Appendix 2

Version 2
Scrutiny / Cabinet

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

South Cambridgeshire District Council

November 2017

2017/18 to 2046/47

South Cambridgeshire District Council

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Section 1
Introduction and Local Context

Foreword by the Portfolio Holder for Housing

In reviewing the Medium Term Strategy for the Housing Revenue Account South Cambs acknowledges the much publicised problems with housing provision that are being experienced everywhere but despite these can rightly point to some successes. Overcoming the challenge of finding match funding for Right to Buy receipts, the Council has continued to use all its receipts from that source within the very strict time constraints that Government sets. One recent decision was to acquire 9 units at Waterbeach (affordable rented and shared ownership) which will be built out by a trusted partner with whom the Council has worked before.

The commitment to maintaining high quality services to its tenants and leaseholders has prompted a review of the use of the communal rooms on the Council's sheltered schemes. Its very active Tenant Participation Group recently completed the first step of that review and two members of the group will participate in the working party that has been set up to make its recommendations by March 2018.

Some of the uncertainty that has made forward planning difficult has been removed with the announcement that the Local Housing Allowance cap will be removed for supported housing. Other uncertainties still remain in the proposed extension of Right to Buy and the forced sale of higher value void properties. However, South Cambs has demonstrated its resilience in the face of many challenges over recent years and undoubtedly the 'can do' attitude of the Housing team will see that continue for the future.

Councillor Lynda Harford

Portfolio Holder for Housing

Background

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

The report allow the authority to review assumptions and consider material changes, which may need the authority to change financial strategy, policy or to take alternative courses of action, to ensure a financially viable Housing Revenue Account in future years. Both revenue and capital investment is considered in this report, with the impact of any proposed changes on the HRA Business Plan clearly identified. A review of the strategic risks facing the HRA is presented at **Appendix A**.

The HRA Medium Term Financial Strategy re-states the budget for the current year (2017/18), highlighting only significant or exceptional in-year changes for approval, reviews and updates financial assumptions and presents updated projections for the following 4 years from 2018/19 to 2021/22, in the context of the longer-term financial position.

Savings either already made, or anticipated in the coming budget year as part of the savings target included in the HRA Budget Setting Report, deliver a sustainable position for the HRA over the medium-term. It must be noted, however, that the current forecasts have been constructed whilst there are still a number of areas of uncertainty in the housing sector, and with the assumptions that housing debt will be fully re-financed at maturity and that any introduction of the 'sale of higher value voids' levy is deferred until at least April 2019. Financial forecasts will be reviewed again as further information is made available to the authority.

Timetable

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

Date	Task
2017	
9 November	Scrutiny and Overview Committee considers HRA Medium Term Financial Strategy, with any amendments incorporated into recommendations to Cabinet
16 November	Cabinet considers HRA Medium Term Financial Strategy, with any amendments incorporated into recommendations to Council
23 November	Council approves HRA Medium Term Financial Strategy
2018	
6 February	Scrutiny and Overview Committee considers HRA Budget Setting Report, with any amendments incorporated into recommendations to Cabinet

8 February	Cabinet considers HRA Budget Setting Report, with any amendments incorporated into recommendations to Council
22 February	Council approves HRA Budget Setting Report

Section 2
Housing Stock

Housing and Leasehold Stock

South Cambridgeshire District Council Housing Revenue Account owns and / or manages the following properties, broken down by category of housing provided:

Housing Category	Actual Stock Numbers as at 1/4/2017	Estimated Stock Numbers as at 1/4/2018
General Housing (Incl. use as Temporary Housing)	4,197	4,177
Sheltered Housing	1,054	1,054
Sheltered Housing – Equity Share	80	80
Miscellaneous Leased Dwellings	20	11
Shared Ownership / FTB Dwellings	50	57
Total Dwellings	5,401	5,379

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

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2017	Estimated Stock Numbers as at 1/4/2018
Bedsits	32	20
1 Bed	1,023	1,016
2 Bed	2,279	2,282
3 Bed	1,861	1,849
4 Bed	71	70
5 Bed	1	1
6 Bed	4	4
Total Dwellings	5,271	5,242

Leasehold Stock

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

Section 3
The National Policy Context and External Factors

External Factors

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

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

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). The last 18 months has seen a steady increase in this measure of inflation, with the rate of growth rising from 0.5% in March 2016 to 2.9% by August 2017, a level which has not been seen since mid-2013. The Office for Budget Responsibility (OBR) is currently still predicting a return to the Bank of England's target level for CPI of 2% in the longer-term.

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

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

Expenditure in respect of building maintenance is inflated in the financial forecasts using the Retail Price Index (RPI), as this is the inflationary measure incorporated into the majority of HRA maintenance contracts.

Over the medium-term RPI runs at an average of 1% above CPI, so for the purposes of financial forecasting, RPI rates of 3.6% for 2018/19, 3.2% for 2019/20, 3.3% for 2020/21 and 3% then ongoing have been adopted to reflect this.

Interest Rates

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

As the Housing Revenue Account is already at its borrowing cap, bar a very small amount of notional internal lending to the General Fund, the level at which the HRA could borrow additional resource, over and above the existing PWLB loan portfolio totalling £205,123,000, is not currently relevant for HRA business planning purposes. Although the rates available currently mean that the rates are still lower than those secured for the self-financing settlement in 2012, any attempt to re-finance the existing loan portfolio now to take advantage of the lower rates would incur significant early redemption penalties. Any interest saving would be far outweighed by the penalty, which would need to be paid at the point of re-financing.

From the perspective of accounting for the interest due to the HRA for the internal lending to the General Fund, the same rate that would be achieved via lending externally is adopted.

Right to Buy Sales

In 2016/17, 65 right to buy applications were received and recorded, compared with 80 in the previous year. 19 applications were received in the first 5 months of 2017/18. This seems to indicate that the increased interest in 2015/16, which resulted in increased completions in 2016/17, deemed to be attributable to the anticipated introduction of ‘Pay to Stay’, the requirement for those on higher income to pay up to market rent for living in their council home, may now have returned to prior year levels, following Pay to Stay being abolished. In 2016/17, 33 of the applications proceeded to completion of the sale of the property, compared with 23 in 2015/16. In the first 6 months of 2017/18, 13 sales have completed, supporting the view that interest has waned.

It is impossible to accurately predict future sales, although the recent decline in interest and the current uncertainty in the country at national level, indicates it may be prudent to retain the assumption of reducing sales, with 25 sales in 2017/18, 20 sales per year for 3 years from 2018/19, then reducing to 15 sales per annum from 2021/22 onwards.

Right to Buy Receipts

The authority is still subject to the agreement with CLG, allowing the retention of an agreed proportion of right to buy receipts, subject to a set of specific conditions; the authority still holds a significant sum for re-investment. Receipts must be spent, within 3 years, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism, with the balance funded from the Council's own revenue resources or borrowing (within the debt cap). According to the agreement the receipts can't be used on dwellings receiving any other form of public subsidy, ie; Homes and Communities Agency grant.

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

Whilst held, the capital receipts can be invested by the authority to earn interest in the short-term, but if not spent appropriately within the 3 year time frame, have to be paid over to central government, with 'penalty' interest payable at 4% above the base rate, far exceeding the level of interest that will have been earned in the interim. There is scope however, if the resource can't be appropriately invested by the authority to instead pass it to a housing association for investment in social housing with the same constraints applied.

Appendix C summarises the latest position in respect of both receipts held and re-invested. Although a deadline has not yet been breached, there was a need to undertake a number of strategic acquisitions during 2016/17, with more anticipated in 2017/18, to ensure that funds are re-invested locally, and not paid to central government with an interest penalty attached.

At the end of each quarter, the Executive Director (Corporate Services), in consultation with the Director of Housing, continue to make a decision as to whether right to buy receipts are retained or paid directly over to central government. The decision takes account of the authority's ability to identify the 70% top up funding, or alternatively the potential for the receipt to be passed to a registered provider, with both options maximising the use of the resource and creation of new homes in the locality. Payment of the sums to central government will only occur if there is a considered risk that the resource cannot be utilised appropriately within the required timeframes, thus mitigating the impact of the need to pay receipts over to central government at a later stage, alongside the interest penalty that would be incurred.

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

National Housing Policy

National Rent Setting Policy

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

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

A government announcement on 4 October 2017, confirmed that the authority will be able to revert to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, from April 2020. An increase of CPI plus 1% has been confirmed for a 5 years period from April 2020 to give some stability and certainty to housing business plans.

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

Mandatory Disposal of Higher Value Housing Stock

The ability, as included in the Housing and Planning Act 2016, for Central Government to impose a financial levy on stock owning authorities in respect of the assumed sale of higher value housing stock,

is still subject to regulation. There is a need for secondary legislation to be passed by Government before the policy can be implemented.
The levy would be expected to vary for each financial year, with the value arrived at on a formulaic basis, after a period of consultation with local authorities. Although no regulations are available, it is anticipated that the authority would have some discretion over which assets it disposes of, in order to meet the levy, with periodic payments due throughout each financial year.

The policy allowing for disposal of HRA assets will need to be reviewed, once any further detail is announced, to ensure that the authority can act to dispose of assets quickly if required.

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

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

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

The HRA Medium Term Financial Strategy has therefore been constructed on the assumption that the compulsion to sell will still require the equivalent of approximately 1.8% of the housing stock each year to be disposed of, representative of approximately 100 properties per annum initially, but with payment simply deferred until 2019/20. Scenario modelling has been undertaken to demonstrate the impact on the HRA of an earlier implementation and no implementation of this policy at all.

Welfare Reforms

Universal Credit

Universal Credit was introduced in Cambridge on the 29th February 2016 and is currently only applicable to single, working age customers, otherwise entitled to make a claim for Jobseekers Allowance. Universal credit generally includes housing costs for this group and this is paid directly to the customer unless it can be demonstrated that there are budgeting concerns. Claims must be made online. The full digital service that will allow claims from couples and those with children will be rolled out to Cambridge Job Centre in June 2018.

As part of the Delivery Partnership Agreement, requests for Personal Budgeting Support are being accommodated by Cambridge CAB (Citizens Advice Bureau). There have been low numbers of these too and many have not attended the appointment at CAB.

Benefit Cap

Preparations for the introduction of the reduced Benefit Cap are progressing well, with early identification of potential customers affected being in the region of 40, of which approximately 20 are HRA tenants. The Council is contacting those potentially affected, with a number of these households having been identified as receiving incomes that exempt them from the cap or having started work or increased their hours of work which will remove them from the cap. Application of the cap was a rolling programme. At the end of September 2017, 15 HRA tenants were impacted. The council has contact all those affected to promote and advise about any Discretionary Housing Payments which are available.

Removal of the Spare Room Subsidy

Numbers of customers affected by the removal of the spare room subsidy continue to reduce slowly and currently there are 248HRA tenants affected by the reform, with 216 impacted by a reduction of 14% and 32 by 25%. There are currently 20 HRA tenants who receive Discretionary Housing Payments to help towards their rent as due to removal of 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.

Local Housing Allowance Restriction

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

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

Supported Accommodation Review

DWP launched a consultation considering the new funding for supported housing once many of the above changes come into effect from April 2019, but with no findings published as yet.

Support for Vulnerable People

South Cambridgeshire District Council is still in contract with the County Council, under a partnership arrangement, for the delivery of tenure neutral support services to older people across the city as a whole, with an initial term of 3 years to 31st March 2017, extended under an agreed contract extension until 31st March 2018. The contract sum is £302,000 per annum.

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

Section 4
Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

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

Year-end positions in respect of rent debt, using the banded arrears reports in the rent system are summarised in the table below:

Financial Year End	Value of Year End Arrears in Accounts (Current Tenants)	Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2013	£279,776	1.05%	£67,244
31/3/2014	£316,922	1.12%	£76,767
31/3/2015	£328,376	1.13%	£98,954
31/3/2016	£306,046	1.03%	£92,305
31/03/2017	£337,081	1.14%	£83,498

Performance in the collection of current tenant debt worsened slightly during 2016/17, with current arrears levels having increased further during the first 6 months of 2017/18, when compared with both the year-end position and the profile at this point last year. At the end of September 2017, current tenant arrears stood at £391,995 and former tenant arrears at £110,705, the latter also being higher than at the start of the year.

Although staff continue to work proactively with tenants in arrears, and particularly those affected by benefit changes, the position is still anticipated to become more challenging as the phased introduction of direct payment continues, having begun locally in February 2016.

Considering the above dip in performance, and also recognising the need to collect rent directly from an increasing number of residents as direct payment rolls out, the current assumption of setting aside 0.5% of the rent due per annum in a phased manner, by 2020/21 is proposed to be escalated marginally, to achieve this by 2019/20.

Therefore, a bad debt provision of 0.3% has been retained for 201718, 0.4% made for 2018/19 and 0.5% from 2019/20 onwards.

At 31 March 2017, the provision for bad debt stood at £300,000, representing approximately 71% of the total debt outstanding.

Void Levels

The estimated value of rent not collected as a direct result of void dwellings in 2016/17 was £306,577, representing a void loss of 1.07%. The level of void loss in 2016/17 was partly due to 'management or major voids' held pending disposal or re-development of the site.

At the end of 2016/17, 88 properties were unoccupied, representative of 1.6% of the housing stock, with approximately 28% of these void dwellings being intentionally held vacant pending disposal or re-development of the site.

On an ongoing basis, a base assumption of 1.1% voids in general housing is still considered appropriate for the longer-term. Any requirement to sell higher value void properties in the future would impact this assumption in future iterations of the business plan, with the deferred loss of estimated rental income already incorporated into the financial forecasts as a separate assumption.

Rent Setting

Rent levels continue to be set in February of each year, with the decision made at Council, following pre-scrutiny by the Scrutiny Committee and Cabinet. From April 2018, the authority is required to apply the third year of a four year rent cut in social housing rents of 1% per annum.

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

The authority identified savings as part of the 2017/18 budget processes, to help to offset the financial impact of the initial year of this policy, but there are further reductions in spending anticipated to be needed

Following announcement by government on 4 October 2017, the existing assumption in respect of longer-term financial forecasts, that the authority will be able to revert to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, from April 2020, has been confirmed as accurate. An increase of CPI plus 1% has been confirmed for 5 years from April 2020, with the authority retaining the assumption that this is reduced to CPI plus 0.5%, now from April 2025.

Rent Restructuring

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

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

The average target 'rent restructured' rent at the time of writing this report in 2017/18 across the socially rented housing stock was £107.55, with the average actual rent charged being £102.35, both recorded on a 52 week basis. At the time of writing this report, 31% of the social rented housing stock was being charged at target rent levels, compared with 27.5% in the previous year.

The gap between actual and target rent levels now equates to an annual loss of income of approximately £1,421,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated well before now. Closing this gap may never be realised in many cases, with a significant proportion of properties likely to need to be sold when they fall vacant, to meet any higher value void levy.

There were 51 new build or acquired properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at 1st April 2017.

Reserves

Housing Revenue Account General Reserves

Reserves are held partly to help manage risks inherent in financial forecasting and budget-setting. These risks include changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies. 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. For the Housing Revenue Account the intended target level of reserves remains at £2m.

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

Budgeted or Actual Use of / (Contribution to) HRA Reserves	Financial Year	
	2016/17 £'000	2017/18 £'000
Opening General HRA Reserves	**(8,073)**	**(8,992)**
Changes in HRA Reserves		
Original Budget (Approved in February)	(135)	180
Rollovers (Approved in July)	4,076	800
MTFS Mid-Year Review (Approved in November)	(183)	(366)
Budget Setting Report Revised Budget (February)	(38)	-
Estimated Closing General HRA Reserves	**(4,353)**	**(8,378)**
Actual Outturn for the Year (Reported in July)	(919)	-
Contribution to / (from) Ear-Marked Reserves	0	-
Actual Closing General HRA Reserves	**(8,992)**	**-**

The original budget for 2017/18 approved a net use of general reserves of £180,250 and incorporated a revenue contribution of £2,206,580 to fund capital expenditure.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources, approved rollovers from 2016/17 and incorporation of revised estimates for interest due for 2017/18 based upon revised cash balance assumptions and updated interest rates, as part of this HRA Medium Term Financial Strategy.

The final general HRA reserves position reported at 31 March 2017 was £8,991,935.

The revised projection of the use of general reserves in the current year (2017/18) now indicates that there is expected to be a net use of reserves of £613,620, which would leave a balance of £8,378,320 at 31st March 2018.

There is now a proposed use of £3,006,690 of direct revenue financing of capital expenditure in 2017/18 as a result of approval of rollovers as part of the outturn process for 2016/17. There is also a continued use of direct revenue financing of capital expenditure in future years, as a result of the decision to utilise the reserve previously held for potential debt redemption to allow top up and appropriate re-investment of right to buy receipts.

Earmarked Funds

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

Section 5
Review of Revenue Budgets

2017/18 Mid-Year Budget Changes

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

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

- A reduction in the amount of interest that the HRA will expect to pay in 2017/18, recognising a small amount of internal lending to the General Fund.
- An increase in the anticipated interest received on cash balances for 2017/18, due to a combination of the level of cash balances held and updated interest rates, where the average rate earned by the authority has increased due to additional lending to Ermine Street Housing.
- Depreciation – no change yet incorporated, as awaiting outcome of external audit review.

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

Housing Savings Programme

As part of the 2016/17 budget setting process, a formal savings target of £250,000 per annum, for four years, was incorporated into the HRA, in direct response to some of the national changes in housing policy which have, will, or are expected to have a negative financial impact on the HRA.

As part of the 2017/18 budget preparation process a detailed financial review of the HRA was undertaken to arrive at proposals for how to deliver year 1 of the savings required, to ensure that the authority is best placed to respond to changes in the economy and in national housing policy. It is important to consider how services will need to transform for the future, to deliver within the financial constraints imposed, whilst still meeting the needs of the most vulnerable.

For 2018/19 a similar approach will adopted when setting service budgets.

The revenue work streams being considered as part of the second year of the savings programme include:

- Responsive, Cyclical and Void Repairs
- Housing & Tenancy Management (to include Tenant Participation and Anti-Social Behaviour)
- Direct Revenue Financing (DRF) of capital expenditure, facilitated through a review of capital investment in the existing housing stock

Any operational pressures for the Housing Service for 2018/19 and beyond will also need to be considered as part of this process, and these include:

- Administrative burden of Fixed Term Tenancies
- Administrative burden of any requirement to meet Higher Value Voids Levy
- Additional rent collection and arrears recovery costs associated with welfare reform

The final proposals for year two will be presented to Cabinet and Council, following scrutiny consideration, as part of the 2018/19 budget process, included in the 2018/19 HRA Budget Setting Report.

As part of the HRA Medium Term Financial Strategy process, officers have been asked to provide early identification of areas where savings could be made or where additional investment is either required or desired.

The results of this exercise are detailed in **Appendix D (2)**, and indicate that the savings target for 2018/19 can be achieved, after taking account of the unavoidable revenue pressures and bids also identified.

These proposals have not been built into the HRA Summary Forecast at **Appendix G**, as they will be subject to change and revision in the lead up to the 2018/19 budget process, where they will be incorporated formally.

Depreciation

Prior to April 2012, the Major Repairs Allowance (MRA) was included in the HRA as a proxy for depreciation. When self-financing was introduced, a move to accounting for actual componentised depreciation was announced, with an initial 5 year transitional period until March 2017, where the notional MRA could still be used as the measure of depreciation to allow authorities time to move towards this.

Transitional measures ceased with effect from 31st March 2017, and all stock holding local authorities are now required to account for full depreciation on a componentised basis, from April 2017.

Depreciation is charged to the revenue account each year, and the resource is then transferred into the major repairs reserve, where it is in effect 'locked' and is only available to be re-invested in the creation or improvement of social housing assets.

Section 6
Housing Capital Budget

Stock Investment and Decent Homes

Stock condition data is continually updated in respect of the housing stock, improving the information held to inform future decision making. The authority is still working with Cambridge City Council to jointly procure updated software to record and report asset management data, as part of a wider project to procure a fully integrated housing management information system.

At 31 March 2017, 93.75% of the housing stock was reported as decent, compared with 87.5% at 31 March 2016, with 329 properties that were considered to be non-decent (in addition to refusals), and another 457 anticipated to become non-decent during 2017/18.

In addition to decent homes investment, the authority still invests in energy conservation initiatives, such as external wall insulation, solar energy initiatives, renewable heating sources, air source heat pumps and more controllable high heat retention electric storage systems.

The level of investment in the housing stock as a whole, including that which falls outside of the decent homes standard, was subject to review as part of the 2017/18 budget setting process, with some resulting changes adopted. Any reduction in the level of investment in the existing housing stock will help to ensure that the authority is able to set a balanced budget for the HRA over the longer-term, without breaching the HRA debt cap, whilst also maximising any resource available to increase the limited supply of new affordable housing.

The latest Housing Capital Investment Plan is included at **Appendix H.**

As with the revenue position, officers have been asked for early indications of where savings may be delivered in the Housing Capital Programme. The findings from this exercise are detailed at **Appendix D (2)**,

Consistent with the exercise for revenue savings, these proposals have not been built into the Housing Capital Investment Plan at **Appendix H**, as they may be subject to change and revision in the lead up to the 2018/19 budget process, where they will be incorporated formally.

New Build & Re-Development

General Approach

Following changes in national housing policy, the authority can no longer rely upon rental surpluses in the short-term to provide resource for investment in new build housing.

To ensure the delivery of a new build programme in the short to medium term, resources previously set-aside for potential debt repayment have been combined section 106 commuted sums, right to buy receipts and other existing funding streams that can be released as a direct result of capital receipts from the sale of HRA land as self-build plots.

The authority still explores alternative funding options and delivery models, including; mixed rented and market sale schemes, shared ownership homes and starter homes, with initiatives such as modular construction also being considered.

New Build and Re-Development Schemes Completed or Approved to Proceed

The table below updates the position in respect of schemes completed or in progress, with portfolio holder approval, based upon previous versions of the business plan, confirming their status and the current budget allocation which is required for each of the schemes, with the budgeted cashflow included at **Appendix E.**

Scheme	Status	Estimated Affordable Units	Indicative Scheme Composition (Subject to Change)	Scheme Budget (Gross of subsidy / capital receipts)
Fen Drayton Road, Swavesey	Completed May 2016	20	4 x 1 Bed House 10 x 2 Bed House 5 x 3 Bed House 1 x 4 Bed House	2,954,320
Horseheath Road, Linton	Completed July 2016	4	1 x 2 Bed Bungalow 2 x 2 Bed Flat 1 x 2 Bed House	494,550
Hill Farm, Foxton	Completed January 2017	15	4 x 1 Bed House 6 x 2 Bed House 5 x 3 Bed House	2,246,660
Robinson Court, Gamlingay	Planning approved. On site 5/5/2017	6 plus 4 shared ownership and 4 market sale	4 x 1 Bed Flat 2 x 2 Bed Flat 2 x 1 Bed House (Shared Ownership) 2 x 2 Bed House (Shared Ownership) 2 x 2 Bed House (Market Sale) 2 x 3 Bed House (Market Sale)	2,309,540
Pembroke Way, Teversham	Planning stage	5	2 x 2 Bed Flat 3 x 3 Bed House	860,230
Pampisford Road, Great Abington	Planning approved, On site.	6 plus 2 shared ownership	2 x 1 Bed Flat 2 x 2 Bed House 1 x 2 Bed Bungalow 2 x 2 Bed Bungalow (Shared Ownership) 1 x 3 Bed House	1,383,080
Woodside, Longstanton	Planning approved. Offer accepted and legal work and contracts underway	3	3 x 2 Bed House	422,230
Balsham Buildings, High Street, Balsham	Planning approved. On site.	9 plus 4 shared ownership	7 x 1 Bed Flat 2 x 2 Bed Flat 4 x 2 Bed House (Shared Ownership)	1,848,900
Bannold Road, Waterbeach	Offer accepted. On site.	16 plus 7 shared ownership	6 x 1 Bed Flat 6 x 2 Bed Flat 4 x 2 Bed House 2 x 2 Bed House (Shared Ownership) 5 x 3 Bed House (Shared Ownership)	4,309,440

Scheme	Status	Estimated Affordable Units	Indicative Scheme Composition (Subject to Change)	Scheme Budget (Gross of subsidy / capital receipts)
Gibson Close, Waterbeach	Planning approved. Offer accepted by developer	6 plus 3 shared ownership	4 x 1 Bed Flat 2 x 2 Bed House 3 x 2 Bed House (Shared Ownership)	1,452,340
Total		**84 rented 17 shared ownership 4 market sale**		**18,281,290**

New Build and Re-Development Schemes in the Pipeline

There are a number of schemes where feasibility work is being carried out with a view to building out the sites for the HRA directly, or alternatively negotiations are in progress with developers, for the HRA to acquire the affordable housing on existing new build development schemes. These schemes do not yet have formal approval, and as such have not yet been built in to the Housing Capital Investment Plan on a scheme specific basis. When a scheme receives Portfolio Holder approval, resource is vired from the unallocated new build / acquisition budget to the scheme specifically to allow monitoring of progress.

Schemes currently in the pipeline include:

Scheme	Status	Estimated Affordable Housing Units	Indicative Scheme Composition (Subject to Change)
Highfields, Caldecote	Planning approved. Offer accepted by developer	3	1 x 1 Bed House 2 x 2 Bed House
Hardwick	Outline planning approval. Offer made to developer, alongside other offers being considered	27 plus 12 shared ownership	11 x 1 Bed Flat 9 x 2 Bed Flat 6 x 2 Bed House 1 x 4 Bed House 8 x 2 Bed House (Shared Ownership) 4 x 3 Bed House (Shared Ownership)

Great Abington	Planning stage. Offer made to developer 18/8/2017	13 plus 5 shared ownership	6 x 1 Bed Flat 2 x 2 Bed House 5 x 3 Bed House 2 x 2 Bed House (Shared Ownership) 3 x 3 Bed House (Shared Ownership)
Melbourn	Planning stage. Offer made to developer 18/8/2017	6 plus 3 shared ownership	2 x 1 Bed Flat 1 x 1 Bed House 3 x 2 Bed House 1 x 2 Bed House (Shared Ownership) 2 x 3 Bed House (Shared Ownership)
Thriplow	Pre-planning. Offer made to developer	10 plus 4 shared ownership	4 x 1 Bed Flat 2 x 2 Bed Flat 4 x 2 Bed House 2 x 2 Bed House (Shared Ownership) 2 x 3 Bed House (Shared Ownership)
Hauxton	Offer made to developer	2	2 x 2 Bed House
Toft	Offer made to developer	25 plus 11 shared ownership	12 x 1 Bed Flat 13 x 2 Bed House 5 x 2 Bed Flat (Shared Ownership) 5 x 3 Bed House (Shared Ownership) 1 x 4 Bed House (Shared Ownership)

The majority of schemes deliver new provision of affordable housing and as such will be eligible for 30% of the scheme to be funded using retained right to buy receipts. Shared ownership dwellings or schemes where some or all of the new homes will replace existing social housing which is no longer considered fit for purpose, are not eligible for use of this resource.

New Build – Other (including use of RTB Funding)

The new build schemes above that currently have approval are not sufficient to ensure that the authority can appropriately re-invest all of the right to buy receipts retained to date. If the offers made for the pipeline schemes were all successful, the authority would have invested sufficient resource to avoid releasing any retained right to buy receipts to central government. If some schemes do not proceed, there will be a need to identify and fund further new build schemes, acquire existing homes for use as social housing, or pass the resource over to a registered provider for re-investment.

The assumption has been retained, that the authority utilise resource previously set-aside for the potential redemption of housing debt, combined with existing resource released by virtue of capital receipts that have been received for the sale of HRA land and dwellings on the open market in recent years and HRA revenue resources, where available, to provide sufficient resource to allow the appropriate re-investment of existing and anticipated retained right to buy receipts in the medium term, without the need to pass any funding to a registered provider in future years.

Work is ongoing to identify and secure new build sites and explore future development opportunities, in a bid to ensure that the HRA has sufficient pipeline schemes to meet investment commitments. The HRA Medium Term Financial Strategy brings forward budget approval into the next 2 years, for investment in new build housing to allow all of the pipeline schemes currently identified to proceed if the offers are successful, but there is a need to recognise that this may not be the case, and that some resource may then need to be re-phased into later years for investment in alternative schemes.

The authority also continues to explore alternative development opportunities, considering differing funding models. Options for working with partner organisations and for developing sites with mixed tenure are all being explored fully in an attempt to maximise the delivery of new homes, despite the financial constraints imposed by some of the national housing policy changes.

As a backstop position, the authority is able to acquire homes on the open market or to pass receipts to a registered provider for them to invest in new build affordable housing within the required timescales and in a way which is compliant with the retention agreement with CLG.

Self-Build Plots

Work is progressing well in preparing and marketing parcels of HRA land that provide self-build opportunities, releasing capital receipts which are then available for re-investment by the HRA to release resource elsewhere in the capital programme, facilitating the delivery of new homes in the district.

14 sites (20 potential plots) are currently being progressed, with 2 single plot sites being marketed, having now received outline planning approval and 2 sites, providing 3 plots having being submitted for planning approval. Officers have identified HRA sites with the potential to provide in the region of 100 self-build plots in total, and 2 sites, providing 4 plots, have been submitted for planning approval

It is anticipated that each plot may realise a gross capital receipt of up to £250,000, which after financing the costs of site preparation, could leave a net receipt of up to £200,000 per plot available to the HRA for re-investment.

Assumptions are incorporated into the HRA Business Plan that capital receipts form plot sales will be available to HRA as a funding source, in line with the latest business case for the self-build project.

Section 106 Funding

Commuted Sums Money received in lieu of Affordable Housing

If the Council receives commuted sum payments, often time limited, where approval has been granted as part of the planning decision to receive payment in lieu of affordable housing, the default position is that the HRA utilises the resource to invest in affordable housing.

The Council currently holds £4.26m in commuted sums for affordable housing. The following table identifies when the money has to be spent (year-end prior to deadline date), against the resource committed to date

Year	Section 106 sum to be spent £	Cumulative Section 106 sum to be spent £	Resource committed General Fund £	Resource committed HRA £	Cumulative resource still to be committed £
2017/18	104,973	104,973	62,000	725,000	-
2018/19	509,258	614,231	50,000	0	-
2019/20	571,040	1,185,271	0	0	348,271
2020/21	235,518	1,420,789	0	0	583,789
2021/22	94,500	1,515,289	0	0	678,289
2022/23	293,180	1,808,469	0	0	971,469
2023/24	68,824	1,877,293	0	0	1,040,293
2024/25	381,213	2,258,506	0	0	1,421,506
2025/26	2,002,615	4,261,121	0	0	3,424,121
			112,000	725,000	

Commitments to date include:

Scheme	Fund	2017/18 £	2018/19 £	Ongoing £
Emmaus – 10 en-suite bed-spaces	General Fund	0	50,000	0
Little Gransden Almshouses – refurbishment of 4 dwellings	General Fund	42,000	0	0
Robinson Court, Gamlingay – redevelopment	HRA	75,000	0	0
Organisational cost for delivery of Affordable Housing using Section 106	General Fund	20,000	0	0
High Street Balsham – contribution towards delivery of 4 shared ownership homes	HRA	200,0000	0	0
Bannold Road, Waterbeach – contribution towards 7 shared ownership homes	HRA	350,000	0	0
Gibson Close, Waterbeach – contribution towards 3 shared ownership homes	HRA	100,000	0	0
		787,000	**50,000**	**0**

With £3,424,121 of resource still to be re-invested, and a commitment to invest the sum in new HRA homes wherever possible, expenditure of £500,000 per annum, and associated Section 106 match funding has been retained in the Housing Capital Plan for the next 5 years.

As the resource can't be combined with retained right to buy receipts for the delivery of a specific social rented housing dwelling, it is likely that the funds will be utilised predominantly to deliver other forms of affordable and intermediate housing, such as shared ownership or shared equity.

Asset Acquisitions & Disposals

Consideration is given to the strategic acquisition or disposal of assets, in line with the current HRA Acquisition and Disposal Policy, which will be reviewed once any regulations surrounding the higher value voids levy are available, to take account of the new approach that would be required in respect of asset management of the housing stock.

The Right to Buy Retention Agreement allows the acquisition of existing dwellings, as an alternative to building new homes. Although not the first priority for the use of this resource, market acquisition does increase the supply of affordable homes available in the district, and is a valid option when new build is not possible within a quarterly deadline for the use of retained receipts. If a decision is taken at the end of a quarter that there is a risk that new build schemes will deliver in the required timeframes, resources can be vired from the unallocated new build / acquisition budget into the budget for direct market acquisition.

In 2016/17, resource of £3,208,000 previously ear-marked for investment in new build homes was diverted into acquisition of market dwellings, to allow the authority to buy in the region of 13 properties for rental at affordable rent levels. All but one of the planned acquisitions was complete by March 2017, with the last completing early in 2017/18. Two further acquisitions have taken place in 2017/18 to date.

Property Address / Location	Property Type	Status
5 Spar Close, Cambourne	2 Bed House	Complete
4 Wattle Close, Cambourne	2 Bed House	Complete
51 Whitegate Close, Swavesey	2 Bed House	Complete
64 Blenheim Close, Cambourne	2 Bed House	Complete
21 Chervil Way, Cambourne	2 Bed House	Complete
34 Spitfire Road, Cambourne	2 Bed House	Complete
45 Sterling Way, Cambourne	2 Bed House	Complete
100 Sterling Way, Cambourne	2 Bed House	Complete
26 Moat Way, Swavesey	2 Bed House	Complete
80 Brenda Gautrey Way, Cottenham	2 Bed House	Complete
20 Kingfisher Way, Cottenham	2 Bed House	Complete
7 Swannell Way, Gamlingay	2 Bed House	Complete
52 Whitegate Close, Swavesey	2 Bed House	Complete
45 Hudson Road, Cambourne	2 Bed House	Complete
61 Jeavon’s Lane, Cambourne	3 Bed House	Complete

Receipts from individual asset disposals are recognised in the HRA's reserves only at the point of receipt and after all relevant costs have been provided for, but this may need to change once regulations are available in respect of the sale of higher value voids levy, as it will be necessary to forecast the number of sales which will take place in each period, in order to plan effectively to meet any levy set.

Receipts from the sale of self-build plots are however, already incorporated into financial planning, in anticipation of the need to utilise them in place of other HRA resource, freeing up the latter to top up existing retained right to buy receipts. Any delay in the receipt of these capital sums will significantly impact the authority's ability to spend right to buy receipts appropriately.

As part of the quarterly decision as to whether the authority should retain right to buy receipts, pass them to a registered provider, or as a last resort pay them over to central government, officers need to consider the progress in respect of the sale of self-build plots and any other capital receipts which may have been received by that point in any year, as these release funds elsewhere in the capital programme that can be re-directed into investment in new homes built using right to buy receipts as part of their funding. There is a risk judgement that needs to be made as part of this quarterly decision making process.

Budgetary Changes

Appendix H provides detail of the revised 5-Year Housing Capital investment Plan, and incorporates the following items:

- Expenditure as approved in the HRA Budget Setting Report in February 2017.
- Re-phasing (rollover) of expenditure anticipated to take place in 2016/17 into 2017/18 and beyond, as approved in July 2017.
- Re-phasing of anticipated expenditure in respect of new build schemes, taking account of the latest budgetary requirements for schemes that are progressing, the need to defer some anticipated investment, and to remove investment where schemes may not be expected to progress.
- Virement of resource from the general allocation for new build housing to schemes which have received portfolio holder approval at Woodside, Longstanton, High Street, Balsham, Gibson Close, Waterbeach and Bannold Road, Waterbeach.

- Inclusion of specific budgets for acquisition of dwellings in 2017/18 to ensure that right to buy receipts can be appropriately re-invested despite re-phasing in the new build programme.
- Capital financing has been updated in respect of revised assumptions in right to buy and other capital receipts, grants, Section 106 funding, revenue funding of capital expenditure and borrowing requirements.

The current HRA Business Plan and resulting Housing Capital Investment Plan are constructed on the basis that a partial investment standard is retained in the housing stock, but recognising that future consideration needs to be given to the impact of reducing investment levels over the longer-term to the basic decent homes standard, to provide flexibility to respond to the increased financial pressure that the HRA faces.

Section 7
Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget for 2018/19 will incorporate the proposals made as part of the HRA Savings Programme. The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2018/19 budget process. The process will remain broadly similar to that for previous years in terms of timing and detailed administration.

The work being undertaken as part of year 2 of the Savings Programme to exemplify savings will not only allow response to the changes (confirmed and proposed) in national housing policy which negatively impact the HRA business model, but will also allow strategic re-direction of resource into other areas of investment, such as new build housing, should the external financial pressures not be as currently anticipated.

For 2017/18 the HRA Medium Term Financial Strategy incorporates both changes in anticipated interest earned and paid in year from a revenue perspective.

Also incorporated are changes in the capital programme in respect of the budget now required for specific new build schemes, adjusted as they reach the next milestone in the development process and for non-scheme specific new build investment, based upon the level of investment required to avoid paying any retained right to buy to Central Government, instead ensuring they are re-invested in the locality.

Approach to HRA Savings

There is still a need to consider the delivery of a sustainable HRA over the full 30 years, particularly if the higher value voids levy is implemented at a later stage as we are currently assuming. A savings target of £250,000 per annum from April 2017, for 4 years, was incorporated into the financial forecasts, and approved by Council in February 2016. An adjustment in respect of repairs expenditure in line with estimated stock changes is also assumed.

The assumption that savings will be made, or additional income will be generated to meet the target of £1,000,000 over the four years between 2017/18 and 2020/21 is still required to ensure sustainability, and the continuation of a new build programme for ten years to meet obligations under the retention agreement, based upon current assumptions.

The savings target of £1,000,000 was spread across the four years at a value of £250,000 per annum, to allow time to consider where to make efficiencies or to reduce or cease the delivery of services. As the year 1 target was over-achieved, the balance of savings sought for the remaining 3 years is £600,480, with £100,480 required in 2018/19 and £250,000 required in the last 2 years of the savings programme.

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

Pending receipt of the regulations surrounding the higher value voids levy, any resource previously set-side for potential debt redemption is still assumed to be utilised to sustain the HRA or to be re-invested in new homes, recognising that this will mean that all loans will need to be re-financed as they reach maturity.

One of the key challenges for 2017/18 and beyond, remains the need to ensure that the authority can re-invest retained right to buy receipts appropriately, with the potential for the receipts to need to be paid over to CLG, with interest, currently at 4.25%, calculated from the quarter in which they were originally received if not spent within 3 years. It is not only identification of resource to top up the right to buy receipts that proves challenging, but also our ability to identify sites, secure planning permission, and deliver new homes within the time constraints imposed.

The position will be reviewed again as part of the January 2018 HRA Budget Setting Report, with a view to maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst attempting to maintain a programme of new build housing where possible.

Base Assumptions

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

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

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

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

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

HRA MTFS Conclusions

Updating the base assumptions for the HRA has not had a significantly different impact on the future financial projections for the housing business when compared with those made in January / February 2017.

Current financial modelling retains the assumption of the requirement to reduce rents by 1% per annum for four years from April 2016 and the compulsion to sell higher value housing stock on the open market when it becomes void, although this has been deferred in our assumptions until mid 2018/19, assuming no payment to government before April 2019.

However, in order to be in a position to appropriately re-invest existing and anticipated retained right to buy receipts, whilst still delivering a sustainable HRA over a 30 year period, it has been necessary to retain the assumption that the balance of the £1,000,000 (£250,000 per annum) savings target set for the 4 year period between 2017/18 and 2020/21 be fully delivered. This assumes a reduction in costs or an increase in income is delivered from April of each year.

This results in a savings target for 2018/19 of £100,480, which represents the balance of the £500,000 due to be delivered in the first 2 years of efficiency measures, followed by savings requirements of £250,000 per annum for 2019/20 and 2020/21.

Depending upon the outcome of some of changes in national housing policy, there may be options to review the level of savings required in future years, in the context of whether or not the authority wishes to continue to deliver a programme of new build homes longer term.

If we build in the unavoidable revenue pressures, savings and bids identified as part of the pre-budget process, as detailed in **Appendix D (2)**, the HRA can achieve the net reduction in expenditure required from 2018/19, whilst also making some progress towards the reduction required from 2019/20.

The potential reductions in capital investment, identified in structural works and energy conservation activities, release capital resource which would allow the extension of the existing new build programme, at the level required to top up the estimated right to buy receipts, for a further 8 years. This would deliver a sustainable business plan over the 30 year period, with the homes lost through right to buy being replaced for at least the next 17 years.

Appendix A

Key Risk Analysis

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

Risk Area & Issue arising	Controls / Mitigation Action
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, project on time etc.	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework • A business cases 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

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 and the provision of information to negotiation bodies such as LGA and CIH
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes to the right to buy rules and pooling regulations result in a continued high level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity
Volatility and competition in the property market impacts the ability to fund capital pressures from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt
Volatility and uncertainty in the property market impacts the ability to dispose of assets at appropriate values and within timescales required to meet any higher value voids levy	• Reconsider appropriate level of HRA reserves to hold as a minimum once any levy vale is known • Retain capital receipts realised in advance of the levy in anticipation of the need for them

Appendix B

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**2.6% for 2018/19, 2.2%, 2.3%, then 2% ongoing**	**General inflation on expenditure included at 2.6% for 2018/19, then 2.2%, 2.3% and 2% ongoing, per Bank of England projections.**	**Amended**
Capital Inflation	**3.6% for 2018/19, 3.2%, 3.3%, then 3% ongoing**	**Based upon inflation as measured by the Retail Price Index (RPI), assuming this to be 1% above CPI over the longer-term. This concurs with the majority of current contracts held by the HRA.**	**Amended**
Debt Repayment	Set-aside to repay debt if resource allows	Assumes set-aside to repay debt as loans reach maturity dates if resource allows, with any surplus re-invested in income generating assets. No resource currently available.	Retained
Capital Investment	Partial Investment Standard	Base model assumes a partial investment standard in the housing stock, compared with a basic decent homes standard. This will be reviewed again during 2017/18.	Retained
Pay Inflation	1.3% Pay Progression plus: 2018/19 – 1.0% 2019/20 – 1.0% 2% ongoing	Assume allowance for increments at 1.3%. Pay inflation at 2% ongoing, with a return to long-term government aim from 2020/21, reflecting economic recovery.	Retained
Employee Vacancy Allowance	£50,000	Employee budgets assume a vacancy allowance of £50,000 per annum.	Retained
Rent Increase Inflation	-1% from 2016/17 for 4 years, CPI plus 1% for 4 years, then CPI plus 0.5% from 2024/25	Rent decreases of 1% per annum per government guidelines from 2016/17 to 2019/20, then CPI plus 1% until the end of the 10 year period, then reverting to inflation plus 0.5%. Assume CPI in preceding September is as above. Affordable rents and charges reviewed in line with Local Housing Allowance levels.	Retained
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties directly to target rent.	Retained
External Lending Interest Rate	**2.08% for 2017/18, then 2%**	**Interest rates based on latest market achievement, including interest from Ermine Street Housing**	**Amended**
Internal Lending Interest Rate	**2.08% for 2017/18, then 2%**	**Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment the General Fund over the longer term.**	**Amended**
External Borrowing	**2.8% from 2018/19**	**Assumes additional borrowing using Capita predictions of PWLB rates, currently 2.8%, including**	**Amended**

Key Area	Assumption	Comment	Status
Interest Rate		**assumed certainty rate.**	
Internal Borrowing Interest Rate	**2.8% from 2018/19**	**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
Right to Buy Sales	25 for 2017/18, 20 for 3 years, then 15 sales ongoing	Retain assumption of 25 for 2017/18, 20 for 3 years from 2018/19, until 15 are assumed ongoing from 2021/22.	Retained
Right to Buy Receipts	Settlement receipts excluded. Retained receipts included.	Debt settlement receipts excluded as assumed to fund General Fund housing capital expenditure. Anticipated one-for one receipts included. Debt repayment proportion reported as at 1/4/2017 and assumed available for intended use.	Retained
Void Rates	1.1%	Assumes 1.1% per annum from 2017/18 onwards.	Retained
Bad Debts	**0.3% for 2017/18, 0.4% for 2018/19, then 0.5% from 2019/20**	**Bad debt provision of up to 0.5% over next 3 years to reflect the requirement to collect 100% of rent directly for new benefit claimants, following phased implementation of Universal Credit by 2020.**	**Amended**
Savings Target	£250,000 per annum for 4 years	Inclusion of a savings target at £250,000 per year ongoing, for 4 years from 2017/18 to 2020/21, reducing base budgets by £1,000,000 over this period.	Retained
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Policy Space	£0	No policy space incorporated at present, but if included would recognise a desire to be able to facilitate strategic investment and respond to pressures. To be reviewed again as part of 2018/19 budget process.	Retained
Service Reviews and Restructures	On case by case basis	Service review outcomes assumed to deliver to the HRA as indicated in the review business case, and incorporated once impact is known.	Retained

Appendix C

Retained 1-4-1 Right to Buy Receipts

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
30/06/2012	273,807.59	273,807.59	912,691.97	30/06/2015	4,803,740.45	1,441,122.14	0.00	0.00
30/09/2012	110,185.59	383,993.18	1,279,977.27	30/09/2015	5,486,448.80	1,645,934.64	0.00	0.00
31/12/2012	786,867.59	1,170,860.77	3,902,869.23	31/12/2015	6,535,409.29	1,960,622.79	0.00	0.00
31/03/2013	257,177.59	1,428,038.36	4,760,127.87	31/03/2016	7,792,759.75	2,337,827.93	0.00	0.00
30/06/2013	180,159.83	1,608,198.19	5,360,660.63	30/06/2016	8,427,139.03	2,528,141.71	0.00	0.00
30/09/2013	408,259.67	2,016,457.86	6,721,526.20	30/09/2016	8,837,392.15	2,651,217.65	0.00	0.00
31/12/2013	405,074.37	2,421,532.23	8,071,774.10	31/12/2016	10,121,126.99	3,036,338.10	0.00	0.00
31/03/2014	1,012,895.75	3,434,427.98	11,448,093.27	31/03/2017	13,017,810.92	3,905,343.28	0.00	0.00
30/06/2014	190,149.46	3,624,577.44	12,081,924.80	30/06/2017	13,297,663.86	3,989,299.16	0.00	0.00
30/09/2014	542,412.66	4,166,990.10	13,889,967.00	30/09/2017	16,388,697.43	4,916,609.23	0.00	0.00
31/12/2014	490,971.13	4,657,961.23	15,526,537.43	31/12/2017			0.00	0.00
31/03/2015	417,089.12	5,075,050.35	16,916,834.50	31/03/2018			158,441.12	528,137.07
30/06/2015	417,483.31	5,492,533.66	18,308,445.53	30/06/2018			575,924.43	1,919,748.10
30/09/2015	527,469.65	6,020,003.31	20,066,677.70	30/09/2018			1,103,394.08	3,677,980.27
31/12/2015	446,035.59	6,466,038.90	21,553,463.00	31/12/2018			1,549,429.67	5,164,765.57
31/03/2016	330,902.72	6,796,941.62	22,656,472.07	31/03/2019			1,880,332.39	6,267,774.64
30/06/2016	310,654.33	7,107,595.95	23,691,986.49	30/06/2019			2,190,986.72	7,303,289.06
30/09/2016	687,638.84	7,795,234.79	25,984,115.96	30/09/2019			2,878,625.57	9,595,418.56
31/12/2016	1,410,994.28	9,206,229.08	30,687,430.25	31/12/2019			4,289,619.85	14,298,732.82
31/03/2017	592,869.81	9,799,098.89	32,663,662.95	31/03/2020			4,882,489.66	16,274,965.52
30/06/2017	1,045,231.50	10,844,330.39	36,147,767.95	30/06/2020			5,927,720.71	19,759,069.02
30/09/2017	412,813.15	11,257,143.09	37,523,810.29	30/09/2020			6,340,533.86	21,135,112.86

Appendix D (1)

2017/18 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2017/18 Budget (£)	Budget Amendment in 2018/19 Budget (£)	Comment
Budgeted (use of) / contribution to HRA Reserves pre MTFS		**980,360**		
HRA Summary Account				
Interest paid on Borrowing	An element of notional internal lending reduces the net interest paid by the HRA on borrowing following a change in interest rate assumption.	(14,430)	Incorporated into base assumptions	Short-term and built into assumptions in future years
Interest earned on HRA Balances	Increased interest due to a combination of the level of cash balances held and the assumed interest rates taking account of additional lending to Ermine Street Housing.	(352,310)	Incorporated into base assumptions	One-Off and built into assumptions in future years
Total HRA Summary Account		**(366,740)**		
Total Mid-Year Revenue Changes		**(366,740)**		
Revised (use of) / contribution to HRA Reserves post MTFS		**613,620**		

Appendix D (2)

Summary of Early 2018/19 Budget Proposals

HRA Revenue Bids and Savings - 2018/19 Budget

Category	Bid / Saving	Linked Proposal	Bid / (Saving)				
			2017/18	2018/19	2019/20	2020/21	2021/22
Saving	Reduction in non-responsive revenue maintenance		0	(317,800)	(317,800)	(317,800)	(317,800)
Saving	Permanent reduction in hours of the Resident Involvement Team Leader from 5 days to 4 days per week		(5,000)	(10,000)	(10,000)	(10,000)	(10,000)
Increased Income	To recognise the fee income associated with funding the Development Project Officer role for HRA New Build	A	0	(50,200)	(50,200)	(50,200)	(50,200)
Increased Income	Recognising the funding for re-defining role of Head of Development (New Build)	B	0	(32,900)	(32,900)	(32,900)	(32,900)
Unavoidable Revenue Pressure	Creation of a Compliance Manager post		18,300	43,800	43,800	43,800	43,800
Bid	Tenancy Profiling Project		0	15,400	0	0	0

Bid	Extension of fixed term contract for the Resident Involvement Project Support Officer up to May 2020		0	25,300	25,300	4,600	0
Bid	To fund on a permanent basis the Development Project Officer role for HRA New Build	A	0	50,200	50,200	50,200	50,200
Bid	Re-defining role of Head of Development (New Build) to reflect changes in delivery methods	B	0	32,900	32,900	32,900	32,900
Bid	Increase support and maintenance anticipated for new Housing IT System		0	25,000	25,000	25,000	25,000
Total Net Bids / (Savings)			**13,300**	**(218,300)**	**(233,700)**	**(254,400)**	**(259,000)**

HRA Capital Bids and Savings

Category	**Bid / Saving**		**Bid / (Saving)**				
			2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Capital Saving	Reduction in structural works		0	(140,000)	(140,000)	(140,000)	(140,000)
Capital Saving	Reduction in energy conservation budget		0	0	(820,000)	(820,000)	(820,000)
Capital Bid	Replacement of Housing IT System		0	200,000	0	0	0
Total Net Capital Position Bids / (Savings)			**0**	**60,000**	**(960,000)**	**(960,000)**	**(960,000)**

Appendix E

2017/18 Mid-Year HRA Capital Budget Amendments

Area of Expenditure and Change	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**19,285**	**14,823**	**15,764**	**15,718**
Improvements – Existing Stock and Other				
Changes in investment assumptions for varying stock numbers	0	15	97	126
Re-Provision of Existing Homes				
No change	0	0	0	0
HRA New Build				
Re-phase budget for the delivery of new at Pembroke Way, Teversham	(766)	575	191	0
Inclusion of resource for the scheme at High Street, Balsham, of which £10k was utilised in 2016/17	725	1,124	0	0
Inclusion / virement of resource for the scheme at Woodside, Longstanton, of which £2k was utilised in 2016/17	212	210	0	0
Inclusion / virement of resource for the scheme at Bannold Road, Waterbeach	4,309	0	0	0
Inclusion / virement of resource for the scheme at Gibson Close, Waterbeach	502	951	0	0
Increase in budget for acquisitions recognising the need to spend RTB receipts within deadlines	500	0	0	0
Reduction in unallocated new build budget as specific schemes are identified and receive approval for virement	(4,260)	0	0	0
Reduction in unallocated Section 106 new build budget as specific schemes are identified and receive approval for virement	(725)	0	0	0
Inclusion of additional resource for new build or acquisition required to ensure that all pipeline schemes could proceed if offers are accepted and retained right to buy receipts can be appropriately re-invested	0	4,411	4,671	1,871
Total Housing Capital Plan Expenditure post MTFS	**19,782**	**22,109**	**20,723**	**17,715**

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget
	£'0	£'0	£'0	£'0	£'0	£'0
Robinson Court Re-Development	2,252,940	0	0	0	0	0
Pembroke Way, Teversham	55,590	575,000	191,000	0	0	0
Pampisford Road, Great Abington	1,377,680	0	0	0	0	0
Woodside, Longstanton	209,830	210,000	0	0	0	0
High Street, Balsham	715,000	1,124,000	0	0	0	0
Bannold Road, Waterbeach	4,309,440	0	0	0	0	0
Gibson Close, Waterbeach	501,510	950,830	0	0	0	0
Acquisitions	718,700	0	0	0	0	0
Unallocated New Build / Acquisition	0	10,257,140	11,214,290	9,228,570	5,700,000	5,700,000
New Build / Acquisition - Section 106 funded	116,000	500,000	500,000	500,000	500,000	0
Total Expenditure	**10,256,690**	**13,616,970**	**11,905,290**	**9,728,570**	**6,200,000**	**5,700,000**
Use of Retained Right to Buy Funding						
Pembroke Way, Teversham	(10,010)	(103,500)	(34,380)	0	0	0
Pampisford Road, Great Abington	(309,980)	0	0	0	0	0
Woodside, Longstanton	(62,950)	(63,000)	0	0	0	0
High Street, Balsham	(130,000)	(204,300)	0	0	0	0
Bannold Road, Waterbeach	(826,850)	0	0	0	0	0
Gibson Close, Waterbeach	(93,130)	(176,570)	0	0	0	0

New Build / Re-Development Scheme	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget
	£'0	£'0	£'0	£'0	£'0	£'0
Acquisitions	(215,610)	0	0	0	0	0
Unallocated New Build / Acquisition	0	(3,077,140)	(3,364,290)	(2,768,570)	(1,710,000)	(1,710,000)
Total Use of Retained Right to Buy Funding	**(1,648,530)**	**(3,624,510)**	**(3,398,670)**	**(2,768,570)**	**(1,710,000)**	**(1,710,000)**
Section 106 Funding						
Pampisford Road, Great Abington	(200,000)	0	0	0	0	0
High Street, Balsham	(75,000)	0	0	0	0	0
Bannold Road, Waterbeach	(350,000)	0	0	0	0	0
Gibson Close, Waterbeach	(100,000)	0	0	0	0	0
New Build / Acquisition - Section 106 funded	(116,000)	(500,000)	(500,000)	(500,000)	(500,000)	0
Total Section 106 Funding	**(841,000)**	**(500,000)**	**(500,000)**	**(500,000)**	**(500,000)**	**0**
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	**(7,767,160)**	**(9,492,460)**	**(8,006,620)**	**(6,460,000)**	**(3,990,000)**	**(3,990,000)**
Total HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**0**

Appendix G

HRA Summary Forecast 2017/18 to 2021/22

Description	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Income					
Rental Income (Dwellings)	(28,030,500)	(27,613,930)	(27,171,710)	(28,005,730)	(28,736,320)
Rental Income (Other)	(419,430)	(430,080)	(439,320)	(449,190)	(457,970)
Service Charges	(813,300)	(833,160)	(850,410)	(868,830)	(885,220)
Other Income	(464,740)	(465,460)	(167,060)	(170,900)	(174,320)
Total Income	**(29,727,970)**	**(29,342,630)**	**(28,628,500)**	**(29,494,650)**	**(30,253,830)**
Expenditure					
Supervision & Management - General	3,166,980	3,259,190	3,355,310	3,484,630	3,612,270
Supervision & Management - Special	1,923,420	1,967,470	1,972,630	1,740,240	1,782,820
Repairs & Maintenance	5,601,240	5,782,570	5,953,600	6,112,660	6,051,740
Depreciation – to Major Repairs Res.	9,757,010	9,982,220	10,114,940	10,201,480	10,248,500
Debt Management Expenditure	1,780	1,780	1,820	1,860	1,900
Other Expenditure	294,080	224,830	5,700	(234,060)	(224,940)
Total Expenditure	**20,744,510**	**21,218,060**	**21,404,000**	**21,306,810**	**21,472,290**
Net Cost of HRA Services	**(8,983,460)**	**(8,124,570)**	**(7,224,500)**	**(8,187,840)**	**(8,781,540)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(587,980)	(595,200)	(559,260)	(487,570)	(458,980)
(Surplus) / Deficit on the HRA for the Year	**(9,571,440)**	**(8,719,770)**	**(7,783,760)**	**(8,675,410)**	**(9,240,520)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,178,370	7,178,930	7,178,930	7,178,930	7,178,930
Housing Set Aside	0	0	0	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0
Depreciation Adjustment	0	0	0	0	0
Direct Revenue Financing of Capital	3,006,690	2,192,660	3,084,500	3,860,680	1,039,440
(Surplus) / Deficit for Year	**613,620**	**651,820**	**2,479,670**	**2,364,200**	**(1,022,150)**
Balance b/f	(8,991,940)	(8,378,320)	(7,726,500)	(5,246,830)	(2,882,630)
Total Balance c/f	**(8,378,320)**	**(7,726,500)**	**(5,246,830)**	**(2,882,630)**	**(3,904,780)**

Appendix H

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Improvements Existing Stock					
Water / Drainage Upgrades	78	80	81	83	84
Drainage Upgrades	320	330	341	351	0
Disabled Adaptations	832	849	866	883	901
Change of Tenancy - Capital	500	500	500	500	500
Rewiring	950	318	325	331	338
Heating Installation	2,000	2,040	2,081	2,122	2,165
Energy Conservation	1,000	1,020	1,040	1,061	1,082
Estate Roads, Paths & Lighting	84	85	87	89	90
Garage Refurbishment	51	52	53	54	55
Parking/Garages	15	16	16	16	17
Window Replacement	265	271	276	282	287
Re-Roofing	437	446	455	464	473
Full Refurbishments	200	200	200	200	200
Structural Works	150	150	150	150	150
Non-Traditional Refurbishment	0	0	0	0	0
Asbestos Removal	34	34	35	35	36
Kitchen Refurbishment	728	743	758	773	788
Bathroom Refurbishment	312	318	325	331	338
Wilford Furlong, Willingham Refurbishment	644	0	0	0	0
Assumed adjustment in spend for varying stock numbers	0	(34)	(74)	(162)	(235)
Total Improvements - Existing Stock	**8,600**	**7,418**	**7,515**	**7,563**	**7,269**
Other Improvements					
Sheltered Housing and Other Stock	55	55	55	55	55
Flats	20	30	30	30	30
Central / Departmental Investment	19	19	19	19	19

Description	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Total Other Improvements	**94**	**104**	**104**	**104**	**104**
Re-Provision of Existing Homes					
Robinson Court, Gamlingay	2,253	0	0	0	0
Other Re-provision	0	0	0	0	0
Total Re-Provision of Existing Homes	**2,253**	**0**	**0**	**0**	**0**
HRA New Build / Acquisition					
Pembroke Way, Teversham	56	575	191	0	0
Pampisford Road, Great Abington	1,378	0	0	0	0
High Street, Balsham	715	1,124	0	0	0
Woodside, Longstanton	210	210	0	0	0
Bannold Road, Waterbeach	4,309	0	0	0	0
Gibson Close, Waterbeach	502	951	0	0	0
Acquisitions	719	0	0	0	0
Unallocated New Build / Acquisition Budget	0	10,257	11,214	9,229	5,700
Unallocated New Build / Acquisition - Section 106 funded	116	500	500	500	500
Grants to Registered Providers for New Homes	0	0	0	0	0
Total HRA New Build / Acquisition	**8,005**	**13,617**	**11,905**	**9,729**	**6,200**
Other HRA Capital Spend					
Shared Ownership Repurchase	300	300	300	300	300
Self-Build Vanguard - Up front HRA Land Assembly Costs	300	600	780	0	0
HRA Share of Corporate ICT Development	230	70	119	19	19
Total Other HRA Capital Spend	**830**	**970**	**1,199**	**319**	**319**
Total HRA Capital Spend	**19,782**	**22,109**	**20,723**	**17,715**	**13,892**
Inflation Allowance for New Build and Other HRA Spend	0	0	0	0	0
Total Inflated Housing Capital Spend	**19,782**	**22,109**	**20,723**	**17,715**	**13,892**
Housing Capital Resources					
Right to Buy Receipts	0	0	0	0	0

Description	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0
Other Capital Receipts (Self-Build Plot Sales)	(1,250)	(2,500)	(3,250)	0	0
Major Repairs Reserve	(8,846)	(10,893)	(10,115)	(10,199)	(10,246)
Direct Revenue Financing of Capital	(3,007)	(2,193)	(3,085)	(3,861)	(1,039)
Other Capital Resources (Grants / Shared Ownership / S106 funding)	(3,451)	(2,256)	(874)	(886)	(897)
Retained Right to Buy Receipts	(1,649)	(3,625)	(3,399)	(2,769)	(1,710)
Retained Right to Buy Receipts (Used by Registered Provider)	0	0	0	0	0
HRA CFR / Prudential Borrowing	0	0	0	0	0
Total Housing Capital Resources	**(18,203)**	**(21,467)**	**(20,723)**	**(17,715)**	**(13,892)**
Net (Surplus) / Deficit of Resources	1,579	642	0	0	0
HRA Capital Balances b/f	**(2,222)**	**(643)**	**(1)**	**(1)**	**(1)**
Use of / (Contribution to) Balances in Year	1,579	642	0	0	0
HRA Capital Balances c/f	**(643)**	**(1)**	**(1)**	**(1)**	**(1)**

Note: Generally available capital receipts from the sale of properties under the right to buy as assumed in the self-financing debt settlement, have been excluded on the basis that they are utilised to fund general fund housing capital expenditure, i.e.; Disabled Facilities Grants and Repairs Assistance Grants.

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Self-Insurance Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
Self-Insurance Reserve	(1,000.0)	0.0	0.0	(1,000.0)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(8,500.0)	0.0	0.0	(8,500.0)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(4,096.6)	(607.2)	0.0	(4,703,8)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	0.0	0.0	0.0	0.0

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
General Inflation	General Inflation using CPI of up to 2.6% for expenditure	Volatility in the economy could lead to an increase in expenditure inflation, particularly whilst rents increases are non-existent for the next 4 years. Assume CPI for expenditure only of 3% ongoing.	Debt cap is breached in year 19, with inability to set a revenue budget from this point on.
Rents Inflation	1% reduction for 4 years, then return to CPI plus 1% for 5 years of rent settlement followed by CPI plus 0.5%	There is no guarantee that there will be the ability to return to previously assumed rent increase if rents are set legislatively, so assume a rent freeze from 2020/21.	Debt cap is breached in year 8, with inability to set a revenue budget from this point on.
Direct Payments (Universal Credit)	Bad Debts at 0.3%, 0.4% then 0.5%	Evidence from the pilot authorities for Direct payment indicates that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2020/21.	Debt cap is breached in year 10,

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

Appendix K

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

Self-Financing for the HRA

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

Right to Buy Sales

The number of sales increased significantly from April 2012, but has remained relatively consistent since then, with a small decline now being experienced. The implications of continuation of sales at current levels from a revenue perspective are significant, with the potential loss of rental income being the major factor.

Right to Buy Retention Agreement

The resource currently retained in respect of 1-4-1 receipts continues to prove challenging to invest within the required timescales. Sufficient resource is included in the capital plan to ensure that existing retained receipts can be appropriately re-invested, subject to identifying and securing suitable schemes. The potential interest that will be payable if the receipts are not utilised within the agreed 3-year period has not been incorporated into the HRA revenue projections.

Welfare Reforms

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

HRA New Build

Although the current new build programme is progressing well, the lead in time between site identification and start on site is significant, and not all potential schemes are able to progress as anticipated at the outset. Delays in delivery, compared with the assumptions in the financial forecasts have the potential to impact negatively upon rental income. If any individual development scheme does not proceed, the initial outlay needs to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of borrowing costs and anticipated rental streams.

National Rent Policy

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

Housing Revenue Account – Revenue Uncertainties

Compulsion to Sell Higher Value Homes Levy

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

Pay Review

South Cambridgeshire District Council employees are subject to a local pay agreement, with a 1% per annum assumed for the next 2 years, before a return to the previous assumption of 2%. There is a risk that nationally agreed pay settlements may exceed this for 2018/19 based upon government indications and union demands, which may bring into question the assumptions being made in respect of a local agreement.

Housing Revenue Account - Capital Uncertainties

Health and Safety Legislative Changes (Incl. External Wall Insulation / Cladding)

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

Right to Buy Sales and Retained Right to Buy Receipts

Interest in right to buy has been broadly maintained in the last two years, with a slight decline now being experienced. Under the terms of the agreement signed with CLG, the authority is committed to invest the receipts in new homes within 3 years of the date of the retained 1-4-1 receipt, with this funding meeting no more than 30% of the cost of the dwelling. Although sufficient top up funding has been identified to match fund exciting retained right to buy receipts, reliance is being placed on the sale of self-build plots to release resource elsewhere in the HRA to provide this funding and there are also challenges in identifying schemes that can deliver within the required timeframes. Receipts may be paid over to central government at the end of each quarter, unless there is demonstrable resource available to provide the top up funding required, or a clear indication that a registered provider in the locality could spend the receipt appropriately on the authority's behalf.