

LDB2	Staffing resource to initiate the medium/long term HRA council house building strategy	0	48,500	48,500	48,500	0	Claire Flowers	Nil
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The Council is a key provider of social housing in Cambridge. The change in legislation allowing the council to borrow in the HRA, provides a material opportunity to set out a medium term vision for new council house building and also the replacement/ or major renovation of existing council houses that have reached the end of their life. The aim would be to build up to 1,000 addition council houses in the period after 2022. Under the title - 'Our Cambridge 2030 - Housing for All', the member of staff would be responsible for scoping out the strategy for the financing of the new council houses, identifying and pursuing appropriate sites across the city and exploring the most efficient delivery mechanism to build the houses. In addition, the role would look at how a project for replacement / or major renovation of existing council housing stock would be funded and would take place in parallel with the new build programme.

LDB3	Staffing resource to ensure the successful delivery of Housing First housing as part of 500 new council houses	0	24,250	24,250	0	0	David Greening	Nil
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Housing First is a model used to provide non conditional accommodation for entrenched rough sleepers, together with extensive support to ensure that their tenancy is successful. As part of the delivery of the 500 council houses through the devolved funding, the Council intends to build a number of Housing First units primarily on the site of the Buchan Street Community Centre. The member of staff would be funded for one year split between 2019/20 and 2020/21. The role would be to work with all key stakeholders to ensure the successful delivery of the project, including the approach to the design and layout of the units on the development, coordinating other stakeholders to ensure that tenants are successfully housed and that the correct levels of support for the tenant are in place to ensure a successful tenancy.

LDB4	Funding for discretionary housing payments in relation to Universal Credit cap.	0	15,000	30,000	25,000	25,000	David Greening	Nil
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Funding for discretionary housing payments in relation to the rollout of Universal Credit. The fund will be specifically for those Council tenants who are experiencing financial difficulties as a result of the transfer. The DHP will be administered on a similar basis as the DHP were for the under occupation scheme.

Total Bids in Housing - HRA	0	478,850	266,550	237,300	188,800			
Total Bids	0	478,850	266,550	237,300	188,800			

Non-Cash Limit Items

Housing - HRA

NCL4309	Changes in interest paid by the HRA	0	(24,250)	0	0	0	Julia Hovells	Nil
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The level of interest payable on HRA internal borrowing is less than anticipated as the average external lending rate used to calculate the sum due to the General Fund is lower than the current PWLB rates.

NCL4310 / LDNCL1	Changes in interest due to the HRA on estimated balances held	0	(10,090)	0	0	0	Julia Hovells	Nil
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Based upon the latest projected cash balances for the HRA, there will be marginally more interest earned in 2019/20 than anticipated.

NCL4311	Decrease in Direct Revenue Financing of Capital Expenditure (DRF)	0	0	(1,288,940)	(644,470)	(644,470)	Julia Hovells	Nil
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As a direct result of an increase in depreciation, which requires the transfer of resource for capital use, the voluntary transfer of revenue resource is reduced correspondingly.

NCL4312	Change in depreciation estimates for the HRA	0	644,470	644,470	644,470	644,470	Julia Hovells	Nil
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The level of depreciation has increased based upon the latest property numbers, property values and remaining asset lives.

Total Non-Cash Limit Items in Housing - HRA	0	610,130	(644,470)	0	0			
Total Non-Cash Limit Items	0	610,130	(644,470)	0	0			
Report Total	0	398,390	(650,270)	54,460	74,870			

HRA Summary 2018/19 to 2023/24

Appendix J

Description	2018/19 £0	2019/20 £0	2020/21 £0	2021/22 £0	2022/23 £0	2023/24 £0
Income						
Rental Income (Dwellings)	(36,987,980)	(36,149,430)	(37,065,520)	(38,843,580)	(40,914,550)	(41,981,450)
Rental Income (Other)	(1,128,710)	(1,199,740)	(1,224,930)	(1,249,430)	(1,274,420)	(1,299,910)
Service Charges	(3,004,310)	(2,969,250)	(3,026,860)	(3,082,880)	(3,140,020)	(3,198,300)
Contribution towards Expenditure	(3,450)	(926,900)	(946,360)	(965,290)	(984,590)	(1,004,290)
Other Income	(455,500)	(458,880)	(461,880)	(464,350)	(473,640)	(483,110)
Total Income	(41,579,950)	(41,704,200)	(42,725,550)	(44,605,530)	(46,787,220)	(47,967,060)
Expenditure						
Supervision & Management - General	3,719,030	3,748,320	3,823,290	3,962,370	4,222,400	4,367,300
Supervision & Management - Special	2,584,280	3,408,560	3,337,530	3,415,980	3,496,400	3,578,850
Repairs & Maintenance	6,971,740	7,238,020	7,459,440	7,467,560	7,753,410	7,971,390
Depreciation – t/f to Major Repairs Res.	10,678,110	10,949,310	11,063,250	11,498,760	11,758,550	11,823,770
Debt Management Expenditure	0	0	0	0	0	0
Other Expenditure	3,761,280	3,799,000	3,848,560	3,925,920	4,017,320	4,098,800
Total Expenditure	27,714,440	29,143,210	29,532,070	30,270,590	31,248,080	31,840,110
Net Cost of HRA Services	(13,865,510)	(12,560,990)	(13,193,480)	(14,334,940)	(15,539,140)	(16,126,950)
HRA Share of operating income and expenditure included in Whole Authority I&E Account						
Interest Receivable	(788,820)	(800,770)	(669,080)	(555,360)	(577,960)	(613,000)
HRA (Surplus) / Deficit for the Year	(14,654,330)	(13,361,760)	(13,862,560)	(14,890,300)	(16,117,100)	(16,739,950)
Items not in the HRA Income and Expenditure Account but in the movement on HRA balance						

Loan Interest	7,513,010	7,513,790	7,541,630	7,541,630	7,541,630	7,541,630
Housing Set Aside	4,472,200	4,472,200	4,241,200	1,168,200	2,615,200	1,764,100
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0
Direct Revenue Financing of Capital	597,320	0	11,340,090	4,935,810	5,977,640	7,442,880
(Surplus) / Deficit for Year	(2,071,800)	(1,375,770)	9,260,360	(1,244,660)	17,370	8,660
Balance b/f	(9,018,370)	(11,090,170)	(12,465,940)	(3,205,580)	(4,450,240)	(4,432,870)
Total Balance c/f	(11,090,170)	(12,465,940)	(3,205,580)	(4,450,240)	(4,432,870)	(4,424,210)