Item

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 As part of the 2019/20 budget process, the range of assumptions upon which the HRA Business Plan and Medium Term Financial Strategy were based, have been reviewed in light of the latest information available, culminating in the preparation of the HRA Budget Setting Report.

1.2 The HRA Budget-Setting Report provides an overview of the review of the key assumptions. It sets out the key parameters for the detailed recommendations and final budget proposals, and is the basis for the finalisation of the 2019/20 budgets.

1.3 The resulting recommendations refer to the strategy outlined in the HRA Budget Setting Report.

1.4 The HRA Budget Setting Report is presented to this meeting of the Housing Scrutiny Committee on 16 January 2019, to allow consideration and scrutiny of proposals for both the review of rents and service charges and the revenue bids and savings, which form part of the HRA budget. The Executive Councillor for Housing will approve rents, service charges and the final HRA revenue budget, after consideration of any budget amendments for the Housing Revenue Account.

1.5 The Housing Scrutiny Committee will also consider and scrutinise the Housing Capital Investment Plan, including capital bids and all associated funding proposals, prior to the Executive Council for Housing making final capital recommendations for approval at Council on 21 February 2019.

2. Recommendations

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.

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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Version 4
Council

Housing Revenue Account Budget Setting Report 2019/20

January 2019

CAMBRIDGE
CITY COUNCIL

Cambridge City Council

Version Control

	Version	for :	Anticipated Content
	1	Draft	Draft content for consultation
Current	2	Housing Scrutiny Committee 16 January 2019	Member Scrutiny Tenant and Leaseholder Representative Input Amendments to Executive proposals Opposition budget amendment proposals Rents and Service Charges approved Revenue budgets considered and approved
	3	Council Meeting 21 February 2019	The Executive Councillor for Housing's recommended final budget proposals Capital budgets considered and approved
	4	FINAL	Final version for publication following Council

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Appendices

Section 1
Introduction

Foreword by the Executive Councillor for Housing

The proposals outlined in this 2019/20 Housing Revenue Account (HRA) Budget Setting Report (BSR) set out how this council will continue investing in our housing stock for the present and future needs of our tenants, and the city more generally, meeting the challenges which stem from both national and local housing policy.

Despite the very welcome recent news that the borrowing cap on investing against HRA assets has been scrapped, and the 1% annual reduction in rents will not continue from 2020, at the time of writing the Government has still not given clarity to local authorities on other areas of housing policy which were consulted on following the recent Green Paper. The most notable being that there is still no formal confirmation the compulsory disposal of higher-value housing stock will no longer be going ahead. This is despite assurances given by Ministers last summer.

Despite this uncertainty, including the longer-term impact of Universal Credit on tenants themselves and on rent arrears, the HRA business plan remains suitably robust to withstand possible pressures. This is in part due to prudent planning, identifying and mitigating of risks, and also because of strategic revenue investment in initiatives like the funding of additional support for those affected by welfare reforms, maximising tenants' incomes and avoiding them going into arrears.

In the Medium-Term Financial Strategy, agreed last September, it was approved to invest £1m per year over the next five years to improve our estates. This major capital investment, together with our continued commitment to the decent homes standard, is a strong signal of the Council's intent to give tenants continued access to comfortable, modern, safe and secure homes. This BSR recommends augmenting this commitment through a proposed revenue bid for additional staffing resource to promote delivery of these key projects.

Our council house building programme is at the heart of the capital commitments outlined in this report. We are making good our promise to identify sites to deliver at least 500 new homes over the next few years – funded with the assistance of a combination of devolution grant and Right-to-Buy receipts – that are desperately needed to assist with meeting the demand for affordable accommodation in the city. Specific budgets have been incorporated within the BSR for schemes at Colville Road, Clerk Maxwell Road and the Meadows and Buchan Street areas. Other sites already brought forward have had budgets amended to ensure smooth progress with construction works.

Councillor Richard Johnson

Executive Councillor for Housing

Background

Housing Revenue Account budgets continue to be set in the context of a 30-year business plan, which is reviewed twice each year, in September / October when the budget strategy is agreed and again in January / February, when the budget is set.

The HRA Budget Setting Report covers both HRA revenue and housing capital spending. As the authority's landlord account, the HRA accounts for all services to tenants and leaseholders and is the account into which the proceeds of the rent and landlord service charges are credited.

Resource available to invest in housing is dependent upon the income streams for the Housing Revenue Account, the most significant of these being the rental income for the housing stock. The authority is now required to comply with a national approach to rent setting, where rents will be reduced by 1% for the last of 4 years, from April 2019, after which rent increases will return to inflation as measured by CPI, plus 1% for the following five years.

The Housing Revenue Account continually reviews its priorities for investment, considering:

- The level of investment required in the existing housing stock
- The need to spend on landlord services (management and maintenance)
- The need to support, and potentially set-aside for repayment of, housing debt
- The ability to identify resource for Investment in new affordable housing
- The ability to invest in new initiatives, income generating activities and discretionary services (i.e.; support)

There is a key requirement to ensure that the HRA can support a significant level of housing debt whilst also ensuring ongoing delivery of housing services. As at April 2018, the authority was supporting a housing debt of £215,136,135.

Purpose, Scope and Key Dates

Purpose and Scope

The HRA Medium Term Financial Strategy for 2018/19, approved in part at Housing Scrutiny Committee in September 2018, with the capital aspects approved at Council in October 2018, set the financial strategy for the HRA for 2019/20.

Internal and external factors impacting the housing service were reviewed, taking account of emerging changes in national housing policy and the implications of any anticipated change in the economic environment. The review determined the financial strategy for the HRA and the framework for the detailed budget work to develop proposals for the 2019/20 budget.

As part of the HRA Budget Setting Report, the assumptions on which the HRA Medium Term Financial Strategy was based have been reviewed in light of any updated information, to determine whether any aspects of the strategy need to be revised.

The outcome of the exercise, summarised in this document, provides the basis for setting the HRA budget and rents and charges for 2019/20, culminating in recommendations to both Housing Scrutiny Committee on 16 January 2019, and ultimately Council on 21 February 2019.

Another key aspect of financial review is consideration of risk and any potential mitigation. Sensitivity analysis of key factors is also undertaken, to ensure that effective contingency plans are available to the Council and that an appropriate level of reserves can be maintained in light of changes in assumptions.

The work on the 2019/20 HRA Budget Setting Report takes as its starting point the following key parameters:

- A financial model that assumes revenue resource is set-aside to redeem 25% of the housing debt.
- A financial model assuming borrowing for cashflow purposes only, or in order to extend the financial viability of the business plan once rental income is insufficient to meet costs of both new build and maintaining the housing stock.
- Rent reductions in line with legislation for 2019/20, returning to rent increases in line with previous government guidelines of CPI plus 1% after this, for 5 years.
- Housing stock that is maintained at a level that allows the authority to comply with the decency standard.
- An efficiency savings target of £130,000 per annum included for 5 years, and directly offset by a corresponding Strategic Investment Fund that will allow resource to be re-invested in priority areas for the service.
- An adjustment in responsive repairs expenditure in line with anticipated stock changes.
- A minimum working balance for reserves of £2m, with a target level of £3m.

Key Dates

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

Date	Task
2018	
27 September	The Executive Councillor for Housing considered HRA Medium Term Financial Strategy, incorporated Housing Scrutiny Committee, including Tenant and Leaseholder Representative views, and approved revenue aspects, making recommendations to Council in respect of the capital plan.
18 October	Council approved HRA Medium Term Financial Strategy 2018/19
2019	
16 January	Executive Councillor for Housing considers Housing Scrutiny Committee views, before approving HRA revenue budgets and rent levels, and making recommendations to Council in respect of the capital aspects of the HRA Budget Setting Report
21 February	Council approves HRA Budget Setting Report

Section 2

Review of National and Local Policy Context and External Factors

Review of National Policy Context

National 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 4 years, from April 2019.

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.

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, with a government consultation in November 2018 surrounding the detailed approach to this and the proposed approach to the regulation of local authority rents in the future. The consultation indicates that local authority rents will from April 2020 be regulated by the Regulator of Social Housing, in line with all other registered provides of social housing. The consultation also indicates the intention to retain the requirement for social housing providers to ensure that combined rent and service charges for affordable rented properties are capped at the maximum of 80% of market rent upon re-let, but intend to introduce protection at the rate of CPI plus 1% for any re-let to an existing tenant.

For those properties still charged at the transitional social rents, which are still well below target social rent levels, the authority is 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

Consultation on the Ministry of Housing, Communities and Local Government green paper ‘A new deal for social housing’ concluded on 6 November 2018. Cambridge City Council submitted a formal response, encouraging expansion of the good practice we already adopt in engaging residents in the development of health and safety policy and in property inspections, supporting a review of the decent homes standard and the adoption of additional safety measures, supporting the proposed performance measures and suggesting the introduction of additional measures for void performance and freedom of information responses, supporting the need for stronger resident representation at national level, supporting many of the proposed activities and powers of the regulator, highlighting areas that could help remove stigma in social housing, suggesting a form of accreditation to encourage professionalism from social landlords, supporting the removal of the borrowing cap and the proposed relaxing of rules around the use of retained right to buy receipts, although recognising that these do not go far enough.

The formal outcome of the consultation and any resulting change in legislation is still awaited at the time of writing this report.

The five key principles in the consultation document were:

- a safe and decent home with a sense of security and ability to get on in life;
- improving and speeding up how complaints are resolved;

- empowering residents, ensuring voices are heard and landlords held to account;
- tackling stigma and celebrating thriving communities, challenging stereotypes
- building needed social homes ensuring a springboard to home ownership.

The consultation considered a vast number of points, including:

- introduce further safety measures in social housing and reviewing the decent homes standard and engaging residents in how to ensure homes are safe
- improve mediation for residents, ensuring access to advice and support, review process for the handling of complaints.
- review performance reporting, regulation and resident engagement
- Tackle stigma in social housing, provide good neighbourhood management, tackle anti-social behaviour.
- Strike a balance between funding housing associations to *deliver* new homes, and increase 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.

The final point has been addressed in advance of the formal outcome of the consultation, with the abolition of the HRA borrowing cap and issue of an amending determination to implement this with immediate effect.

Mandatory Disposal of High Value Housing Stock

The Housing and Planning Act 2016 allowed 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.

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, the assumption that the authority will be required to dispose of assets to meet a levy was deferred until April 2020, with our financial modelling assuming that we do not begin to hold any voids until October 2019, pending confirmation that the legislation will be formally repealed in the outcome of the green paper.

The HRA Budget Setting Report retains this assumption, as at the time of writing this report, the outcome of the green paper has not been published. Scenario modelling is incorporated to demonstrate the impact on the HRA of the abolition of this policy, as is now hoped.

Welfare Reforms

Universal Credit

Universal Credit full service in Cambridge started 17th October 2018.

Tenants needing to apply for one of the six legacy benefits for the first time will need to apply for Universal Credit instead. Existing legacy benefit claimants will be 'naturally migrated' to Universal Credit if they have a prescribed change in their circumstance.

Tenants in temporary or specified accommodation will receive Universal Credit for their living costs but housing benefit for their Housing Costs.

To support existing housing benefit claimants (unless temporary or supported accommodation) with the transition to Universal credit, an additional payment of two weeks housing benefit is made.

Cambridge City Council continues to work with partners and the local Jobcentre Plus, including a funded post being available in the Jobcentre from early October to provide Personal Budgeting Support (PBS). This arrangement has seen significant increases in the numbers receiving support compared to before the initiative started.

From April 2019, DWP will be funding PBS through a national partnership with Citizens Advice. The current local support will need to be reviewed during 2019/20 to ensure that Universal Credit claimants continue to be supported.

There has been extensive engagement over the last 12 months with several articles in Open Door, support offered on a 1-2-1 basis when it is known a tenant has moved to Universal Credit and a leaflet has been sent to every working age housing benefit claimant explaining what they can do to prepare for the changes.

With high numbers of changes in the current benefit caseload, it is expected that many tenants will move to Universal Credit due to one of the specified changes in circumstances. From early 2020 to December 2023, a process of managed migration will move remaining housing benefit claimants to Universal Credit. Details of how and when are being consulted on by government.

Benefit Cap

The project to manage the impact of the reduced Benefit Cap is continuing to support those affected. 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 (DHPs) 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.

The above project has been very successful. There are currently 76 capped claims (96 in 2017), 40 of which are City Homes tenants (48 in 2017).

Removal of the Spare Room Subsidy

Numbers of customers affected by the removal of the spare room subsidy is remaining steady with 343 HRA tenants currently affected by the reform (355 in 2017). 291 are impacted by a reduction of 14% and 52 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

A review of the funding of this type of accommodation has taken place; the government has decided that none of the suggested proposals will be taken forward. Housing Benefit will remain in place to fund this accommodation.

It is the DWP's intention ''to develop a robust oversight regime'' of supported accommodation. We welcome this, as supported accommodation has historically been an area where local authorities sustain significant subsidy losses. There remains a risk to council finances, although this has no direct impact on the HRA.

Right to Buy

Right to Buy Sales

During 2017/18, 65 right to buy applications were received and recorded, resulting in 47 completions. This compares to 118 applications in the previous year, which gave rise to 58 completions.

In the first 6 months of 2018/19, 34 right to buy applications were received and 17 sales completed. This seems to confirm that interest has continued to slow, leaning further towards the lower levels experienced prior to the housing policy changes and reinvigoration of the scheme that increased interest for a period.

It is difficult to predict future sales, although the current low level of initial interest in the scheme, coupled with small interest rate rises and the continued uncertainty surrounding the basis for leaving the European Union, indicate that interest is likely to remain low, at least in the short term.

For the HRA Budget Setting Report 35 sales are assumed in 2019/20, reducing by 5 sales per annum, until 25 sales per annum are assumed from 2021/22 onwards.

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

Status	Year	Right to Buy (RTB)			Total
		House	Flat	Bedsit	
Actual Sales	2013/14	31	28	1	60
	2014/15	26	24	1	51
	2015/16	24	17	1	42
	2016/17	36	22	0	58
	2017/18	26	20	1	47
Estimated Sales	2018/19	23	17	0	40
	2019/20	20	15	0	35
	2020/21	17	13	0	30
	2021/22	14	11	0	25
	2022/23	14	11	0	25

Right to Buy Receipts

At 31 March 2018, the authority held £16,391,322.78 of right to buy receipts under the retention agreement with CLG, to be spent within 3 years of their original receipts date, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. The balance must be funded from the Devolution Grant, the Council's own resources, or through borrowing and not on replacement dwellings or dwellings receiving any other form of public subsidy. With a recent increase in the Bank of England base rate to 0.75%, any penalty interest payable on receipts not re-invested appropriately will now be at the rate of 4.75%.

A government consultation, which closed on 9 October 2018, considers the following amendments to the regulations surrounding the use and application of retained right to buy receipts:

- 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 outcome of the consultation is still awaited at the time of writing this report.

Appendix G summarises the latest position in respect of receipts held and appropriately re-invested. The authority has avoided breach of any re-investment deadlines, with a significant land acquisition in June 2018 ensuring sufficient resource has been invested to avoid any penalty until at least June 2019.

Newly arising receipts continue to be retained at the end of each quarter for the current year and following 3 years, as the authority requires the receipts to combine with Devolution Grant to deliver up to 500 new homes. After this period, the decision to retain or pay over receipts each quarter will revert to the Head of Finance, in consultation with the Strategic Director, taking into consideration any need to borrow to appropriately re-invest the resource and the implications of this on the business plan. The Executive Councillor for Housing will be informed if the recommendation were to be to pay receipts directly back to Central Government.

Review of Local Policy Context

Housing Stock

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

Housing Category	Actual Stock Numbers as at 1/4/2018	Estimated Stock Numbers as at 1/4/2019
General Housing – Social	6,185	6,139
General Housing – Affordable	295	295
Sheltered Housing	511	511
Supported Housing	22	22
Temporary Housing (Individual Units)	50	50
Temporary Housing (HMO / EA's)	24	24
Miscellaneous Leased Dwellings	16	16
Sub Total Rented Dwellings	**7,103**	**7,057**
Shared Ownership Dwellings	110	110
Total HRA Dwellings	**7,213**	**7,167**

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

The number of properties anticipated to be held by 1/4/2019 is less than that reported at 1/4/2018 as a result of assumed sales under the right to buy, a small number of market disposals and vacation of properties in Ventress Close for demolition. Although a number of new build schemes are on site to replace this number of homes, and to increase the supply of new homes overall, handover of any new units is not anticipated before 1/4/2019.

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

Stock Category (Property Type)	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 HRA Rented 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 Demand

The mix of new housing delivered by the Housing Revenue Account continues to be influenced by a combination of the numbers on the housing register locally coupled with strategic forecasts of future need.

Cambridge City Council currently has just fewer than 2,470 households on the housing register. 765 applicants were housed over the last year, with the majority (79%) of lettings being to applicants at band A or B.

The greatest demand for housing is still for one and two bedroom properties, with one-bed applicants accounting for 67% of the register, two-bed applicants 24%, three-bed applicants 7% and 2% of applicants waiting for properties with 4 or more bedrooms. The proportional need for one bedroom accommodation has increased further over the last 12 months. Applicants are banded according to housing need, with band A representing the highest housing need and making up approximately 4% of the register. Band B applicants represent approximately 12%, band C 40%, band D 41% and 3% un-banded at the end of September 2018.

Support for Vulnerable People

The Housing Service has a Tenancy Support Team, with 3 staff employed to help and support tenants, with a particular focus on supporting the more vulnerable tenants in our homes, to help them sustain their tenancies.

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 County Council are currently undertaking a review of housing related support, with the aim to achieve savings of £1 million. It is not yet known how this will impact the above contract.

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 recently retendered these services, with the City Council declining to bid.

The County Council have advised that they have experienced a delay in the procurement process. As a result it has been agreed there will be further discussions between the County Council and the City Council to explore options for the continued provision of the service at Ditchburn Place.

The City Council remain committed to working with Cambridgeshire County Council to ensure that the quality of the service being provided is not affected. A decision is anticipated to be made by the County Council by January 2019.

External Factors

Update of the financial forecasts for the HRA takes into consideration factors outside of the direct control of the authority, but which could impact strategic decision making.

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). Changes in this measure of inflation were reviewed as part of the Medium Term Financial Strategy, with the view that there will be steady reduction in the rate over the next three years until the desired level of 2% is achieved. The rate has fallen steadily over the past 12 months, from 3% in September 2017 to 2.4% by September 2018.

The Bank of England forecasts and the Office of Budgetary Responsibility still both predict a further decline until 2% is achieved by 2020.

The assumptions in the HRA Medium Term Financial Strategy of 2.2% for 2019/20, 2.1% for 2020/21 and 2% from 2021/22 ongoing have therefore been retained.

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 Index over the next 4 years still predict 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 A**.

In respect of HRA borrowing, in addition to the self-financing loan portfolio, with rates ranging between 3.46% and 3.53%, the Housing Revenue Account still had additional borrowing capacity before the HRA debt cap would be breached of in the region of £16m.

Recent government announcements, following a very short consultation period, have confirmed the abolition of the HRA debt cap altogether, issuing an amending determination to allow this to happen. HRA's are now able to borrow without any specific limit, as long as the borrowing is for the provision of affordable housing.

The assumption is made that any additional borrowing is externalised, with updated PWLB maturity loan rates for loans of a 30 year duration used. Based upon the rates available at the time of drafting this report, a revised rate of 3.03% has been incorporated into any borrowing assumptions from 2019/20 onwards. To ensure prudency, this rate does not take account of the potential 20 basis point reduction that may be available to the authority through the certainty rate currently in place if the authority shares its long term borrowing strategy and capital investment plans with government.

Section 3
Housing Revenue Account Resources

Rent

Rent Arrears, Bad Debt Provision and Void Levels

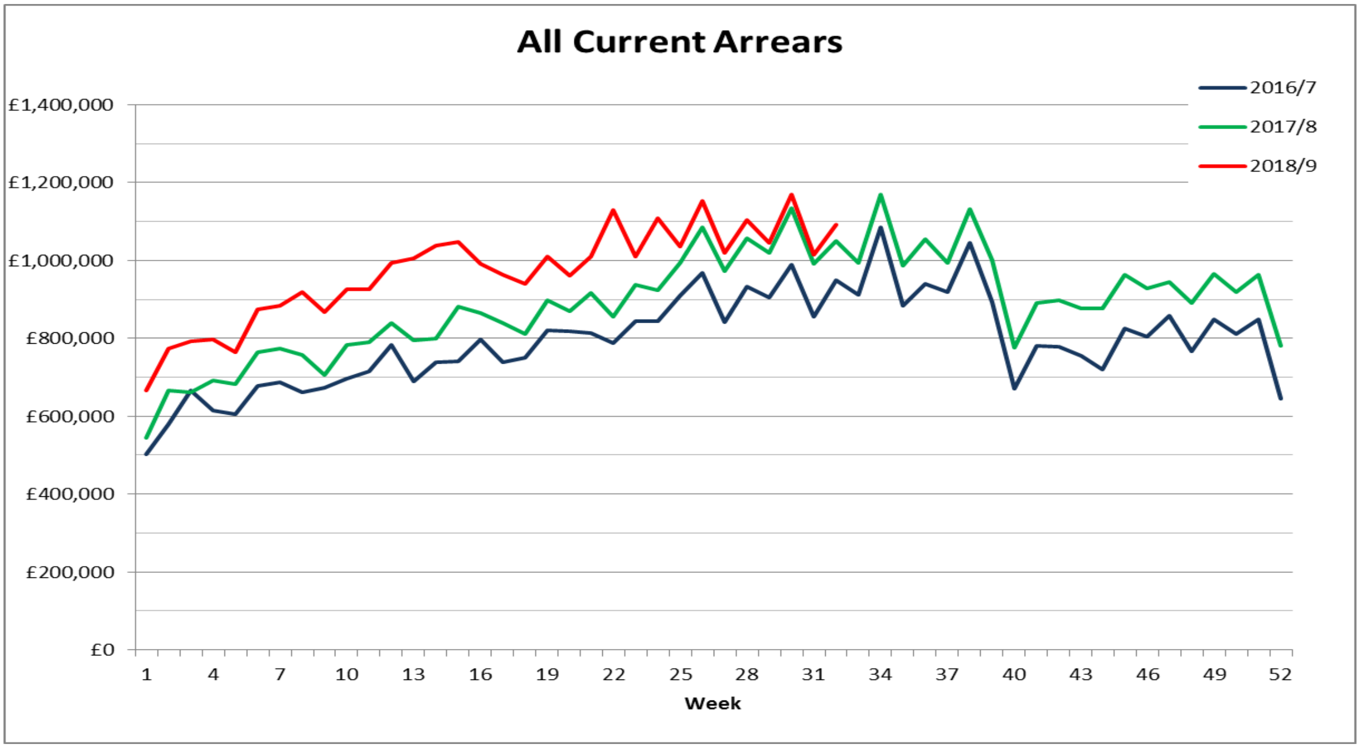
Rent collection performance locally has been broadly maintained, with over 98.5% of the value of rent due, collected in 2017/18. This is marginally lower than the collection rates of over 99% achieved in prior years.

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 worsened during 2017/18, anticipated to be due to a combination of welfare reform changes and staffing changes as part of the Housing Transformation Programme.

By the end of October 2018, current tenant arrears stood at £1,169,696 and former tenant arrears at £868,928. An in year increase in current arrears follows the normal trend, but the level at the end of October 2018 is higher than in previous years, so a particular focus on arrears recovery during the latter part of the year is required.



Officers continue to work proactively with all tenants, particularly those affected by the benefit changes, in an attempt to mitigate any further negative financial impact on the Housing Revenue Account. The dedicated Income Management Team has been expanded from budget which was pre-approved to tackle the impact of welfare reforms, by one full time additional Financial Inclusion Officer as confirmed in the HRA Medium Term Financial Strategy, to increase capacity to work with affected tenants as quickly as possible once they are impacted by change. From the funding already identified and approved to help address the challenges of welfare reform, there is also the intention to employ an additional Assistant Housing Officer to further support the work of the team, with a particular focus on arrears recovery support, leading to the administration of court proceedings, only where required. Bids, as part of the 2019/20 budget process would also see the fixed term Garage and Former Tenant Arrears

Officer made permanent and £50,000 of resource made available in 2019/20, specifically to further support tenants through the transition from Housing Benefit to Universal Credit.

Arrears performance is therefore the subject of renewed focus during the latter part of 2018/19, with both income management performance and support for the full rollout of Universal Credit being key tasks.

The Universal Credit project plan continues to:

- Support a smooth transition to housing costs payable 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.

Consideration is being given to moving from collecting the annual rent due from tenants over 52 or 53 weeks in each year as opposed to the current 48 or 49 weeks, with a consultation having been carried out at the end of 2018. 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 more consistent with the way in which Universal Credit will be calculated and paid. The change would however, require a variation to our tenancy agreement and tenancy conditions. Following consultation, the Strategic Director will take the operational decision and implement any changes accordingly.

The collection of former tenant arrears continues to prove challenging, but levels have been maintained in 2018/19 to date. The continued employment of the Garage and Former Tenant Arrears Officer will be key in ensuring that collection of former tenant arrears is maximised.

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.

The annual contribution to the bad debt provision was increased to 1.5% from 2018/19 as part of the HRA Medium Term Financial Strategy. The 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.

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 increase was due to a combination of holding vacant flats and bungalows at Anstey Way prior to demolition and re-build and at Ditchburn Place during refurbishment, coupled with a large number of new build units, in particular shared ownership homes, which were unoccupied for longer than anticipated.

Void levels have significantly improved in 2018/19 to date, with the void loss between April and October 2018 (7 months) being £459,558, representing a 2.02% void loss. A snapshot of the proportion of stock vacant at the end of October 2018 confirms that 1.62% of homes are unoccupied, indicating ongoing improvement. Any decision to redevelop existing homes, which will require them to be vacated prior to demolition, will cause a temporary increase in performance.

Taking into consideration the long term view that voids will return to 1%, and the improvement in performance this year to date, it is proposed to reduce the higher void level previously assumed for 2019/20 to 1.25% in general terms, and to recognise any specific decision to seek vacant possession of homes for redevelopment alongside this, quantifying the void impact of these separately, before returning to the long-term assumption of 1% from 2020/21.

Rent Restructuring and Rent Levels

The authority still lets property on two differing rent levels, social rent and affordable rent, with the latter capped locally at the level of the Local Housing Allowance.

Property specific rent restructured target social rents still apply for the socially rented stock held in the HRA, but the requirement to reduce social housing rents, by 1% for a final year, means that target rents will continue to reduce in line with this. The authority still 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.

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 the end of October 2018, 23.9% of the social rented housing stock was being charged at target rent levels, compared with 20.8% in April.

The gap between actual and target rent levels at April 2018 equated to an annual loss of income of approximately £1,439,000 across the HRA, compared with the income assumption in the Self-Financing Settlement, where full convergence was anticipated.

There were 341 new build rented and shared ownership properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at the end of October 2018.

Rent Policy

The local rent setting policy was last updated and approved in September 2017. It will be reviewed in September 2020, unless there is the need to recognise any impact on rents that may arise from changes in national housing legislation, following consultation.

Rent Setting

Rent levels are 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 last year of a four year rent cut in social housing rents of 1% per annum.

In respect of longer-term financial forecasts, the assumption of a return to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, for 5 years from April 2020, is retained.

For affordable rented homes, the current requirement for 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 remains. As local policy limits affordable rents to the Local Housing Allowance level (approximately 58% 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 for 2019/20 will be reviewed in line with the Local Housing Allowance.

Service Charges

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

Service charges are separately identified on rent accounts, so that tenants are able to see what they are paying for alongside their core rent.
Challenges still exist on some new build sites, where the total payable by the tenant, including all service charges is capped at the Local Housing Allowance level. The balance of income to the HRA after payment for services is not always sufficient to meet the basic landlord costs. This is particularly relevant in mixed tenure flatted accommodation where a third party management company is in operation.

The approach to setting service charges for 2019/20 is detailed at **Appendix B.**

Other Sources of Income

Garages

The Housing Revenue Account currently owns 1,644 residential garages and 36 parking spaces, and manages a further 16 garages and 6 parking spaces on behalf of the General Fund. Of the HRA garages and parking spaces, 176 currently form part of the sites either identified for re-development, or ear-marked in the 3 year rolling programme for potential demolition and re-development. Some of these sites already have formal committee approval, whilst others are currently under investigation.

Of the garages available for letting, approximately 19.6% are currently void (compared to 23% at this time last year), with a level of void loss in the year to date at the end of October 2018 of approximately 19% (compared to 26% at the same point last year).

The proposed charges for Garage and Parking Space Report for 2019/20 are as follows, with any existing tenants who are being phased up to full rent levels following the charging review conducted in 2017/18 having their rents increased by inflation plus £2.00 per week until the levels below are achieved:

Category	Base Rent £ per rent week	VAT £ per rent week	Total Charge £ per rent week
Parking Spaces in standard area (tenants only)	7.89	0.00	7.89
Parking Spaces in standard area (non-tenants)	7.89	1.58	9.47
Garage in standard area (tenants only)	10.15	0.00	10.15
Garage in standard area (tenants storage use)	10.15	2.03	12.18
Garage in standard area (non-tenants)	10.15	2.03	12.18
Garage or Parking Space in high value / high demand area (tenants only)	19.37	0.00	19.37
Garage in high value / high demand area (tenants storage use)	19.37	3.87	23.24
Garage or Parking Space in high value / high demand area (non-tenants)	19.37	3.87	23.24
A £5.00 premium is added to all base rates above when rented for non-city resident, commuter, business or commercial use			
Parking Space - Non-City Resident / Commuter or Business / Commercial use	12.89	2.58	15.47
Garage in standard area - Non-City Resident / Commuter or Business / Commercial use in standard area	15.15	3.03	18.18
Garage in high value / high demand area - Non-City Resident / Commuter or Business / Commercial use in high value / high demand area	24.37	4.87	29.24

Parking spaces or garages in the curtilage of properties are charged at the prevailing base rate for the area.

Internal council use to be charged at base garage rate excluding VAT.

Commercial Property

The level of rental income from commercial property is dependent upon the timing of lease renewals for the small portfolio of shops and other business premises that are owned by the HRA. In 2019/20 the income generated by the commercial property portfolio is anticipated to be in the region of £411,000, recognising that by this point the Akeman Street site will be subject to demolition and re-development.

The general occupation of the HRA commercial property portfolio is very good at present, with no vacant shop units, other than those held intentionally vacant at Akeman Street, currently. The performance of these assets needs to be continually reviewed to ensure the HRA prioritises acting in the best financial interests of its social housing tenants.

Interest / Investment Income

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

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

Other External Funding

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

- Devolution Grant – The authority is receiving grant as part of the Devolution Agreement with Government and the Combined Authority, totalling £70,000,000 over a 5 year period

- Support Funding – Funding of £180,000 per annum for tenure neutral support to be provided to older people across the city is contracted for up to a further 3 years from April 2019, subject to contract extension for the last year.

Earmarked & Specific Funds

Earmarked Funds – Revenue Reserves

In addition to General Reserves, the Housing Revenue Account maintains a number of earmarked or specific funds. **Appendix C** details the current level of funding in the reserves. These include:

Repairs & Renewals – funds for major repairs of HRA-owned administrative premises and periodic replacement of assets such as vehicles, plant, equipment and furniture, particularly in sheltered and supported accommodation.

Major Repairs Reserve - a statutory reserve credited with depreciation in respect of the housing stock each year, with funding then in the Housing Capital Investment Plan, to meet the capital cost of works to HRA assets, or alternatively to repay housing debt.

Tenants Survey - allows the spread of costs for the Tenants and Leaseholder Survey evenly across financial years, despite the survey only being undertaken formally every two or three years.

HRA Set-Aside for Potential Debt Repayment or Future Re-Investment - The business plan currently assumes the authority notionally sets aside 25% of the value of housing debt over the life of the plan, to retain flexibility in whether to redeem or re-finance some of the loan portfolio as loans mature. Using an ear-marked reserve, as opposed to making a formal voluntary revenue provision (VRP), allows the HRA to retain flexibility over the use of any resource that is available for set aside in the future. This policy is to be reviewed once the sale of higher value voids legislation has been formally repealed.

Earmarked Funds – Capital Receipts

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

Right to Buy Retained One-for-One (1-4-1) Ear-Marked Capital Receipt – With the Right to Buy Receipt Retention Agreement still in force, this reserve ensures that resource is separately identified for re-investment, and if necessary, repayment purposes.

Section 4

Housing Revenue Account Budget

Post-HRA MTFS 2018/19 Approvals

There were no revenue decisions impacting the Housing Revenue Account in 2018/19 taken between the publication of the HRA Medium Term Financial Strategy (approved as part of the September / October committee cycle) and publication of this document. Such decisions, including any made under urgency arrangements, together with financial implications would be noted here.

Revised Budget 2018/19

The Housing Revenue Account (HRA) revenue budget for the current year (2018/19) was amended as part of the HRA Medium Term Financial Strategy in September 2018.

There is the need, as part of this HRA Budget Setting Report, to recognise any major unavoidable pressure or material change in income for the year, alongside the impact in revenue terms of the need to revisit funding requirements for the Housing Capital Investment Plan in 2018/19 following re-phasing of new build schemes. This also results in an impact in the level of interest anticipated to be earned in 2018/19. Increases in anticipated rental income, are more than offset by changes in the level of deprecation estimated for the current year, based upon the latest stock numbers, asset valuations and remaining asset lives. A net change of £300,670 in the 2018/19 HRA budget is identified, as summarised in the table below.

2018/19 Revised Budget	Original Budget January 2018 £	HRA MTFS September 2018 £	HRA BSR Proposed Changes £	HRA BSR January 2019 £
Net HRA Use of / (Contribution to) Reserves	(3,280,730)	(2,372,470)		
Savings / Increased Income			(326,600)	
Unavoidable Revenue Bids / Reduced Income			1,690	
Non-Cash Limit Adjustments			625,580	
Revised Net HRA Use of / (Contribution to) Reserves				**2,071,800**
Variation on previously reported projection				300,670

The above figures include carry forward approvals from 2017/18 in the second column, in addition to changes approved as part of the Medium Term Financial Strategy in September 2018, with the net cost identified in the current year, as part of the January 2019 committee cycle, incorporated in the right-hand column. The net increase in costs for 2018/19 will result in a reduced contribution to Housing Revenue Account reserves for the current year, when compared to that anticipated in the HRA Medium Term Financial Strategy. Details are provided in **Appendix D (1).**

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	(201,700)	(201,700)	(201,700)	(201,700)	(201,700)
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	14,000	14,000	14,000	14,000
Net Savings Position (above) / below Efficiency Target Requirement	**(450,590)**	**75,400**	**205,400**	**335,400**	**465,400**
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	341,100	163,800	163,800	163,800	163,800
Net Position (above) / below Strategic Investment Fund	**211,100**	**(96,200)**	**(226,200)**	**(356,200)**	**(486,200)**
Net Position (above) / below Net HRA Efficiency / Investment Assumptions	**(239,490)**	**(20,800)**	**(20,800)**	**(20,800)**	**(20,800)**
Non-Cash Limit Adjustments	609,950	(644,470)	0	0	0
Net Position for the HRA (above) / below overall assumptions	**370,460**	**(294,810)**	**(315,610)**	**(336,410)**	**(357,210)**

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 2020/21by 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 £450,590, but also a greater demand for strategic re-investment, with this being £211,100 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

An ongoing budget of £120,000 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. 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 5
Housing Capital Budget

Stock Condition and Decent Homes

The housing service reported achievement of decency in the housing stock as at 31 March 2018 at 95%, with 341 properties that were considered to be non-decent (in addition to refusals). A further 200 to 250 properties were anticipated to become non-decent during 2018/19.

A fundamental review of the budgets for decent homes and other investment in the housing stock is expected to be undertaken during 2019/20 as part of the preparatory work for transfer of data to a new asset management system. Any financial impact resulting from this review will be incorporated as part of the 2019/20 Medium Term Financial Strategy in Septemberr2018.

Current financial assumptions are constructed on the basis of a partial investment standard. It is recognised that consideration may need to be given to the impact of reducing current investment levels over the longer-term and returning to the basic decent homes standard, to provide flexibility to respond to any financial pressure that the HRA faces.

A capital bid of £112,000 is incorporated into the 2019/20 budget to allow for the replacement of the lifts at Ditchburn Place whilst the scheme is undergoing the final stages of refurbishment.

New Build Affordable Housing

New Build Schemes Completed

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

The table below 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%

Scheme	Date Completed	Social Housing / SO Units	External Funding Source	Percentage Social Housing on Site
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)**		

New Build Schemes On Site

Sites where work is in progress are summarised in the table below, with 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	19,296,730	(5,789,020)	(13,507,710)	0
Anstey Way	56	29	11,489,640	(1,826,810)	(3,434,600)	6,228,230
Total	**147**	**120**				

New Build Schemes in the Pipeline

There are a number of sites which have scheme specific approval, but at the time of writing this report, were not on site. These schemes include HRA sites, General Fund sites and land acquisition sites, where the intention is for the HRA to deliver the affordable housing.

For CIP to build out sites as affordable housing for the HRA, land transfer from the HRA into the CIP on a long lease is required. The leases include a break clause, which allows the HRA to, in effect, buy back the affordable housing once built, in return for a payment pre-agreed in the lease. The HRA make payments during the period in which the land is with CIP under an Affordable Housing Agreement, which is effectively a purchase contract. The payments under the Affordable Housing Agreement demonstrate our intention to invoke the break clause in the lease and acquire the affordable housing.

The table below details the latest budget requirements for approval as part of the HRA Budget Setting Report and the assumed number of new homes which can be delivered, recognising that this is currently subject to both planning approval and procurement of a contractor or transfer to CIP for some of the sites. The latest budget approvals for sites identified for transfer to CIP are based upon the most recent cost estimates provided by CIP, but will not be finalised until the Affordable Housing Agreement is entered into.

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	2,081,000	(624,300)	(1,456,700)	0
Wiles Close	3	3				
Tedder Way	2	2	389,000	(116,700)	(272,300)	0
Kendal Way	2	2	367,000	(110,100)	(256,900)	0
Queensmeadow	2	2	619,590	(185,880)	(433,710)	0
Wulfstan Way	3	3	884,740	(265,420)	(619,320)	0
Ventress Close	15	13	3,665,550	(777,550)	(1,814,280)	1,073,720
Akeman Street	14	12	4,148,830	(1,051,880)	(2,454,410)	642,540
Colville Road Garages	3	3	900,460	(270,140)	(630,320)	0

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
Markham Close	5	5	1,063,870	(319,160)	(744,710)	0
Gunhild Way	2	2	655,040	(196,510)	(458,530)	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	25,254,300	(7,576,290)	(17,678,010)	0
Mill Road II	Up to 25	Up to 25	5,340,000	(1,602,000)	(3,738,000)	0
Colville Road	62	42	13,781,590	(2,512,600)	(5,862,730)	5,406,260
Meadows and Buchan	106	106	26,379,880	(7,913,960)	(13,777,920)	4,688,000
Clerk Maxwell Road	14	14	2,837,760	(851,330)	(1,986,430)	0
Total Due	**Up to 389**	**Up to 365**				

The Major Projects Team in Estates and Facilities are anticipated to deliver the new homes at Kingsway and on the Kendal Way and Tedder Way sites.

As part of this report, scheme specific budgets have been separately identified for Colville Road, Meadows and Buchan Street and Clerk Maxwell Road, in line with the reports presented to Housing Scrutiny Committee in this committee cycle.

Where the budgets for specific schemes are being proposed for amendment as part of this Budget Setting Report 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;

<table>
<tr><th>Scheme</th><th>Latest Budget Approval</th><th>Original Estimated Units</th><th>Revised Budget Approval</th><th>Revised Estimated Units</th></tr>
<tr><td>Nun’s Way / Cameron Road</td><td rowspan="2">1,945,000</td><td>7</td><td rowspan="2">2,081,000</td><td>7</td></tr>
<tr><td>Wiles Close</td><td>3</td><td>3</td></tr>
</table>

Scheme	Latest Budget Approval	Original Estimated Units	Revised Budget Approval	Revised Estimated Units
Queensmeadow	582,520	2	619,590	2
Kendal Way	357,000	2	367,000	2
Wulfstan Way	827,430	3	884,740	3
Mill Road	19,155,500	91	19,296,730	91
Anstey Way	11,391,170	56	11,489,640	56
Ventress Close	3,450,270	15	3,665,550	15
Akeman Street	4,118,680	14	4,148,830	14
Colville Road Garages	866,350	3	900,460	3
Markham Close	1,013,520	5	1,063,870	5
Gunhild Way	585,720	2	655,040	2
Cromwell Road	25,099,770	Up to 118	25,254,300	Up to 118
Mill Road II	5,287,500	Up to 25	5,340,000	Up to 25

Budgets have been revised on a number of CIP schemes to recognise the cost of the employer's agent and clerk of works fees, which were omitted from the original cost estimates provided by CIP. A scheme contingency has also been incorporated, to allow for variations to the affordable housing agreements where required.

The table below confirms the current status for each pipeline scheme:

Scheme	Site Type	Status	Potential New Build Units
Nun's Way / Cameron Road	Garage and In-fill	In contract, awaiting start	7
Wiles Close	Garage	In contract, awaiting start	3
Tedder Way	In-fill	Awaiting planning	2

Scheme	Site Type	Status	Potential New Build Units
Kendal Way	In-fill	Planning approved	2
Queensmeadow	In-fill	Planning approved	2
Wulfstan Way	In-fill	Awaiting planning	3
Ventress Close	Existing Housing	Awaiting planning	15
Akeman Street	Existing Mixed Use	Pre-planning	14
Colville Road Garages	Garage Site	Planning approved	3
Markham Close	Garage Site	Planning approved	5
Gunhild Way	Garage Site	Planning approved	2
Kingsway	Commercial	Pre-planning	4
Ditchburn Place	Community Facility	Planning approved	2
Cromwell Road	Commercial	Outline planning	Up to 118
Mill Road II	Council Depot	Pre-planning	Up to 25
Colville Road	Existing Housing	Pre-planning	62
Meadows and Buchan	Community Facility	Pre-planning	106
Clerk Maxwell Road	Section 106 Site	Pre-planning	14

The Housing Capital Investment Plan, an updated version of which is attached at **Appendix K**, incorporates the funding for new build schemes as identified in the tables above. It recognises the need for gross spend on the housing scheme, land values, devolution grant, other grant and right to buy receipts to be shown separately, and arriving at the net cash cost to the Council as per the tables 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.

Mill Road (Phase II)

The site on Mill Road previously ear-marked for the re-location of the YMCA is now being progressed for housing development, to deliver additional market and Council rented housing. The second phase scheme at Mill Road is expected to deliver up to 25 further Council rented homes, with a planning application anticipated in January 2019. The correct accounting treatment for the purchase of the resulting dwellings from CIP, or for the transfer of this additional land to the HRA is still being explored. Once planning has been achieved, there is scope to combine both Mill Road schemes to deliver the wider site more efficiently.

Cromwell Road

The scheme at Cromwell Road with outline planning permission in place for 245 new homes (40% or 98 to be affordable homes), is anticipated to go back to Planning Committee in January 2019, with options for more housing, and a different housing mix. The scheme is anticipated to deliver 118 affordable homes, subject to planning approval, to be acquired by the HRA and let as Council rented homes.

Colville Road

Scheme specific approval is sought in this committee cycle, to re-develop an existing HRA site in Colville Road. The scheme will involve the demolition of 24 dwellings (20 rented and 4 leasehold), to be replaced with an estimated 62 new homes and a car park.

Meadows and Buchan Street

Scheme specific approval is sought in this committee cycle for the Council to re-develop two General Fund sites at Buchan Street and the Meadows, where both are currently entirely community provision. The scheme proposes 106 new homes, with 21 on the Buchan Street site and 85 homes on the Meadows site. The community provision will be combined and re-provided on the Meadows site, whilst some new retail space will be delivered at Buchan Street. This scheme will not be funded entirely by Devolution Grant and retained right to buy receipts, as the retail units and community centre reprovision will need to be met by the General Fund (unless Secretary of State approval is obtained to allow the HRA to fund or contribute towards the costs of these community assets) and it is also anticipated that by this point there will not be sufficient Devolution Grant remaining to meet 70% of the cost of the new homes.

Clerk Maxwell

Scheme specific approval is sought in this committee cycle for the HRA to acquire 14 affordable homes on a site in Clerk Maxwell Road. The site is being developed by Hill Investment Partnerships and the HRA would acquire 10 one- bed and 4 two-bed flats.

General Fund Sites

Where any General Fund sites are taken forward for development with the potential for the HRA to acquire the affordable homes, there is 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. Under current legislation, any increase in this results in increased interest costs to the HRA. The potential for land to be transferred from the General Fund to the HRA at nil value is part of a government consultation, for which the outcome is awaited. If General Fund sites are built out by the Cambridge Investment Partnership, with the intention of the Council being 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.

Devolution Grant and RTB Funding

The devolution programme, which utilising the £70,000,000 grant awarded to the authority over a 5 year period, with existing and anticipated right to buy receipts and other HRA resource, is expected to deliver a programme of 500 new homes.

In addition to the schemes identified in the tables above, CIP are considering a programme of pipeline schemes which may include other HRA sites, General Fund sites and land externally owned, where acquisition and development may be possible.

Scheme	Potential Affordable Housing Units	Gain in Affordable Housing Units
2 x Potential Sites	73	48
Total Due	**73**	**48**

The approved new build budget, which is yet to be allocated to specific schemes, has been reviewed as part of this report, and budget has been re-profiled in accordance with the schemes identified in the pipeline and their potential delivery timescales, in an attempt to ensure that the use of retained right to buy receipts is measured as accurately as possible.

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

Asset Acquisitions & Disposals

Consideration is given to the strategic acquisition or disposal of assets, in line with the HRA Acquisition and Disposal Policy.

The capital receipt generated by a strategic disposal can still be retained in full by the authority, subject to utilising it to invest in affordable housing or regeneration.

In respect of acquisitions, a delegation to the Strategic Director exists to allow draw down of resource, otherwise set aside for the repayment of debt, to acquire homes on the open market if new build housing is not coming forward quickly enough to avoid the loss of right to buy receipts.

At the time of writing this report, the authority had completed the strategic disposal of 2 dwellings and the acquisition of 1 dwelling in 2018/19, as summarised below:

Acquisition / Disposal	Comment	Status
188 Kendal Way	3-bedroom house owned by the County Council approved for acquisition (linked to 12 Mortlock Avenue)	Completed
12 Mortlock Avenue	3-bedroom house owned by the HRA and 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

Capital Bids, Savings and Re-Phasing

There is a capital bid incorporated as part of the 2019/20 HRA Budget Setting Report, alongside a number of areas of updated costs, budget re-allocation and re-phasing.

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

- Inclusion of a bid for £112,000 in 2019/20 to allow for the replacement of the lifts at Ditchburn Place whilst refurbishment work is still ongoing and to avoid later disruption, as identified in **Appendix E**.

- Retention of £653,000 of estimated resource for Disabled Facilities Grants through the Better Care Fund for 2019/20 and the corresponding expenditure, recognising that this is based upon 2018/19 levels and is still subject to confirmation by the County Council. Delegated authority is again sought to adjust this budget once final grant levels, and any clawback to fund revenue costs, have been confirmed.

- Adjustments to budgets for new build schemes that have previous approvals, recognising the latest delivery proposals for the site and associated cost estimates available, to include employer's agent and clerk of works fees and scheme contingencies, as identified in **Appendix E**.

- Re-phasing of new build schemes as identified in **Appendix E**.

- Re-phasing of the new build programme utilising both devolution grant and retained right to buy receipts, recognising the current schemes in the pipeline and their estimated delivery timescales.

- Any adjustment required to the level of resources held for works to new build dwellings and to meet the cost of inflation, as a result of the changes above.

Section 6
HRA Treasury Management

Background

Statutorily, the Housing Revenue Account is required to set a balanced budget, including recognition of the revenue implications that arise from capital financing decisions.

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

HRA Borrowing

As at 1 April 2018, the Housing Revenue Account supported external borrowing of £213,572,000 in 20 maturity loans with the Public Works Loans Board (PWLB), with rates ranging between 3.46% and 3.53% depending upon the term of the loan. The loans have varying maturity dates, with the first £10,678,600 due to be repaid on 28th March 2038, and the last on 28th March 2057.

In addition to the external loans attributable to the HRA, there was the sum of £1,564,135 of internal borrowing from the General Fund, where the HRA is required to pay the General Fund annual interest on the debt, at a reasonable rate, as part of the Item 8 Debit to the HRA. Internal borrowing increased during 2017/18 due to the appropriation of land at Mill Road from the General Fund to the HA for the purpose of building the affordable housing on the site. This statutory requirement to charge the

HRA for the cost of land transferred from the General Fund may be abolished as part of a recent government consultation, for which we await the outcome.

Recent changes in legislation mean that the HRA is no longer subject to a borrowing debt cap of £230,839,000. The authority can borrow within its HRA as long as it can demonstrate that the HRA can support the borrowing and that the resource is being utilised in the provision of social or affordable housing.

The authority may choose to borrow to deliver additional affordable housing during the Devolution period or alternatively to retain the borrowing power for later years of the business plan to ensure that the authority can maintain a programme of new build affordable housing.

The 2019/20 HRA Budget Setting Report does not review the potential sources of lending, types of borrowing, lengths of loans or rates available for taking out any additional borrowing at this stage. This will need to be undertaken at the point at which any borrowing is considered as part of the coming year's budget.

Debt Repayment / Re-Investment

Set-Aside for Repayment of HRA Debt

The current debt repayment strategy is to set-aside sufficient resource to redeem 25% of the HRA debt from the point at which the loan portfolio begins to mature, in 2037/38. A review of this approach has been deferred until the authority receives formal confirmation that the sale of higher value voids levy legislation has been repealed.

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

Section 7
Summary and Overview

Equality Impact Assessment, Uncertainties and Risk

Equality Impact Assessment

Local authorities have legal duties to pay 'due regard' to the need to eliminate discrimination and promote equality with regard to race, disability, gender, including gender reassignment, age, sexual orientation, pregnancy / maternity, and religion or belief as well as to promote good race relations, and to demonstrate this in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard'.

As part of this Budget Setting Report, an Equality Impact Assessment has been undertaken in respect of all new 2019/20 HRA Budget proposals, where any impact is anticipated. The assessment identifies the impact of a proposal, any mitigation available and includes an action plan detailing how negative impact can be addressed. All individual Equalities Impact Assessments are available on the Council's website. The Equalities Impact Assessment for the overall HRA budget is included at **Appendix L.**

Risk Assessment

Consideration is given to any changes in the perceived level of internal or external risk that the housing service is subject to, ensuring that the authority is able to sustain a financially viable Housing Revenue Account.

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

HRA Reserves

Housing Revenue Account General Reserves

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

For the Housing Revenue Account the target level of reserves of £3m, with a minimum level of reserves of £2m, is proposed to be retained, recognising the need to safeguard the Council against the risk and uncertainty in the current financial and operational environment for housing.

Financial Assumptions and Sensitivity

The current financial assumptions, reviewed and used as part of this BSR are detailed in **Appendix A**. 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.

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 £370,460. This changes from 2020/21 however, with an over-achievement of £294,810 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
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

Key Area	Assumption	Comment	Status
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 2019120 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 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.	Retained
Responsive Repairs	Adjusted pro rata to stock	An assumption is made that direct responsive repair expenditure is adjusted	Retained

Key Area	Assumption	Comment	Status
Expenditure	changes	annually in line with any change in stock numbers.	
Strategic Investment Fund	£130,000	Housing Strategic Investment Fund included from 2019/20 for 5 years.	Retained

Service Charges Appendix B

Charge Description	Charges 2018/19	Charge Basis	Charges 2019/20
General Stock			
Caretaking Charge	£3.83 to £4.57	Per Week Over 48 Weeks *	A
Building Cleaning	£0.01 to £7.18	Per Week Over 48 Weeks *	A
Estate Services Champion	£0.17 to £0.50	Per Week Over 48 Weeks *	A
Door Entry	£0.17 to £2.13	Per Week Over 48 Weeks *	A / B
Passenger Lifts	£0.28 to £1.40	Per Week Over 48 Weeks *	A / B
Gas Maintenance / Servicing	£0.74 to £2.23	Per Week Over 48 Weeks *	A / B
Digital TV Aerial Charge	£0.34	Per Week Over 48 Weeks *	A
Grounds Maintenance	£0.02 to £4.86	Per Week Over 48 Weeks *	A / B
Communal Electricity	£0.07 to £2.11	Per Week Over 48 Weeks *	A / B
Community Alarm Charge	£5.34	Per Week Over 48 Weeks *	C
Third Party Service Charge	£12.36 to £23.43	Per Week Over 48 Weeks *	A
General Sheltered Schemes			
Premises Charge	£0.62 to £24.39	Per Week Over 48 Weeks *	A
Communal Heating / Lighting	£1.31 to £5.81	Per Week Over 48 Weeks *	A
Individual Heating / Lighting	£3.59 to £13.67	Per Week Over 48 Weeks *	A
Water	£1.90 to £3.41	Per Week Over 48 Weeks *	A
Grounds Maintenance	£0.27 to £2.55	Per Week Over 48 Weeks *	A
Electrical / Mechanical Maintenance	£0.37 to £4.91	Per Week Over 48 Weeks *	B
Sheltered Support Charge	£6.00 to £7.40	Per Week Over 48 Weeks *	C
Sheltered Alarm Charge	£2.02	Per Week Over 48 Weeks *	A
Landlord Emergency Contact	£1.24	Per Week Over 48 Weeks *	A
Ditchburn Place			
Premises Charge	£2.02 to £50.36	Per Week Over 48 Weeks *	A
Cleaning / Laundry Charge	£28.54	Per Week Over 48 Weeks *	A

Communal Heating / Lighting	£0.59 to £5.49	Per Week Over 48 Weeks *	A
Individual Heating / Lighting	£5.49 to £10.61	Per Week Over 48 Weeks *	A
Water	£2.90 to £4.22	Per Week Over 48 Weeks *	A
Catering	£126.45	Per Week Over 48 Weeks *	A
Grounds Maintenance	£1.89	Per Week Over 48 Weeks *	A
Electrical / Mechanical Maintenance	£2.82	Per Week Over 48 Weeks *	B
Sheltered Support Charge	£7.40	Per Week Over 48 Weeks *	C
Extra Care Support Charge	£26.47	Per Week Over 48 Weeks *	C
Alarm Charge	£2.02	Per Week Over 48 Weeks *	A
Landlord Emergency Contact	£1.24	Per Week Over 48 Weeks *	A
Launderette – Wash / Dry	£6.50	Per Load As Requested	A
Temporary Accommodation			
Premises Charge	£32.56 to £57.37	Per Week Over 48 Weeks *	A
Individual Heating / Lighting	£12.11 to £25.73	Per Week Over 48 Weeks *	A
Water	£7.23 to £10.85	Per Week Over 48 Weeks *	A
Electrical / Mechanical Maintenance	£0.27 to £3.09	Per Week Over 48 Weeks *	B
Independent Living Services			
Private Lifelines - In City	£4.93	Per Week Over 52 Weeks	£5.04
Private Lifelines - Out City	£7.53	Per Week Over 52 Weeks	£7.53
Keysafe / Keyholding Charge	£2.75	Per Quarter	£3.34
Monitoring Charge	£0.39	Per Week Over 52 Weeks	£0.39
Leasehold Charges for Services			
Solicitors' pre-sale enquiries	£110.00	As Requested	£110.00
Copy of lease	£30.00	As Requested	£30.00
Re-mortgage Enquiry/Copy of Insurance schedule	£30.00	As Requested	£30.00
Notice of Assignment / Notice of Charge	£90.00	As Requested	£90.00
Deed of Variations	£50.00	As Requested	£50.00

Administration Only CCC Solicitor Fee and Own Solicitor Fee	£550.00+		£550.00+
Home Improvements – Administration Only Inclusive of Surveyor Visit	£30.00 £125.00	As Requested AS Required	£30.00 £125.00
Retrospective consent for improvements	Above +£25.00	As Requested	Above +£25.00
Registering sub-let details	£50.00	As Requested	£50.00
Advice Interview for Prospective Purchasers	£50.00	As Requested	£50.00

Key	
A	Charges are currently (or will be - in the case of any new charges), based on recovering the actual cost of service provision and the proposal is to continue to recover the full estimated cost of providing these services in 2019/20. The exception to this will be in respect of affordable homes, where total rents and service charges will be limited to Local Housing Allowance levels, and therefore full cost recovery will not always be possible. Where possible service charges will be amended, with the rent element acting as the balancing figure.
B	Charges were separated out from rent in 2004/05. Charges can be increased to recover up to full cost, recognising that the authority should endeavour to limit increases to inflation at 3.4% (CPI at September 2018 plus 1%)
C	Charges levied for support activities will be reviewed in line with services being provided following renegotiation of the support service for older people, where the County Council commission services across the city as a whole.
	Charges for the optional household contents insurance scheme will continue to be determined by the insurer but notified to tenants by the Council.
*	Subject to the outcome of a consultation in November / December 2018, the authority may move to charging annual rents and charges across 52/53 weeks

HRA Earmarked & Specific Funds Appendix C

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

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

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to October	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 October	Current Balance
Debt Set-Aside	(8,296.0)	(446.0)	0.0	(8,742.0)

Major Repairs Reserve

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

Appendix D(1)

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 BSR		**(2,372,470)**		
HRA General and Special Management				
	No changes			
Total HRA General Management		**0**		
HRA Repairs				
	No changes			
Total HRA Repairs		**0**		
HRA Summary Account				
Rent Income	Increased rent income due to improved voids performance, coupled with delays in the assumption that vacant possession is secured in respect of new build re-development schemes.	(326,600)	(400,250)	Already built into base for future years
Bad Debt Provision	Increase in bad debt provision linked to increase in anticipated rental income in 2018/19	1,690	4,550	Already built into base for future years
Interest earned on HRA Balances	The level of balances held by the HRA result in an estimated increase in the level of interest that will be earned.	(10,710)	(10,270)	Built into base for future years
Depreciation	The level of depreciation has increased based upon the latest property numbers, property values and remaining asset lives.	636,290	644,470	Built into base for future years
Total HRA Summary		**300,670**		
Revised use of / (contribution to) HRA Reserves post MTFS		**(2,071,800)**		

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect *& Poverty Ratings*
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
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	**Reduction in housing transformation funding**	0	(32,800)	(32,800)	(32,800)	(32,800)	Julia Hovells	Nil
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, with any additional input to be funded from the ongoing transformation budget of £120,000.								*None*
S4235	**Reduction in under-occupation scheme funding**	0	(41,900)	(41,900)	(41,900)	(41,900)	Sandra Farmer	Nil
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
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
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**	**(201,700)**	**(201,700)**	**(201,700)**	**(201,700)**		
Total Savings		**0**	**(201,700)**	**(201,700)**	**(201,700)**	**(201,700)**		

2019/20 Budget - All Revenue Items (HRA)

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect *& Poverty Ratings*

Increased Income

Housing - HRA

II4227	**Increased garage rent income**	0	(51,900)	(51,900)	(51,900)	(51,900)	Julia Hovells	Nil
An increase in garage income is anticipated based upon current usage and occupancy levels, coupled with the assumption that garage protection is phased down as agreed at Housing Scrutiny Committee in January 2018.								*None*
II4249	**Increase in Rent and Service Charge Income**	0	(400,250)	0	0	0	Julia Hovells	Nil
A net increase in rent income and service charge income is anticipated in 2019/20, with additional rent income due to improved 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.								*None*
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)**		

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect *& Poverty Ratings*

Unavoidable Revenue Pressure

Housing - HRA

URP4245	**Support Services Review (SSR) - HRA element**	0	55,000	55,000	55,000	55,000	Paul Boucher	Nil

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. *None*

URP4308	**Increase in HRA Bad Debt Provision**	0	4,260	0	0	0	Julia Hovells	Nil

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**

2019/20 Budget - All Revenue Items (HRA)

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect *& Poverty Ratings*

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

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

A reduction in rental income is anticipated based upon the latest rent review and void assumptions for the property portfolio. None

Total Reduced Income in Housing - HRA	**0**	**14,000**	**14,000**	**14,000**	**14,000**
Total Reduced Income	**0**	**14,000**	**14,000**	**14,000**	**14,000**

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect & Poverty Ratings

Bids

Housing - HRA

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect & Poverty Ratings
B4226	**Garage and Former Tenant Arrears Officer**	0	32,000	32,000	32,000	32,000	Sandra Farmer	Nil
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
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
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
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
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

2019/20 Budget - All Revenue Items (HRA)

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect *& Poverty Ratings*

Bids

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.

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect & Poverty Ratings
B4307	**Additional funding to respond to Welfare Reform**	0	50,000	0	0	0	David Greening	Nil

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.

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect & Poverty Ratings
B4315	**Financial Inclusion Officer (HRA share)**	0	27,300	0	0	0	Naomi Armstrong	Nil

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%).

	2018/19	2019/20	2020/21	2021/22	2022/23
Total Bids in Housing - HRA	**0**	**341,100**	**163,800**	**163,800**	**163,800**
Total Bids	**0**	**341,100**	**163,800**	**163,800**	**163,800**

2019/20 Budget - All Revenue Items (HRA)

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect *& Poverty Ratings*

Non-Cash Limit Items

Housing - HRA

NCL4309	**Changes in interest paid by the HRA**	0	(24,250)	0	0	0	Julia Hovells	Nil

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	**Changes in interest due to the HRA on estimated balances held**	0	(10,270)	0	0	0	Julia Hovells	Nil

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

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

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**	**609,950**	**(644,470)**	**0**	**0**
Total Non-Cash Limit Items	**0**	**609,950**	**(644,470)**	**0**	**0**
Report Total	**0**	**370,460**	**(665,270)**	**(20,800)**	**(20,800)**

2019/20 Budget - All Capital Items (HRA)

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect *& Poverty Ratings*

Capital Bids

Housing - HRA

Reference	Item Description	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	Contact	Climate Effect & Poverty Ratings
C4314	**Other Spend on HRA Stock**	0	112,000	0	0	0	Will Barfield	Nil

Bid for the replacement of lifts at Ditchburn Place, with the works to be undertaken whilst other major refurbishment works are ongoing during 2019/20. This will ensure that there will be no further disruption once the current programme of refurbishment works have been completed.

	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £
Total Capital Bids in Housing - HRA	**0**	**112,000**	**0**	**0**	**0**
Total Capital Bids	**0**	**112,000**	**0**	**0**	**0**
Report Total	**0**	**112,000**	**0**	**0**	**0**

Appendix E

2019/20 Capital Budget Amendments Summary

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 per HRA MTFS	**39,080**	**52,043**	**63,078**	**29,176**	**23,468**
General Fund Housing					
No changes	0	0	0	0	0
Decent Homes and Other HRA Stock Investment					
Inclusion of funding for lift replacements at Ditchburn Place	0	112	0	0	0
Changes in new build decent homes allocation	0	0	0	6	9
New Build					
Inclusion of latest cost estimates, employer's agent, clerk of works costs, contingency and re-phasing for:					
Nun's Way / Cameron Road / Wiles Close	(400)	536	0	0	0
Queensmeadow	(27)	(45)	109	0	0
Kendal Way	0	10	0	0	0
Wulfstan Way	(63)	(23)	167	0	0
Mill Road	34	49	49	10	0
Anstey Way	44	54	0	0	0
Ventress Close	(270)	(447)	932	0	0
Akeman Street	(17)	(1,032)	1,080	0	0
Colville Road Garages	(32)	(84)	150	0	0
Markham Close	(79)	50	80	0	0
Gunhild Way	(13)	(167)	250	0	0
Cromwell Road	0	34	52	70	0
Mill Road II	0	25	22	4	0
Kingsway	(200)	200	0	0	0
Transfer of funds to scheme specific budget for Colville Road	632	3,305	9,844	0	0
Transfer of funds to scheme specific budget for Meadows and Buchan Street	171	3,141	12,283	10,785	0

Area of Expenditure and Change	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Transfer of funds to scheme specific budget for Clerk Maxwell Road	0	1,679	1,159	0	0
Adjustment to resource ear-marked for pipeline new build schemes	(763)	(7,741)	(21,471)	(8,702)	0
Sheltered Housing					
Re-phase budget for refurbishment of Ditchburn Place	(798)	798	0	0	0
Other HRA Capital Spend					
Re-phasing of budget for re-procurement of the housing management information system	(300)	300	0	0	0
Inflation Allowance					
Adjustment in inflation allowed as spend changes	0	28	20	(1)	0
Total Housing Capital Plan Expenditure per HRA BSR	**36,999**	**52,825**	**67,804**	**31,348**	**23,477**

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified	• Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted
Delays in announcement of detail surrounding housing policy change negatively impacts decisions taken at a local level	• Decisions taken in the context of a business plan which recognises the uncertainty. Savings taken have impacts exemplified to ensure impact is mitigated
Funding is not identified to meet the costs associated with changes in statutory requirements	• Additional / specific funding requirements for new services can be identified through the budget process, to allow effective prioritisation of resources. Minimum reserves are held to allow immediate investment if required
HRA Debt Settlement could be re-opened by Government (or not re-opened when changes dictate that it should)	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies
Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible • Consideration could be given to deviating from national rent policy at a local level if statute were to allow
Implementation of Fixed Term Tenancies carries administrative cost and dictates the need for system change at a time when the Housing Management Information System is being replaced	• 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
Housing Portfolio & Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	• Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact • 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 prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc.	• 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
Value for money in terms of investment in new build homes is challenged	• 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	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes to the right to buy rules and pooling regulations result in an increase in the level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity
Volatility and competition in the property market impacts the ability to fund capital pressures from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt
Volatility and uncertainty in the property market impacts the ability to dispose of assets at appropriate values and within timescales required to meet any higher value voids levy	• Reconsider appropriate level of HRA reserves to hold as a minimum • Retain capital receipts realised in advance of any levy in anticipation of the need for them • Await repeal of legislation to confirm that levy will not now be introduced

Appendix G

Retained 1-4-1 Right to Buy Receipts

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
30/06/2014	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	44,963,745.89	13,489,123.77	0.00	0.00
30/09/2015	902,092.08	10,687,135.37	35,623,784.57	30/09/2018	45,819,751.60	13,745,925.48	-	-
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			1,654,086.68	5,513,622.27
30/09/2016	1,874,821.59	17,274,833.75	57,582,779.19	30/09/2019			3,528,908.27	11,763,027.57
31/12/2016	1,320,457.44	18,595,291.19	61,984,304.00	31/12/2019			4,849,365.71	16,164,552.37
31/03/2017	1,313,143.16	19,908,437.35	66,361,447.86	31/03/2020			6,162,508.87	20,541,696.24
30/06/2017	2,045,445.56	21,953,879.91	73,179,599.73	30/06/2020			8,207,954.43	27,359,848.10
30/09/2017	1,779,600.43	23,733,480.34	79,111,601.16	30/09/2020			9,987,554.86	33,291,849.54
31/12/2017	2,229,968.03	25,963,448.37	86,544,827.93	31/12/2020			12,217,522.89	40,725,076.30
31/03/2018	646,869.52	26,610,317.89	88,701,059.66	31/03/2021			12,864,392.41	42,881,308.04
30/06/2018	1,604,735.38	28,215,053.27	94,050,177.60	30/06/2021			14,469,127.79	48,230,425.97
30/09/2018	548,341.57	28,763,394.84	95,877,982.83	30/09/2021			15,017,469.36	50,058,231.20

New Build Investment Cashflow

Appendix H

New Build / Re-Development Scheme	2018/19 Budget £'0000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000
New Build / Acquisition / Re-Development Cash Expenditure						
Anstey Way	3,830	5,663	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	600	1,727	0	0	0	0
Kendal Way	50	317	0	0	0	0
Queensmeadow	10	463	109	0	0	0
Wulfstan Way	20	683	167	0	0	0
Akeman Street	36	630	3,447	0	0	0
Ventress Close	414	1,700	1,193	0	0	0
Colville Road (Garage Site)	30	694	150	0	0	0
Mill Road	4,652	6,699	6,699	1,247	0	0
Gunhild Way	24	364	250	0	0	0
Markham Close	25	940	80	0	0	0
Cromwell Road	11,444	3,035	4,579	6,197	0	0
Acquisition or New Build (Unallocated)	156	0	0	0	10,000	10,000
Kingsway Clinic Conversion	208	200	0	0	0	0
Ditchburn Place New Build	194	138	0	0	0	0
Mill Road (Phase II)	0	2,639	2,317	383	0	0
Colville Road	632	3,305	9,844	0	0	0
Meadows and Buchan Street	171	3,141	12,283	10,785	0	0
Clerk Maxwell Road	0	1,679	1,159	0	0	0
CIP Programme (New Build and Re-Development)	615	3,984	9,412	0	0	0
Total New Build/ Re-Development Expenditure	**23,111**	**38,001**	**51,689**	**18,612**	**10,000**	**10,000**

New Build / Re-Development Scheme	2018/19 Budget £'0000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000
New Build Devolution Grant Funding						
Anstey Way	(1,388)	(2,053)	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	(420)	(1,209)	0	0	0	0
Kendal Way	(35)	(222)	0	0	0	0
Queensmeadow	(7)	(324)	(76)	0	0	0
Wulfstan Way	(14)	(478)	(117)	0	0	0
Akeman Street	(3)	(368)	(2,068)	0	0	0
Ventress Close	(20)	(1,031)	(724)	0	0	0
Colville Road (Garage Site)	(21)	(486)	(105)	0	0	0
Mill Road	(3,256)	(4,689)	(4,689)	(873)	0	0
Gunhild Way	(17)	(255)	(175)	0	0	0
Markham Close	(18)	(658)	(56)	0	0	0
Cromwell Road	(8,011)	(2,124)	(3,205)	(4,338)	0	0
Acquisition or New Build (Unallocated)	0	0	0	0	0	0
Kingsway Clinic Conversion	(146)	(140)	0	0	0	0
Ditchburn Place New Build	(136)	(97)	0	0	0	0
Mill Road (Phase II)	0	(1,847)	(1,622)	(268)	0	0
Colville Road	(76)	(1,119)	(4,668)	0	0	0
Meadows and Buchan Street	(118)	(2,199)	(8,598)	(2,862)	0	0
Clerk Maxwell Road	0	(1,175)	(811)	0	0	0
CIP Programme (New Build and Re-Development)	0	0	0	0	0	0
Total New Build / Re-Development Funding	**(13,687)**	**(20,474)**	**(26,914)**	**(8,341)**	**0**	**0**
Use of Retained Right to Buy Funding						
Anstey Way	(595)	(880)	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	(180)	(518)	0	0	0	0

Kendal Way	(15)	(95)	0	0	0	0
Queensmeadow	(3)	(139)	(33)	0	0	0
Wulfstan Way	(6)	(205)	(50)	0	0	0
Akeman Street	(2)	(158)	(886)	0	0	0
Ventress Close	(8)	(442)	(310)	0	0	0
Colville Road (Garage Site)	(9)	(208)	(45)	0	0	0
Mill Road	(1,395)	(2,010)	(2,010)	(374)	0	0
Gunhild Way	(7)	(109)	(75)	0	0	0
Markham Close	(8)	(282)	(24)	0	0	0
Cromwell Road	(3,434)	(911)	(1,374)	(1,859)	0	0
Acquisition or New Build (Unallocated)	(47)	0	0	0	(3,000)	(3,000)
Kingsway Clinic Conversion	(62)	(60)	0	0	0	0
Ditchburn Place New Build	(58)	(41)	0	0	0	0
Mill Road (Phase II)	0	(792)	(695)	(115)	0	0
Colville Road	(33)	(480)	(2,000)	0	0	0
Meadows and Buchan Street	(51)	(942)	(3,684)	(3,236)	0	0
Clerk Maxwell Road	0	(504)	(348)	0	0	0
CIP Programme (New Build and Re-Development)	0	0	0	0	0	0
Total Use of Retained Right to Buy Funding	**(5,912)**	**(8,775)**	**(11,535)**	**(5,584)**	**(3,000)**	**(3,000)**
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	**3,512**	**8,752**	**13,240**	**4,687**	**7,000**	**7,000**
Total HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**0**

Key Sensitivity Analysis

Appendix I

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.	Borrowing would exceed original debt cap by year 16 (2033/34), 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.	Borrowing would exceed original debt cap by year 13 (2030/31), and currently proposed investment programme would be unsustainable.

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)	(37,077,770)	(38,925,340)	(41,025,210)	(42,111,120)
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)**	**(42,737,800)**	**(44,687,290)**	**(46,897,880)**	**(48,096,730)**
Expenditure						
Supervision & Management - General	3,719,030	3,770,570	3,819,460	3,967,700	4,238,330	4,383,550
Supervision & Management - Special	2,584,280	3,358,560	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	3,848,700	3,926,840	4,018,560	4,100,250
Total Expenditure	**27,714,440**	**29,115,460**	**29,528,380**	**30,276,840**	**31,265,250**	**31,857,810**
Net Cost of HRA Services	**(13,865,510)**	**(12,588,740)**	**(13,209,420)**	**(14,410,450)**	**(15,632,630)**	**(16,238,920)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account						
Interest Receivable	(788,820)	(800,950)	(669,540)	(556,430)	(580,140)	(616,550)
HRA (Surplus) / Deficit for the Year	**(14,654,330)**	**(13,389,690)**	**(13,878,960)**	**(14,966,880)**	**(16,212,770)**	**(16,855,470)**
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	4,472,200	937,200	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)**	**(1,403,700)**	**9,474,960**	**(1,552,240)**	**(78,300)**	**(106,860)**
Balance b/f	(9,018,370)	(11,090,170)	(12,493,870)	(3,018,910)	(4,571,150)	(4,649,450)
Total Balance c/f	**(11,090,170)**	**(12,493,870)**	**(3,018,910)**	**(4,571,150)**	**(4,649,450)**	**(4,756,310)**

Housing Capital Investment Plan

Appendix K

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
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

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
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	1,122	1,629	1,281	1,092	1,175	1,260	1,350
Total Decent Homes	**6,996**	**7,134**	**9,842**	**6,406**	**7,062**	**6,705**	**7,208**	**7,761**	**8,484**	**5,727**
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	125	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**	**3,467**	**3,042**	**3,042**	**3,042**	**3,042**	**2,042**	**1,987**	**1,987**	**1,987**
HRA New Build / Re-Development										
Anstey Way	3,830	5,663		0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	600	1,727	0	0	0	0	0	0	0	0
Kendal Way	50	317	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
Queensmeadow	10	463	109	0	0	0	0	0	0	0
Wulfstan Way	20	683	167	0	0	0	0	0	0	0
Akeman Street	36	630	3,447	0	0	0	0	0	0	0
Ventress Close	414	1,700	1,193	0	0	0	0	0	0	0
Colville Road (Garage Site)	30	694	150	0	0	0	0	0	0	0
Mill Road	4,652	6,699	6,699	1,247	0	0	0	0	0	0
Gunhild Way	24	364	250	0	0	0	0	0	0	0
Markham Close	25	940	80	0	0	0	0	0	0	0
Cromwell Road (Including Land Acquisition)	11,444	3,035	4,579	6,197	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	208	200	0	0	0	0	0	0	0	0
Ditchburn Place New Build	194	138	0	0	0	0	0	0	0	0
Mill Road (Phase II)	0	2,639	2,317	383	0	0	0	0	0	0
Colville Road	632	3,305	9,844	0	0	0	0	0	0	0
Meadows and Buchan Street	171	3,141	12,283	10,785	0	0	0	0	0	0
Clerk Maxwell Road	0	1,679	1,159	0	0	0	0	0	0	0
CIP Programme (New Build and Re-Development)	615	3,984	9,412	0	0	0	0	0	0	0
Total HRA New Build	**23,111**	**38,001**	**51,689**	**18,612**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Sheltered Housing Capital Investment										
Ditchburn Place	2,600	798	0	0	0	0	0	0	0	0
Total Sheltered Housing Capital Investment	**2,600**	**798**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other HRA Capital Spend										
Orchard Replacement / Mobile Working	373	300	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
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	**821**	**630**	**330**	**330**	**330**	**330**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**35,908**	**50,030**	**64,903**	**28,390**	**20,434**	**20,077**	**19,580**	**20,078**	**20,801**	**18,044**
Total Housing Capital Spend at Base Year Prices	**36,756**	**50,878**	**65,648**	**29,135**	**21,179**	**20,822**	**20,325**	**20,823**	**21,546**	**18,789**
Inflation Allowance and Stock Reduction Adjustment for Future Years	243	1,947	2,156	2,213	2,298	2,435	1,925	2,073	2,244	2,240
Total Inflated Housing Capital Spend	**36,999**	**52,825**	**67,804**	**31,348**	**23,477**	**23,257**	**22,250**	**22,896**	**23,790**	**21,029**
Housing Capital Resources										
Right to Buy Receipts	(407)	(411)	(415)	(417)	(419)	(419)	(419)	(420)	(419)	(445)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0	0	0	0	0	0
Major Repairs Reserve	(7,864)	(20,750)	(12,233)	(11,499)	(11,759)	(11,824)	(11,891)	(11,953)	(12,025)	(12,100)
Direct Revenue Financing of Capital	(597)	0	(11,340)	(4,936)	(5,978)	(7,443)	(6,369)	(6,952)	(7,775)	(4,913)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(1,929)	(1,633)	(300)	(300)	(2,050)	(300)	(300)	(300)	(300)	(300)
Devolution Grant	(13,686)	(20,474)	(26,915)	(8,341)	0	0	0	0	0	0
Retained Right to Buy Receipts	(5,912)	(8,775)	(11,535)	(5,584)	(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

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 Housing Capital Resources	**(31,000)**	**(52,651)**	**(63,009)**	**(31,348)**	**(23,477)**	**(23,257)**	**(22,250)**	**(22,896)**	**(23,790)**	**(21,029)**
Net (Surplus) / Deficit of Resources	5,999	174	4,795	0	0	0	0	0	0	0
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)**									

Equalities Impact Assessment Appendix L

1. Title of strategy, policy, plan, project, contract or major change to your service:
HRA Budget Setting Report 2019/20
2. Webpage link to full details of the strategy, policy, plan, project, contract or major change to your service (if available)
3. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?
The HRA Budget Setting Report enables the City Council to set a balanced budget for 2019/20 that reflects the Council's vision statements and takes into account councillor's priorities in its proposals for achieving the savings required. The report provides an overview of the finances for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two. This EQIA assesses the equality impacts of the Housing Revenue Account (HRA) element of the City Council's budget; a separate EQIA has been completed for the General Fund (GF) element of the Council's budget.
4. Responsible Service
Directorate:Strategic Director Service: Corporate Strategy and Finance have coordinated the document, with input from Housing Services and Estates and Facilities in particular.
5. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)
☒ Residents of Cambridge City ☐ Visitors to Cambridge City ☒ Staff
Please state any specific client group or groups (e.g. City Council tenants, tourists, people who

work in the city but do not live here):

This is a composite EqIA for all 2019/20 HRA budget bids and it covers all Council Housing Revenue Account services.

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

☐ New

☐ Major change

☒ Minor change

7. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service? (Please tick)

☐ No

☒ Yes (Please provide details):

This report involves cross organisation responsibility and input from various departments in the Council. The budget also affects some of our partnership working, notably with South Cambridgeshire District Council and Huntingdonshire District Council.

8. Has the report on your strategy, policy, plan, project, contract or major change to your service gone to Committee? If so, which one?

The HRA Budget Setting Report 2019-20 is being presented to Housing Scrutiny Committee in January 2019.

9. What research methods/ evidence have you used in order to identify equality impacts of your strategy, policy, plan, project, contract or major change to your service?

None at this stage – this is an overall EqIA that addresses where monitoring and research may be required at the service impacts outlined in the Budget are rolled out. It is expected that those responsible for implementing services will complete a specific EqIA as required.

10. Potential impacts
(a) Age - Any group of people of a particular age (e.g. 32 year-olds) , or within a particular age range (e.g. 16-24 year-olds) – in particular, please consider any safeguarding issues for children and vulnerable adults
Reduction in under-occupation scheme funding has the potential to impact older people to a greater degree, as it tends to be those whose families have left home that are under-occupying property. The funding has not been removed completely, and the reduction has been based upon demand for this in the past year, so those eligible would still expect to be able to receive the financial support offered. **Removal of HRA Maternity Provision** will not have any direct impact on any individual on maternity leave, as the staff member will be entitled to exactly the same financial support as before. The saving offered is in respect of covering for the post holder, with any cost expected to be met by underspending across employee budgets as a whole due to turnover of staff. **Increased garage rent income to the HRA** may impact older people who rent a garage in a high value location, with rents increasing from April 2019. The rent increase was agreed to be made in a phased manner to mitigate the financial impact for tenants and tenants have been encouraged to make contact with the Council if the increase poses a significant problem. Rent arrears and any termination of garage tenancies is being monitored. **Garage and Former Tenant Arrears Officer** will support those who wish to retain their garage or find an alternative garage in a lower value location. The officer will also support the recovery of former tenant arrears, thus reducing the cost to be borne by existing tenants when rent debts need to be written off. **Bid to provide revenue funding for estate improvements** will improve the environment for all residents alongside the £5 million capital allocation already built into the capital programme. There is the potential for this to particularly benefit older people with the ability to identify and remedy access issues, security concerns and health and safety improvements. Younger people may benefit more from improvements to green areas, play areas and open space.

(b) Disability - A person has a disability if she or he has a physical or mental impairment which has a substantial and long-term adverse effect on that person's ability to carry out normal day-to-day activities

Reduction in under-occupation scheme funding has the potential to impact disabled people to a greater degree, as on occasion a room has been used to accommodate a carer, and if they are no longer required the tenant may be under-occupying the property. The funding has not been removed completely, and the reduction has been based upon demand for this in the past year, so those eligible would still expect to be able to receive the financial support offered.

Increased garage rent income to the HRA may impact disabled people who rent a garage in a high value location and rely upon the proximity to their property, with rents increasing from April 2019. The rent increase was agreed to be made in a phased manner to mitigate the financial impact for tenants and tenants have been encouraged to make contact with the Council if the increase poses a significant problem. Rent arrears and any termination of garage tenancies is being monitored.

Garage and Former Tenant Arrears Officer will support those who wish to retain their garage or find an alternative garage in a lower value location. The officer will also support the recovery of former tenant arrears, thus reducing the cost to be borne by existing tenants when rent debts need to be written off.

Bid to provide revenue funding for estate improvements will improve the environment for all residents alongside the £5 million capital allocation already built into the capital programme. There is the potential for this to particularly benefit disabled people with the ability to identify and remedy access issues, security concerns and health and safety improvements.

(c) Sex – A man or a woman.

Removal of HRA Maternity Provision will not have any direct impact on any individual on maternity leave, as the staff member will be entitled to exactly the same financial support as before. The saving offered is in respect of covering for the post holder, with any cost expected to be met by underspending across employee budgets as a whole due to turnover of staff.

Cost to apply market supplements to surveying posts in the HRA will help ensure that staff can be recruited and retained, therefore having a workforce which can efficiently deliver the revenue and capital investment programmes in our housing stock, for the benefit of all residents. The bid has the potential to benefit males more than females due to the current staff team make-up, but a more attractive salary package may attract a better balance of applicants to vacant posts.

(d) Transgender – A person who does not identify with the gender they were assigned to at birth (includes gender reassignment that is the process of transitioning from one gender to another)
No disproportionate impact has been identified in relation to gender or transgender in the bid proposals contained in the 2019/20 HRA Budget Setting Report.
(e) Pregnancy and maternity
Removal of HRA Maternity Provision will not have any direct impact on any individual on maternity leave, as the staff member will be entitled to exactly the same financial support as before. The saving offered is in respect of covering for the post holder, with any cost expected to be met by underspending across employee budgets as a whole due to turnover of staff.
(f) Marriage and civil partnership
No disproportionate impact has been identified in relation to marriage or civil partnership in the bid proposals contained in the 2019/20 HRA Budget Setting Report.
(g) Race - The protected characteristic 'race' refers to a group of people defined by their race, colour, and nationality (including citizenship) ethnic or national origins.
No disproportionate impact has been identified in relation to race in the bid proposals contained in the 2019/20 HRA Budget Setting Report.
(h) Religion or belief
No disproportionate impact has been identified in relation to religion or belief in the bid proposals contained in the 2019/20 HRA Budget Setting Report.
(i) Sexual orientation
No disproportionate impact has been identified in relation to sexual orientation in the bid proposals contained in the 2019/20 HRA Budget Setting Report.

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

Increased garage rent income to the HRA will impact those on low incomes who rent a garage in a high value location, with rents increasing from April 2019. The rent increase was agreed to be made in a phased manner to mitigate the financial impact for tenants and tenants have been encouraged to make contact with the Council if the increase poses a significant problem. Rent arrears and any termination of garage tenancies is being monitored.

Garage and Former Tenant Arrears Officer will support those who wish to retain their garage or find an alternative garage in a lower value location. The officer will also support the recovery of former tenant arrears, thus reducing the cost to be borne by existing tenants when rent debts need to be written off.

Policy and Performance Officer for the Housing Service will support the review and improvement to housing policies and processes, with a view to removing duplication, reducing administration and therefore reducing cost, all of which will benefit HRA tenants by releasing resource to be re-invested elsewhere. The post holder will also ensure that all protected groups are considered when policies and procedures are reviewed to meet all identified need.

Cost to apply market supplements to surveying posts in the HRA will help ensure that staff can be recruited and retained, therefore having a workforce which can efficiently deliver the revenue and capital investment programmes in our housing stock, for the benefit of all residents. The bid has the potential to increase applications from protected groups, as a more attractive salary package may attract a better balance of applicants to vacant posts.

Additional staffing resource to carry out rolling programme of Housing Stock Condition Surveys will ensure that the housing stock is inspected more regularly, and that any remedial works required are quickly identified and scheduled, benefiting all tenants.

Bid to provide revenue funding for estate improvements will improve the environment for all residents alongside the £5 million capital allocation already built into the capital programme.

Additional funding to respond to Welfare Reform will allow support of vulnerable tenants (who may be more at risk of losing their home) and tenants on low incomes through the complex process of national benefit change. The ability to support these tenants to ensure that they claim all that they are entitled to, will in turn reduce arrears and therefore the impact on the HRA for tenants as a whole.

11. Action plan – New equality impacts will be identified in different stages throughout the planning and implementation stages of changes to your strategy, policy, plan, project, contract or major change to your service. How will you monitor these going forward? Also, how will you ensure that any potential negative impacts of the changes will be mitigated? (Please include dates where possible for when you will update this EqIA accordingly.)

1. Housing Futures to continue to invest time in implementing process reviews to ensure the housing service is working effectively, and there is no negative impact on customers or staff.
2. Housing Futures to monitor and manage increase in the costs of services against savings identified to ensure services remain affordable for tenants and leaseholders, and for the council to deliver.

12. Do you have any additional comments?

Reduction in interest anticipated to be payable by the HRA and increased interest to be received by the HRA will have an overall positive impact on all tenants and leaseholders as cuts to funding do not have to be made from front line services.

Savings in salary costs due to staff turnover and retention, reduction in Housing Transformation funding and cash limiting some supplies and services budgets: These savings reduce costs for the HRA as a whole, therefore releasing resource for re-investment elsewhere in the service, but with little or no impact on the quality of services being delivered, to ensure there is no negative impact on customers.

13. Sign off

Name and job title of lead officer and team members for this equality impact assessment:

Julia Hovells – Principal Accountant
Catherine Buckle – Business Development Manager (Housing)

Date of EqIA sign off : 20/11/2018

Sent to Helen Crowther, Equality and Anti-Poverty Officer : 17/12/2018

Date to be published on Cambridge City Council website (if known) : 7/1/2019