Version 2
Scrutiny and
Overview / Cabinet

South Cambridgeshire District Council
Housing Revenue Account
Budget Setting Report
2019/20

February 2019

South Cambridgeshire District Council

Version Control

	Version	for :	Anticipated Content
Current	1	Draft	Draft content for consultation - EMT
	2	Scrutiny and Cabinet	Member Scrutiny
	3	Council	Recommended final budget proposals
	4	FINAL	Final version for publication following Council

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Section 1
Introduction

Foreword by the Lead Cabinet Member for Housing

Housing is one of our administration's top priorities, and especially good quality housing which is affordable for people to live in, near to where they work. We have just over 2,400 households on our waiting list, so council house-building needs to be a high priority.

We have welcomed the government's announcement of the lifting of the borrowing cap on HRA borrowing and will be building our capacity, increasing the rate of building new council homes to take advantage of that opportunity when appropriate. Any further borrowing will be subject to a vote in Council, as was the case when we took on the original £205m debt, and the timing will depend on our using available carried-forward balances first.

The early phases of Welfare Reform have already presented some challenges to us, and we have resources in this budget to support tenants some of whom are now receiving Universal Credit, in the expectation that their numbers would increase. The roll-out to further types of claimants has just been halted, so we await further information from the government.

The expected contents of the Green Paper on housing and tenancy reform responding to the Grenfell Tower tragedy have been widely leaked, but there is more to come. We have already taken action to replace some of the fire doors in our flat blocks, and we will need to respond to anything that is relevant to us once it is published.

We have housing stock that is largely energy-efficient and in a good state of repair and we need to improve it where we can, and keep it in that condition.

Background

Housing Revenue Account budgets continue to be set in the context of a 30-year business plan, which is reviewed in November and February of each year.

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

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

With income reducing in the short-term, it is imperative that the Housing Revenue Account continually reviews its priorities for investment, considering:

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

There is a key requirement to ensure that the HRA can support a significant level of housing debt whilst also ensuring ongoing delivery of housing services. As at April 2018, the authority was supporting a housing debt of £204,429,000. The current policy does not assume set-aside of resource to allow for repayment of housing debt, but instead assumes the resource is used to deliver a new build programme in the medium term, in an attempt to ensure sustainability of the HRA.

Section 2

Review of National and Local Policy Context and External Factors

Review of National Policy Context

National Rent Setting Policy

The legislation approved as part of the Welfare Reform and Work Bill 2015, requires local authority landlords and registered providers to continue to apply a 1% rent reduction for the last of 4 years, from April 2019.

In respect of affordable rents, the government has required local authorities to determine what 80% of the market rent would be for a property, and to apply the 1% reductions to this rent level, with the resulting sum being the maximum which a local authority can charge at the end of the 4 year period.

After this, the authority is expected to return to the previous national rent policy of increases at CPI plus 1% per annum for a period of 5 years, with a government consultation in November 2018 surrounding the detailed approach to this and the proposed approach to the regulation of local authority rents in the future. The consultation indicates that local authority rents will from April 2020 be regulated by the Regulator of Social Housing, in line with all other registered provides of social housing. The consultation also indicates the intention to retain the requirement for social housing providers to ensure that combined rent and service charges for affordable rented properties are capped at the maximum of 80% of market rent upon re-let, but intend to introduce protection at the rate of CPI plus 1% for any re-let to an existing tenant.

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

Housing Green Paper

Consultation on the Ministry of Housing, Communities and Local Government green paper 'A new deal for social housing' concluded on 6 November 2018. The formal outcome of the consultation and any resulting change in legislation is now awaited.

The five key principles in the consultation document were:

- a safe and decent home with a sense of security and ability to get on in life;
- improving and speeding up how complaints are resolved;
- empowering residents, ensuring voices are heard and landlords held to account;
- tackling stigma and celebrating thriving communities, challenging stereotypes
- building needed social homes ensuring a springboard to home ownership.

The consultation considered a vast number of points, including:

- introduce further safety measures in social housing and reviewing the decent homes standard and engaging residents in how to ensure homes are safe
- improve mediation for residents, ensuring access to advice and support, review process for the handling of complaints.
- review performance reporting, regulation and resident engagement
- Tackle stigma in social housing, provide good neighbourhood management, tackle anti-social behaviour.
- Strike a balance between funding housing associations to *deliver* new homes, and increase borrowing caps to allow local authorities' to build more, boost community led housing, increase supply of new homes by providing certainty over longer-term funding, support the development of more shared ownership homes.

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

Mandatory Disposal of High Value Housing Stock

The Housing and Planning Act 2016 allowed Central Government to choose to impose a financial levy on stock owning authorities in respect of the assumed sale of higher value vacant housing stock.

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

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

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

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

Welfare Reforms

Universal Credit

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

Tenants needing to apply for one of the six legacy benefits for the first time will need to apply for Universal Credit instead. Existing legacy benefit claimants will be 'naturally migrated' to Universal Credit if they have a prescribed change in their circumstance. To support existing housing benefit claimants (unless temporary or supported accommodation) with the transition to Universal credit, an additional payment of two weeks housing benefit is made.

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

As part of the Delivery Partnership Agreement, requests for Personal Budgeting Support are being accommodated by Cambridge Citizens Advice Bureau (CAB). Whilst there has been low take up via the referral process, some Universal Credit customers are still able to contact Cambridge CAB directly. From April 2019, DWP will be funding PBS through a national partnership with Citizens Advice.

With high numbers of changes in the current benefit caseload, it is expected that many tenants will move to Universal Credit due to one of the specified changes in circumstances. From early 2020 to December 2023, a process of managed migration was expected to move remaining housing benefit claimants to Universal Credit, but recent announcements mean that this may now continue in a more phased manner, but wit the same overall end date. Details of how and when are being considered by government.

Bids have been included in the HRA budget process, included within this report, to allow the recruitment of additional staff to:

- Support tenants through the transition period
- Provide advice and guidance, to include; how and where to claim Universal Credit, debt and budgeting advice, signposting to support agencies
- Make regular contact with claimants to ensure payments are made on an ongoing basis
- Liaise with DWP to arrange direct payment where applicable
- Enhance recovery action to minimise arrears
- Intervene in serious arrears cases to ensure arrears are collected, whilst also reducing the risk of homelessness

Benefit Cap

The project to manage the impact of the reduced Benefit Cap is progressing well and is continuing to support those affected. 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 August 2018, 21 HRA tenants were impacted. The council has contacted all those affected to support and advise them. Some tenants may need short term Discretionary Housing Payments (DHP's) to support them until they are able to improve their circumstance. DHPs are used extensively to support those affected by welfare reforms. Officers have been working with tenants to find solutions that work for them.

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 248 HRA tenants affected by the reform, with 193 impacted by a reduction of 14% and 29 by 25%. There are currently 17 HRA tenants who receive Discretionary Housing Payments to help towards their rent 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. There were 13 families claiming Housing Benefit where this restriction is in place when this was last reviewed.

Local Housing Allowance (LHA) Restriction

Social sector rents used in the calculation of Housing Benefit and the Housing Costs element of Universal Credit were anticipated to be restricted to the prevailing Local Housing Allowance rates from April 2019, with the rates being the maximum Housing Benefit payable, towards both rent and any service charges.

Following a number of representations at national level, at the present time, Government have indicated that they will not apply the Local Housing Allowance restriction to tenants in supported housing, nor the wider social rented sector.

Supported Accommodation Review

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

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

Right to Buy Sales

During 2017/18, 40 right to buy applications were received and recorded, resulting in 20 completions. This compares to 65 applications in the previous year, which gave rise to 33 completions.

The table below highlights the activity over the last 5 years, with projections for the following 5 years:

Status	Year	RTB Sales
Actual Sales	2013/14	28
	2014/15	29
	2015/16	23
	2016/17	33
	2017/18	20
Estimated Sales	2018/19	20
	2019/20	20
	2020/21	20
	2021/22	15
	2022/23	15

In the first 7 months of 2018/19, 31 right to buy applications were received and 8 sales completed, supporting a view that interest remains relatively low following the peak that the threat of ‘Pay to Stay’ was believed to cause in 2016/17.

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

For the HRA Budget Setting Report 20 sales are assumed from 2018/19 for 3 years, reducing to 15 per annum from 2021/22 onwards.

Right to Buy Receipts

At 31 March 2018, the authority held £6,710,256 of right to buy receipts under the retention agreement with CLG, to be spent within 3 years of their original receipts date, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. Currently, the balance must be funded from the Council’s own resources, or through borrowing, and the receipts cannot be used on replacement dwellings or dwellings receiving any other form of public subsidy.

With the latest increase in the Bank of England base rate taking the rate to 0.75%, any penalty interest payable on receipts not re-invested appropriately will now be at the rate of 4.75%.

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

- Extending the spending deadline from 3 to 5 years for receipts currently held, whilst retaining the 3 year timeframe for any future receipts received.

- Increasing the level of right to buy receipts which can be used to finance a new home from the current cap of 30%, to 50% in respect of social rented homes, where authorities meet the eligibility criteria for the Affordable Homes Programme and can demonstrate a need for social housing over other affordable housing.

- Deter the use of receipts for acquisition of existing market homes by limiting the value of an acquisition to the cost of delivery of a new home as determined by Homes England and the Greater London Authority. This would mean a cap on the value of an acquisition for South Cambridgeshire District Council of £167,000.

- Allowing right to buy receipts to be used to fund shared ownership homes as well as rented.

- Allowing land held by the General Fund to be transferred to the HRA for the delivery of affordable homes at zero value, but with some suggestion a time limit may be imposed on how long the General Fund will have had to hold the land prior to transfer.

- Consideration of changes to allow transfer of receipts to a Housing Company or ALMO (Arm's Length Management Organisation), subject to some constraints.

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

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

Appendix D summarises the latest position in respect of receipts held and appropriately re-invested, highlighting that although a deadline has not yet been breached, the timing of investment through our capital programme is still critical if we are to avoid payment of any penalties.

As in previous years, a small number of strategic acquisitions have taken place in 2018/19 thus far, to ensure that sufficient resource had been invested by September 2018.
Newly arising receipts continue to be retained at the end of each quarter, subject to the delegated approval of the Executive Director (Corporate Services), with the Lead Cabinet Member for Housing informed if the recommendation were to be to pay receipts directly back to Central Government.

Any additional capital spending, and top up funding, required as a result of decisions to retain right to buy receipts are built into the Housing Capital Investment Plan at the next available opportunity.

Review of Local Policy Context

Housing 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 1/4/2018**	**Estimated Stock Numbers as at 1/4/2019**
General Housing (Incl. use as Temporary Housing)	4,169	4,182
Sheltered Housing	1,056	1,056
Sheltered Housing – Equity Share	78	78
Miscellaneous Leased Dwellings	11	11
Shared Ownership / FTB Dwellings	57	63
Total Dwellings	**5,371**	**5,390**

A breakdown of the housing stock by property type is demonstrated in the table below:

Stock Category (Property Type)	**Actual Stock Numbers as at 1/4/2018**	**Estimated Stock Numbers as at 1/4/2019**
Bedsits	20	20
1 Bed	1,046	1,059
2 Bed	2,364	2,379
3 Bed	1,865	1,856
4 Bed	71	71
5 Bed	1	1
6 Bed	4	4
Total Dwellings	**5,371**	**5,390**

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.

Support for Vulnerable People

South Cambridgeshire District Council is currently contracted with the County Council to deliver a reduced level, £267,000 per annum, of tenure neutral support services to older people across the district, with a contract term of 3 years from April 2018, and an option to extend for one further year from April 2021.

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

External Factors

Strategic decision making continues to be impacted by factors outside of the control of the authority, with judgements having to be made about the likely direction of travel for many of these.

Appendix A provides details of the latest assumptions being incorporated into the financial forecasts, with any amendments since the last iteration of the business plan highlighted.

Section 3
Housing Revenue Account Resources

Rent

Rent Arrears, Bad Debt Provision and Void Levels

Performance in the collection of current tenant debt worsened during 2017/18, and is marginally worse still by December 2018, when compared to the same point in the previous year.

At the end of December 2018, current tenant arrears stood at £456,466 and former tenant arrears at £154,892, compared with £424,032 and £105,551 retrospectively at 31 March 2018. Although there are always some seasonal fluctuations in arrears levels throughout the year, the upward trend anticipated due to welfare reform changes continues to impact. The positon is being carefully monitored, with staff working proactively with tenants in arrears. The long-term position is still anticipated to become more challenging now that the full rollout of direct payment is underway.

The level of annual contribution to the bad debt provision was reviewed again as part of the HRA Medium Term Financial Strategy, with the increased contribution of 0.4% for 2018/19 and 0.5% from 2019/20 retained. This assumption has not been amended as part of this HRA Budget Setting Report.

At 31 March 2018, the provision for bad debt stood at £352,054, representing 66.5% of the total debt outstanding at the time.

The estimated value of rent not collected as a direct result of void dwellings in 2017/18 was £324,024, representing a void loss of 1.14%, with higher than desired levels partly due to 'management' voids held pending disposal or re-development of a site.

At the end of 2017/18, 43 properties were unoccupied, representative of 0.8% of the housing stock, with approximately 14% of these being intentionally held vacant pending disposal, reconfiguration or re-development. At the end of December 2018, 52 properties were vacant according to the rent system, with approximately 4 of these being intentionally held vacant included in this.

The current assumption of 1.1% voids in general housing is still considered appropriate for the longer-term.

Rent Restructuring and Rent Levels

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

Property specific rent restructured target social rents still apply for the socially rented stock held in the HRA, but the requirement to reduce social housing rents, by 1% for a final year, means that target rents will continue to reduce in line with this. The authority still has the ability to close the gap between target social rent and the actual rent being charged for a dwelling, only when a property becomes void.

The average target 'rent restructured' social rent at the time of writing this report in 2018/19 across the socially rented housing stock was £106.53, with the average actual rent charged being £101.24, both recorded on a 52 week basis. At the time of writing this report, 35% of the social rented housing stock was being charged at target rent levels, compared with 31% in the previous year.

The gap between actual and target rent levels now equates to an annual loss of income of approximately £1,320,275 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement, where convergence was anticipated well before now.

There were 99 new build or acquired properties charged at the higher ‘affordable rent’ levels, equivalent to the Local Housing Allowance at the end of November 2018, with 11 of these being shared ownership homes.

Rent Setting

Rent levels continue to be set by Council in February of each year, following consideration at Cabinet.

From April 2019, the authority is required to apply the last year of a four year rent cut in social housing rents of 1% per annum.

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

For affordable rented homes, the current requirement for local authorities is to determine what 80% of the market rent is for each dwelling, and ensure that the combined rent and service charges levied for a property does not exceed this level, minus the 1% reduction required each year for the four years from April 2016 remains. As local policy limits affordable rents to the Local Housing Allowance level (approximately 58% of market rent) from the point of introduction, it is argued that the 4 year reduction has already been applied for these properties at inception. As a result, affordable rents for 2019/20 will be reviewed in line with the Local Housing Allowance.

Service Charges

Service charges continue to be levied for services that are not true landlord functions, and are provided to some tenants and not others, depending upon the type, nature and location of the property. Some service charges are eligible for housing benefit, depending upon the nature of the service.

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

Other Sources of Income

Garages

The Housing Revenue Account had 953 residential garages at 1st April 2018, which are outside the curtilage of the dwelling. Approximately 263 garages were vacant at the time of compiling this report.

A number of the vacant garages have been identified as needing repairs or major works prior to being ready to let, or are being considered for demolition, disposal, self-build sites or re-development.

A two tier charging structure is applied for garages, with one rate for garages rented to tenants, and another for rental of garages by others, with the latter being subject to VAT at the prevailing rate. If a tenant holds more than two garages, VAT is also payable.

Other Property

In addition to dwellings held for rent, the HRA has a number of communal rooms and hub offices in sheltered schemes. Currently the costs of these buildings are recovered through service charges levied to residents.

A review of these assets is in progress to ensure that they are either well utilised for the purpose intended, or that consideration is given to alternative options for the use of each site, generating an income for the HRA where possible. Extensive consultation is being carried out as part of this review to ensure that all local views are taken account of.

Interest / Investment Income

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

The interest rates available to the Council generally remain low, and market recovery is slow, although lending to Ermine Street Housing still provides a better return than lending to external third parties currently.

Other External Funding

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

- Section 106 Funding – The authority has a policy in respect of Section 106 Commuted Sums, which allows the first call on these to be to fund the delivery of new build affordable housing in the Housing Revenue Account. The assumption that this funding is utilised to deliver new affordable homes is incorporated into the Housing Capital Investment Plan.

- Support Funding – The authority expects to receive £267,000 per annum for tenure neutral support provided to older people across the district, with a contract which can be extended up to March 2021.

Earmarked & Specific Funds

Earmarked Funds – Revenue Reserves

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

Self-Insurance Fund

This is maintained to mitigate the risks associated with the authority self-insuring its housing stock. Costs in lieu of insurance claims are charged to the HRA in year, with the reserve available to meet any higher than anticipated remedial costs, allowing the HRA time to react to the additional expenditure incurred.

Major Repairs Reserve

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

HRA Set-Aside for Potential Debt Repayment or Future Re-Investment

Change in national housing policy, and the continued desire to invest resource in new build to replace lost stock and appropriately spend retained right to buy receipts, impacts the ability to set-aside resource to repay debt. This means the authority will have no alternative but to re-finance a significant proportion of the loan portfolio as each loan matures. The approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision (VRP), allows the HRA to retain flexibility over the use of the limited resource that is available for set aside in the future.

Earmarked Funds – Capital Receipts

Right to Buy Attributable Debt Ear-Marked Capital Receipt

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

Right to Buy Retained One-for-One Ear-Marked Capital Receipt

With the Right to Buy Receipt Retention Agreement still in force, this reserve ensures that resource is separately identified for re-investment, and if necessary, repayment purposes.

Section 4
Housing Revenue Account Budget

Revised Budget - 2018/19

In-Year Budget Amendments

Service budgets for the current financial year are not reviewed as part of the budget setting process for the coming year, and any variations against the budget set are reported at outturn. Exceptions are made, however, in respect of items which are significant in nature, or which will materially affect projections for the budget year if amendments are not made in year.

For 2018/19 the only in year changes are in respect of the level of rent income expected to be received for the year, the associated change in bad debt provision, the anticipated interest that will be received by the HRA, directly impacted by the latest spending assumptions in the Housing Capital Investment Plan and the level of revenue funding of capital required based upon updates for other funding sources. The changes are summarised in the table below:

2018/19 Revised Budget	Original Budget February 2018 £	HRA MTFS November 2018 £	HRA BSR Proposed Changes £	HRA BSR January 2019 £
Net HRA Use of / (Contribution to) Reserves	991,120	(1,527,820)		
Savings / Increased Income			(138,490)	
Unavoidable Revenue Bids			450	
Non-Cash Limit Adjustments			966,710	
Revised Net HRA Use of / (Contribution to) Reserves				**(699,150)**
Variation on previously reported projection				828,670

The above figures include rollover approvals from 2017/18 in the second column, in addition to any changes approved as part of the Medium Term Financial Strategy in November 2018, with the net increase in the planned use of reserves identified in the current year, as part of the January 2019 committee cycle, incorporated in the right-hand column.

The net increase in costs for 2018/19 will result in a greater call on the use of Housing Revenue Account reserves than previously anticipated.

Budget - 2019/20

Overall Budget Position

Following changes made as part of the HRA Medium Term Financial Strategy in November 2018, the approach to setting the HRA budget for 2019/20 included a requirement to identify £142,000 of efficiency savings or areas where increased income could be generated for 2019/20, reducing to £95,000 for the following 4 years.

Efficiency savings identified will be used to create a corresponding Strategic Investment Fund for the same value, effectively to allow the re-allocation of resource across the service to ensure that housing priorities are met.

Proposed savings and any identified increases in income are detailed in **Appendix G (1),** with the savings partially offset by unavoidable revenue pressures and reduced income in some areas.

The table below show a summary of the proposals included at **Appendix G (1),** showing a net over-achievement against the £142,000 target set for 2019/20, before the impact of any non-cash limit adjustments. Savings are predominantly in respect of revenue repairs, where reductions have been proposed across a number of key areas of delivery.

Savings and increased income identified are partially offset by unavoidable revenue pressures. Once the proposed bids are incorporated, the positon moves to one of an overall under-achievement against the balanced positon sought, with strategic investment requests exceeding the new efficiency savings offered.

Proposal Type	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Efficiency Target Included	142,000	95,000	95,000	95,000	95,000
Reduction required to meet Efficiency Target	142,000	237,000	332,000	427,000	522,000
2019/20 Budget Items					
Savings	(239,090)	(239,090)	(239,090)	(239,090)	(239,090)
Increased Income	(246,600)	(246,600)	(246,600)	(132,620)	(132,620)
Unavoidable Revenue Pressures	63,130	63,130	420	420	420
Reduced Income	0	0	0	0	0
Net Savings Position (above) / below Efficiency Target Requirement	**(280,560)**	**(185,560)**	**(153,270)**	**55,710**	**150,710**

Proposal Type	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Strategic Investment Fund	(142,000)	(95,000)	(95,000)	(95,000)	(95,000)
Cumulative Strategic Investment Fund	(142,000)	(237,000)	(332,000)	(427,000)	(522,000)
Bids	297,980	293,980	314,980	201,000	201,000
Net Position (above) / below Strategic Investment Fund	**155,980**	**56,980**	**(17,020)**	**(226,000)**	**(321,000)**

Proposal Type	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Combined Position					
Net Position (above) / below Net HRA Efficiency / Investment Assumptions	**(124,580)**	**(128,580)**	**(170,290)**	**(170,290)**	**(170,290)**
Non-Cash Limit Adjustments	1,051,620	0	0	0	0
Net Position for the HRA (above) / below overall assumptions	**927,040**	**798,460**	**628,170**	**457,880**	**287,590**

The proposed bids and savings result in a positon which is above the desired cash limit, and despite non-cash limit adjustments which affect the position for 2019/20 only, a balanced HRA revenue budget can be set over the 30 year life of the business plan, with minimal short-term borrowing. The level of general reserves currently held, along-side the use of funds set-aside for debt redemption, allow the HRA to fund both the required investment in the housing stock over the next 30 years and meet commitments in respect of new build housing in the medium term. If the authority is to attempt to utilise retained right to buy receipts to build homes for HRA ownership in the long-term, consideration will need to be given to where further savings may be found from or whether the authority is prepared to borrow and increase its overall housing debt.

During 2019/20, if the final details of some of the proposed changes in national housing policy are clear, particularly receipt of confirmation that the higher value voids levy legislation has been repealed, a further review of the strategic position for the HRA will be undertaken.

The overall revenue budget position for the Housing Revenue Account for 2019/20 is presented in **Appendix I.** A balanced budget can be set for 2019/20, assuming the delivery of savings as identified.

Section 5
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 has procured, as part of a joint exercise with Cambridge City Council, updated software to record and report asset management data, as part of a wider project to implement a fully integrated housing management information system. The successful supplier of the new Housing Management Information System is Orchard, with ProMaster being their asset management offering and a mobile working solution provided by a third party, Kirona.

At 31 March 2018, 95.25% of the housing stock was reported as decent, compared with 93.75% at 31 March 2017, with 248 properties that were considered to be non-decent (in addition to refusals by tenants to access the property and undertake the necessary works), and another 96 anticipated to become non-decent during 2018/19.

In addition to decent homes investment, in 2018/19 the authority is still investing in energy conservation initiatives, such as external wall insulation and topping up of loft insulation. The budget for this type of discretionary investment has however been reduced significantly from April 2019 onwards, when the current programme of external wall insulation finishes.

Other investments include more controllable high heat retaining electric storage systems and investment in renewable energies where appropriate such as air source heat pumps. Health and safety work is being undertaken to upgrade the Councils fire doors in flats that have been identified through testing following the tragic event of Grenfell to be non-compliant this is being followed up with a rolling programme of door replacement and annual safety assessment.

Emergency lighting is being installed in flat blocks and smoke alarms have been installed that are linked to the emergency alarms in sheltered housing.

Changes proposed in the level of investment in the housing stock are detailed at **Appendix H**. with capital bids and savings identified at **Appendix G (2).** The latest Housing Capital Investment Plan is included at **Appendix J.**

New Build & Re-Development

New Build and Re-Development Schemes Completed

At the time of writing this report 67 new homes had been completed since April 2012, all of which were built as affordable rented homes, with a further 13 shared ownership homes also completed.

Scheme	Status	Estimated Affordable Units	Scheme Composition	Scheme
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	Fen Drayton Road, Swavesey
Horseheath Road, Linton	Completed July 2016	4	1 x 2 Bed Bungalow 2 x 2 Bed Flat 1 x 2 Bed House	Horseheath Road, Linton
Hill Farm, Foxton	Completed January 2017	15	4 x 1 Bed House 6 x 2 Bed House 5 x 3 Bed House	Hill Farm, Foxton
Robinson Court, Gamlingay	Completed August 2018	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)	Robinson Court, Gamlingay
Pampisford Road, Great Abington	Completed April 2018	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	Pampisford Road, Great Abington

Scheme	Status	Estimated Affordable Units	Scheme Composition	Scheme
			(Shared Ownership) 1 x 3 Bed House	
Bannold Road, Waterbeach	Completed April 2018	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)	Bannold Road, Waterbeach
Total		**67 rented 13 shared ownership 4 market sale**		**Total**

New Build and Re-Development Schemes on Site or Approved to Proceed

The table below updates the position in respect of schemes either in progress or with Lead Cabinet Member 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)
Pembroke Way, Teversham	Planning approved	5	2 x 1 Bed Flat 1 x 1 Bed Bungalow 2 x 2 Bed House	876,960
Woodside, Longstanton	On site	3	3 x 2 Bed House	422,230
Balsham Buildings, High Street, Balsham	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
Gibson Close, Waterbeach	On site	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
Highfields, Caldecote	On site. Contract to be signed shortly	3	1 x 1 Bed House 2 x 2 Bed House	448,960

Scheme	Status	Estimated Affordable Units	Indicative Scheme Composition (Subject to Change)	Scheme Budget (Gross of subsidy / capital receipts)
Linton Road, Great Abington	On site	13 plus 5 shared ownership	6 x 1 Bed Flats 2 x 2 Bed House 5 x 3 Bed House 2 x 2 Bed House (Shared Ownership) 3 x 3 Bed House (Shared Ownership)	3,907,000
Grace Crescent, Hardwick (Rented)	On site	27	16 x 1 Bed Flats 9 x 2 Bed Houses 1 x 3 Bed House 1 x 4 Bed House	4,711,480
Grace Crescent, Hardwick (Shared Ownership)	Developer on site. Contract agreed and to be signed shortly	12 shared ownership	6 x 2 Bed Flat (Shared Ownership 4 x 2 Bed House (Shared Ownership) 2 x 3 Bed House (Shared Ownership)	3,125,540
Burton End, West Wickham	Planning approved. Not yet in contract	3 plus 1 shared ownership	1 x 1 Bed Bungalow 1 x 2 Bed Bungalow 1 x 2 Bed House 1 x 3 Bed House (Shared Ownership)	730,020
Total		**69 rented 25 shared ownership**		**17,523,430**

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. Instead an unallocated new build budget is included, which when a scheme receives Housing Director and Lead Member approval, allows resource to be vired from this unallocated new build / acquisition budget to the scheme specifically to allow monitoring of progress.

The current list of pipeline schemes is included in **Confidential Appendix K**, due to the commercial sensitivity surrounding some of the early stage negotiations.

Some schemes deliver only new provision of affordable rented housing and as such will be eligible for 30% of the scheme to be funded using retained right to buy receipts. Many of the schemes, in order to be planning policy complaint, include a mix of affordable rented and intermediate housing (usually shared ownership). Shared ownership dwellings are not currently eligible for use of retained right to buy resource, but instead can be part funded using Section 106 commuted sums if they are available.

New Build – Other (including use of RTB Funding)

The pipeline new build schemes in **Confidential Appendix K** would be sufficient to ensure that the authority can appropriately re-invest all of the right to buy receipts currently retained, if the majority of the offers made are successful, and South Cambridgeshire District Council subsequently contract to acquire the new build affordable homes on all of these sites. It is, however, unlikely that all of the pipeline schemes will proceed with the Council as the registered provider partner, and therefore other options continue to be explored.

The assumption has been retained, that the authority utilise resource previously set-aside for the potential redemption of housing debt, combined with revenue resource that can be released as a result of capital receipts that have been received from the sale of HRA land and dwellings on the open market in recent years, or that are anticipated to be received from the sale of self-build plots, to fund building new homes. This is anticipated 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 immediate need to pass any funding to a registered provider.

Self-Build Plots

Following identification, as part of the HRA Medium Term Financial Strategy, that the sale of self-build plots is not realising the capital receipts originally anticipated, a full review of the Self-Build business case was undertaken. The review highlighted an impact for the General Fund in respect of the costs of maintain a self-build register once government grant is exhausted, but also reviewed the role of HRA land in the provision of plots.

As part of the self-build pilot, a gross capital receipt of £250,000 was originally assumed, with costs of £50,000 to prepare the plot for sale, resulting in a net capital receipt to the HRA of £200,000 per plot. This assumption was reduced to a gross capital receipt of £160,000 as part of the HRA Medium Term Financial Strategy, based upon the market offers received for the first few plots.

As part of the review of the business case, updated external expert valuation advice was sought in respect of the potential values for plots in the pipeline, with a resulting view that in current market conditions, with economic uncertainly at present, future plots may have gross value in the region of £105,526 using mid-point valuations where ranges were provided.

The cost of preparing plots for sale was also reviewed, with an average cost of £38,594 to date. With revised plot values and cost, the net receipt to the HRA would be £66,932, which when compared to an average value of £12,493 for the site as amenity land, still delivers a return to the HRA, whilst also facilitating an additional home in the district. On the basis that it is not cost effective for the HRA to develop these single or minimal dwelling sites itself, the Executive Management Team considered and approved the business case review at a meeting in November 2018, agreeing to continue with the sale of the identified HRA land as self-build plots.

As a result, the revised costs and anticipated land receipts have been incorporated into this iteration of the HRA business plan for forecast purposes, but recognising that the HRA is required to ensure that best value is achieved on a plot by plot basis, achieved and demonstrated by marketing the dwelling on the open market.

19 sites (25 potential plots) are currently being progressed, with 3 single plot sites and 1 triple plot site in receipts of bids to date and a further site approved for marketing. 4 further sites have outline planning permission and 4 are at the pre-planning stage. Others are still undergoing investigation and feasibility work.

The table below details sites which already have approval for disposal:

Location	Status	No. of plots
Benet Close, Milton	Approved bid	1
Macaulay Avenue, Great Shelford	Approved bid	3 (Custom Build)
Cambridge Road, Balsham	Approved bid	1
Blacksmiths Close, Babraham	Approved bid	1
Horseshoes Lane, Weston Colville	Approved for sale	1
Total		**7**

Section 106 Funding

Commuted Sums Money received in lieu of Affordable Housing

Commuted sum payments received through the planning process, in lieu of the delivery of affordable housing, are made available in the first instance to the HRA to invest in affordable homes.

The Council currently holds £4.43m in commuted sums for affordable housing. The following table provides an update of when current sums held have 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 / spent General Fund	Resource committed / spent HRA	Cumulative resource still to be committed
	£	£	£	£	£
2018/19	49,927	49,927	50,000	817,880	-
2019/20	571,040	620,967	0	283,900	-
2020/21	235,518	856,485	0	0	-
2021/22	94,500	950,985	0	0	-
2022/23	293,180	1,244,165	0	0	92,385
2023/24	68,824	1,312,989	0	0	161,209

2024/25	381,213	1,694,202	0	0	542,422
2025/26	2,236,454	3,930,656	0	0	2,778,876
2027/28	494,614	4,425,270	0	0	3,273,490
			50,000	1,101,780	

Commitments to date include:

Scheme	Fund	2018/19 £	2019/20 £	Ongoing £
Emmaus – 10 en-suite bed-spaces	General Fund	50,000	0	0
High Street Balsham – contribution towards delivery of 4 shared ownership homes	HRA	104,600	0	0
Gibson Close, Waterbeach – contribution towards 3 shared ownership homes	HRA	97,180	0	0
Linton Road, Great Abington – contribution towards 5 shared ownership homes	HRA	250,000	0	0
Grace Crescent, Hardwick – contribution towards 12 shared ownership homes	HRA	366,100	233,900	0
Burton End, West Wickham – contribution to 1 shared ownership home	HRA	0	50,000	0
		867,880	**283,900**	**0**

With £3,273,490 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 currently be combined with retained right to buy receipts for the delivery of a specific social rented housing dwelling, it is likely, although not guaranteed, 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 continues to be given to the strategic acquisition or disposal of assets, in line with the current HRA Acquisition and Disposal Policy.

The Right to Buy Retention Agreement allows the acquisition of existing dwellings, as an alternative to building new homes, although new supply remains the priority. Acquisition 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 2018/19 to date, 6 properties have been acquired on the open market. There are no further planned acquisitions this year, but the option is retained in case new build investment does not proceed as currently anticipated.

Receipts from individual asset disposals are only recognised in the HRA's reserves when received, and after all relevant costs have been provided for, whilst there are assumptions incorporated about the level of receipts from the sale of self-build plots, allowing planned utilisation of the funds to release resource elsewhere in the HRA to facilitate the appropriate reinvestment of 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. There is a risk judgement that needs to be made as part of this quarterly decision making process.

Capital Bids, Savings and Re-Phasing

There are capital bids incorporated as part of the 2019/20 HRA Budget Setting Report, alongside a number of areas of re-allocation and re-phasing.

Detailed changes are presented in **Appendix H** and capital bids are described in **Appendix G(2)**, with the overall financial and presentational impact of the following items being incorporated into the Housing Capital Investment Plan presented at **Appendix J** :

- Inclusion of a bid to reflect a net increase in the housing capital planned maintenance programme, including a proposed increase in Estate Roads & Lighting £44,700, Parking/Garages £62,440, Structural Works £240,000, Asbestos Removal £25,220, partially offset by reductions in Drainage Upgrades £30,600, Heating Installation £61,200, Energy Conservation £20,400, Kitchen Refurbishment £34,240 and Bathroom Refurbishment £42,900.

- Inclusion of a bid for £183,020 for the replacement of fire doors, in line with updated legislative requirements.

- Adjustments to budgets for new build schemes that have now received approval, recognising the need to vire resource from the unallocated new build budget to scheme specific budgets, as identified in **Appendix H**.

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

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

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

Section 6
HRA Treasury Management

Background

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

HRA Borrowing

As at 1 April 2018, the Housing Revenue Account was supporting external borrowing of £205,123,000 in the form of 41 maturity loans with the Public Works Loans Board (PWLB), with rates ranging between 3.44% and 3.53%. The loans have varying maturity dates, with the first £5,000,000 due to be repaid on 28th March 2037 and the last loan on 28th March 2057.

The HRA Capital Financing Requirement (HRA CFR) stood at £204,429,000 due to a small amount (£694,000) of internal borrowing from the HRA by the General Fund. The General Fund is required to pay the HRA annual interest on the internal borrowing as part of the Item 8 Determination for the HRA. The interest rate payable to the HRA can be determined by the authority, but must be deemed reasonable and stand up to external scrutiny from auditors.

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

The authority may now choose to borrow to deliver additional affordable housing to ensure that the authority can maintain a programme of new build affordable housing over the longer-term.

The 2019/20 HRA Budget Setting Report does not review the potential sources of lending (ie; Internal, Inter-Authority, Public Works Loans Board, Market) types of borrowing, lengths of loans or rates available for taking out any additional borrowing at this stage. This will need to be undertaken at the point at which any borrowing is considered as part of the coming year's budget.

Debt Repayment / Re-Investment

Set-Aside for Repayment of HRA Debt

The current debt repayment strategy for the HRA, not to set-aside resource to repay housing debt, but to instead invest resource in new build housing, assumes the need to re-finance the borrowing when loans mature.

The potential debt repayment or re-investment reserve stood at £8,500,000 at 1 April 2018, with the current assumption being that this will be re-invested in order to extend the life of the business plan, once other resources are exhausted.

Regular consideration will need to be given, in the context of the current financial climate, whether the authority wants to retain the current re-investment strategy, or re-consider some element of set-aside if resources allow.

Section 7
Summary and Overview

Uncertainties and Risk

Risk Assessment

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

The authority maintains a risk register, incorporating specific risks affecting the Housing Revenue Account, considering the likelihood and impact associated with each risk, and the mitigation in place to counteract these. The risk register is regularly reviewed and updated.

HRA Reserves

Housing Revenue Account General Reserves

General reserves are held to help manage risks inherent in financial forecasting. Risks include changes in legislative and statutory requirements, inflation and interest rates, unanticipated service needs, rent and other income shortfalls and emergencies. The reserve allows the authority time to respond to unanticipated events, without an immediate and unplanned impact on service delivery.

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

Financial Assumptions and Sensitivity

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

In making financial assumptions there will always be a number of alternative values that could have been used. To mitigate the risks associated with this, modelling of key sensitivities is undertaken to provide context to the financial impact that a change in an assumption will make.

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

Options and Conclusions

Overview

The budget for 2019/20 has been constructed in the wider context of the national position for social housing. The authority still seeks to achieve a balance in investment against key housing priorities as follows, although this still proves challenging:

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

A 1% rent cut for a final year, the time and top up constraints currently associated with the retention and re-investment of right to buy receipts and the rollout of Universal Credit locally, continue to pose significant financial challenges for the HRA into the future.

Summary and Conclusions

As part of the 2018/19 HRA Medium Term Financial Strategy an efficiency target of £142,000 was set for 2019/20, reducing to £95,000 for the following 4 years was incorporated into future financial forecasts.

Net revenue savings have been identified from 2019/20, which deliver against the target set for the year.

From a capital perspective, a number of bids have been made for the period from 2019/20 onwards, to include the introduction of a new door replacement programme based upon the latest safety advice and a net increase in the investment in the existing housing stock.

The business plan allows for the continuation of a small programme of new build housing, sufficient to utilise current and anticipated retained right to buy receipts, up to 2029/30, i.e.; for a further 11 years. After this point, there will not be resource available to build new homes without borrowing to do so, or to repay any significant proportion of the existing housing debt, unless further savings are identified or assumptions change with a positive impact on the financial forecasts for the HRA.

Once the authority has formal confirmation that the sale of higher value voids legislation is to be repealed and the outcome of a number of other housing consultations is known, it will be necessary to undertake a strategic review of the financial position for the HRA, with a view to balancing any revenue savings to be sought going forward, with the need to have a 30 year capital investment plan which can be fully funded, whilst also meeting aspirations to deliver new affordable homes.

Any review will include:

- Reviewing spending on HRA revenue services, both management and maintenance
- Reviewing spending on the existing housing stock, to include both decent homes and discretionary expenditure
- Exploring alternative delivery models for the provision and ongoing management of social housing

- Exploring alternative delivery models to maintain a new build housing programme
- Exploring the potential to borrow further within the HRA now that the borrowing cap has been lifted
- Reconsidering the long-term approach to debt set aside, in the context of the current financial climate

During February 2019, both Cabinet and Council will consider the budget proposals for the HRA, prior to decision.

The HRA Budget Setting Report recommends, in summary:

- Approval of changes in property rents, with social housing rents subject to a 1% rent cut from April 2019, whilst new affordable rents will be reviewed to ensure that rents and charges are no higher than 80% of market rent, less the 1% reductions from April 2019. Locally affordable rents are set at Local Housing Allowance level, which ensures that this is the case without the need for detailed review on a property by property basis, and as such rents will be adjusted in line with revised Local Housing Allowance rates.
- Approval of garage rents as detailed in **Appendix B**
- Approval of service charges as detailed in **Appendix B**
- Approval of the unavoidable revenue pressures, reduced income, savings and increased income summarised in Section 4 of this report, and include in detail at **Appendix G(1)**
- Approval of the HRA revenue budget for 2019/20 as shown in **Appendix I**
- Approval of any capital bids and savings as detailed at **Appendix G(2)**
- Approval of the Housing Capital Programme for 2018/19 to 2023/24 as shown in **Appendix J**
- Agreement to retention of the balance of the £95,000 efficiency target and corresponding Strategic Investment Fund for 4 years from April 2020, to ensure that a balanced revenue budget can be set for the next 30 years, alongside a sustainable capital investment programme, whilst emerging priorities are also addressed

Business Planning Assumptions Appendix A

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2.2% for 2019/20, 2.1% for 2020/21 and 2% ongoing	General inflation on expenditure included at 2.6% for 2018/19, then 2.2%, 2.3% and 2% ongoing, per Bank of England projections.	Retained
Capital and Repairs Inflation	3.2% for 2019/20, 3.1% for 2020/21 and 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.	Retained
Debt Repayment	Set-aside to repay debt if resource allows	Assumes set-aside to repay debt as loans reach maturity dates only if resource allows, after 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 2019/20.	Retained
Pay Inflation	1.3% Pay Progression plus: 2019/20 – 2.0% 2% ongoing	Assume allowance for increments at 1.3%. Pay inflation at 2% for 2019/20 and ongoing, with a return to long-term government aim now from 2019/20, reflecting economic recovery.	Retained
Employee Vacancy Allowance	HRA share of £500,000 total	Employee budgets assume a vacancy allowance of £500,000 per annum for the Council as a whole, apportioned to the HRA on an FTE basis	Retained
Rent Increase Inflation	-1% for 2019/20. CPI plus 1% for 5 years, then CPI plus 0.5% from 2025/26	Rent decrease of 1% for 2019/20, then CPI plus 1% for 5 years, after which revert 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%	Interest rates based on latest market achievement, including interest from Ermine Street Housing	Retained

Key Area	Assumption	Comment	Status
Internal Lending Interest Rate	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.	Retained
External Borrowing Interest Rate	**3.03%**	**Assumes additional borrowing using current PWLB rates, currently 3.03%.**	**Amended**
Internal Borrowing Interest Rate	**3.03%**	**Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.**	**Amended**
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, pending a review once the impact of the higher value voids levy and other housing policy changes are clear.	Retained
Right to Buy Sales	20 for 3 years from 2018/19, then 15 sales ongoing	Retain assumption of 20 for 2018/19 to 2020/21 then 15 per annum 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 1/4/2018 and assumed available for intended use.	Retained
Void Rates	1.1%	Assumes 1.1% per annum from 2018/19 onwards.	Retained
Bad Debts	0.4% for 2018/19, then 0.5% from 2019/20	Bad debt provision of up to 0.5% over 2 years to reflect the requirement to collect 100% of rent directly for new benefit claimants, following phased implementation of Universal Credit by 2020.	Retained
Efficiency Target	£142,000 for 2019/20, then £95,000 for 4 years	Inclusion of an efficiency target at £142,000 (3%) for 2019/20, then £95,000 (2%) per year ongoing, for 4 years from 2020/21.	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
Strategic Investment Fund	£142,000 for 2019/20, reducing to £95,000 for next 4 years	Creation of a Strategic Investment Fund to be able to facilitate new investment and respond to pressures. To be reviewed again as part of 2019/20 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

Service Charges Appendix B

Charge Description	Charge Basis	Current Charges 2018/19 (£)	Proposed Charges 2019/20 (£)	Increase (%)	Increase (£)
General Housing					
Use and Occupation Fee	Weekly	As per Target Rent	As per Target Rent	-1%	Variable
Sewage	Weekly	4.65 to 5.56	As per Anglian Water Standard Rates	TBC	TBC
White Goods Charge (per item)	Weekly	1.50	1.50	0%	0.00
Management Charge (Third Party)	Weekly	As per third party charge	As per third party charge	TBC	TBC
General Stock - Flats					
Blocks with Door Entry	Weekly	3.37	3.44	2.2%	0.07
Blocks without Door Entry	Weekly	2.24	2.29	2.2%	0.05
General Sheltered Schemes					
Sheltered Charge (Staffing)	Weekly	4.78 to 6.44	4.93 to 6.63	Variable	Variable
Communal Premises Charge	Weekly	0.00 to 15.61	0.00 to 16.63	Variable	Variable
Grounds Maintenance Charge	Weekly	0.23 to 2.35	0.26 to 2.32	Variable	Variable
Communal Heating / Lighting (Elm Court)	Weekly	7.71	7.48	(3%)	(0.23)
Water (Elm Court)	Weekly	2.72	2.24	(17.6%)	(0.48)
White Goods Charge (per item)	Weekly	1.50	1.50	0%	0.00
Alarm Charge	Weekly	3.00	3.00	0%	0.00
Mobile Alarm Solution	Weekly	3.50	3.50	0%	0.00
Elderly Equity Share (As per Sheltered Housing recovered quarterly, plus charges below)					
External Property Repairs	Quarterly	14.30 to 28.34	5.85 to 30.16	Variable	Variable
Management Fee (10%)	Quarterly	9.23 to 34.06	7.80 to 34.45	Variable	Variable
Temporary Accommodation					
Temporary Let Charge	Weekly	32.00	32.00	0%	0.00
Community Alarm Service					
Council Supplied Alarm	Weekly	4.47	4.47	0%	0.00

Group Alarms	Weekly	4.47	4.47	0%	0.00
Mobile Alarm Solution	Weekly	5.47	5.47	0%	0.00
Installation Charge (Within 30 mile radius)	One-Off	30.00	30.00	0%	0.00
Installation Charge (Outside 30 mile radius)	One-Off	36.00	36.00	0%	0.00
Replacement Pendant Charge	One-Off	50.00	50.00	0%	0.00
Garage and Storage Unit Rents					
Garages or Storage Unit Rented to Tenant	Weekly	8.75	8.94	2.2%	0.19
More than 2 Garages Rented to Tenant	Weekly	8.75 plus VAT	8.94 plus VAT	2.2%	0.19 plus VAT
All Other Garage and Storage Unit Rentals	Weekly	11.84 plus VAT	12.10 plus VAT	2.2%	0.26 plus VAT
Leasehold Charges for Services					
Solicitors' pre-sale enquiries	One-Off	110.00	110.00	0%	0.00
Copy of lease	One-Off	30.00	30.00	0%	0.00
Re-mortgage Enquiry/Copy of Insurance schedule	One-Off	30.00	30.00	0%	0.00
Notice of Assignment/Notice of Charge/Notice of Transfer	One-Off	90.00	90.00	0%	0.00
Deed of Variation – Administration plus CCC Solicitor fees and own solicitor	One-Off	50.00 550.00+	50.00 550.00+	0%	0.00
Home Improvements – Administration Only Inclusive of Surveyor Visit	One-Off	30.00 125.00	30.00 125.00	0%	0.00
Retrospective consent for improvements	One-Off	Above + 25.00	Above + 25.00	0%	0.00
Registering sub-let details	One-Off	50.00	50.00	0%	0.00
Advice interview for prospective purchasers	One-Off	50.00	50.00	0%	0.00

HRA Earmarked & Specific Funds Appendix C

2018/19 (£'000)

HRA Earmarked & Specific Revenue Funds (£'000)

Self-Insurance Reserve

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

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to November	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 November	Current Balance
Debt Set-Aside	(4,619.7)	(265.8)	0.0	(4,885.5)

Major Repairs Reserve

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

RTB Retained Receipts Reserve

	Opening Balance	Contributions	Expenditure to November	Current Balance
RTB Retained Receipts	(6,710.3)	(1,146.4)	624.2	(7,232.5)

Capital Receipts

	Opening Balance	Contributions	Expenditure to November	Current Balance
Capital Receipts	(573.2)	(1,692.1)	0.0	(2,265.3)

Retained Right to Buy Receipts

Appendix D

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
30/06/2014	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	17,124,841.80	5,137,452.54	0.00	0.00
31/03/2015	417,089.12	5,075,050.35	16,916,834.50	31/03/2018	18,016,710.40	5,405,013.12	0.00	0.00
30/06/2015	417,483.31	5,492,533.66	18,308,445.53	30/06/2018	18,374,584.47	5,512,375.34	0.00	0.00
30/09/2015	527,469.65	6,020,003.31	20,066,677.70	30/09/2018	20,097,445.54	6,029,233.66	0.00	0.00
31/12/2015	446,035.59	6,466,038.90	21,553,463.00	31/12/2018			436,805.24	1,456,017.46
31/03/2016	330,902.72	6,796,941.62	22,656,472.07	31/03/2019			767,707.96	2,559,026.53
30/06/2016	310,654.33	7,107,595.95	23,691,986.49	30/06/2019			1,078,362.28	3,594,540.95
30/09/2016	687,638.85	7,795,234.80	25,984,115.96	30/09/2019			1,766,001.13	5,886,670.45
31/12/2016	1,410,994.28	9,206,229.08	30,687,430.25	31/12/2019			3,176,995.41	10,589,984.71
31/03/2017	592,869.81	9,799,098.89	32,663,662.95	31/03/2020			3,769,865.22	12,566,217.41
30/06/2017	1,045,231.05	10,844,329.94	36,147,766.45	30/06/2020			4,815,096.27	16,050,320.91
30/09/2017	412,813.15	11,257,143.09	37,523,810.29	30/09/2020			5,227,909.42	17,426,364.75
31/12/2017	527,534.91	11,784,678.00	39,282,259.99	31/12/2020			5,755,444.33	19,184,814.45
31/03/2018	330,590.84	12,115,268.84	40,384,229.45	31/03/2021			6,086,035.17	20,286,783.91
30/06/2018	1,008,074.19	13,123,343.03	43,744,476.75	30/06/2021			7,094,109.36	23,647,031.21
30/09/2018	138,294.39	13,261,637.42	44,205,458.05	30/09/2021			7,232,403.75	24,108,012.51

New Build Investment Cashflow

Appendix E

New Build / Re-Development Scheme	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
	£'0	£'0	£'0	£'0	£'0	£'0
Robinson Court Re-Development	910	0	0	0	0	0
Pembroke Way, Teversham	483	353	0	0	0	0
Pampisford Road, Great Abington	200	0	0	0	0	0
High Street, Balsham	1,532	0	0	0	0	0
Woodside, Longstanton	249	0	0	0	0	0
Bannold Road, Waterbeach	94	0	0	0	0	0
Gibson Close, Waterbeach	1,444	0	0	0	0	0
Highfields, Caldecote	446	0	0	0	0	0
Linton Road, Great Abington	1,302	2,605	0	0	0	0
Grace Crescent, Hardwick (Rented)	785	3,141	785	0	0	0
Grace Crescent, Hardwick (Shared Ownership)	521	2,084	521	0	0	0
Burton End, West Wickham	0	730	0	0	0	0
Acquisitions	1,560	0	0	0	0	0
Unallocated New Build / Acquisition	300	9,573	25,890	13,369	4,224	5,700
New Build - Section 106 funded	0	216	500	500	500	500
Total Expenditure	**9,826**	**18,702**	**27,696**	**13,869**	**4,724**	**6,200**
Use of Retained Right to Buy Funding						
Pembroke Way, Teversham	(97)	(71)	0	0	0	0
Pampisford Road, Great Abington	(45)	0	0	0	0	0
High Street, Balsham	(318)	0	0	0	0	0
Woodside, Longstanton	(75)	0	0	0	0	0
Bannold Road, Waterbeach	(28)	0	0	0	0	0
Gibson Close, Waterbeach	(289)	0	0	0	0	0

New Build / Re-Development Scheme	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
	£'0	£'0	£'0	£'0	£'0	£'0
Highfields, Caldecote	(134)	0	0	0	0	0
Linton Road, Great Abington	(282)	(564)	0	0	0	0
Grace Crescent, Hardwick	(236)	(942)	(236)	0	0	0
Burton End, West Wickham	0	(164)	0	0	0	0
Acquisitions	(468)	0	0	0	0	0
Unallocated New Build / Acquisition	(69)	(2,155)	(5,825)	(2,005)	(949)	(1,710)
Total Use of Retained Right to Buy Funding	**(2,039)**	**(3,896)**	**(6,061)**	**(2,005)**	**(949)**	**(1,710)**
Section 106 Funding						
High Street, Balsham	(105)	0	0	0	0	0
Gibson Close, Waterbeach	(97)	0	0	0	0	0
Linton Road, Great Abington	(250)	0	0	0	0	0
Grace Crescent, Hardwick (Shared Ownership)	(366)	(234)	0	0	0	0
Burton End, West Wickham	0	(50)	0	0	0	0
New Build - Section 106 funded	0	(216)	(500)	(500)	(500)	(500)
Total Section 106 Funding	**(818)**	**(500)**	**(500)**	**(500)**	**(500)**	**(500)**
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	**(6,969)**	**(14,306)**	**(21,135)**	**(11,218)**	**(3,275)**	**(3,990)**
Total HRA Borrowing	**0**	**0**	**0**	**(146)**	**0**	**0**

Key Sensitivity Analysis

Appendix F

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
General Inflation	General Inflation using CPI at 2% for expenditure long-term	Volatility in the economy could lead to an increase in external costs. 1% increase in general inflation for expenditure only for the life of the plan.	Long-term borrowing is required by year 10 if existing commitments are to be met.
Sale of Higher Value Voids Levy	Assumed deferred payment from April 2020	Assume that the primary legislation is repealed and the policy is not implemented at all.	By year 30 of the business plan there would be sufficient resource to redeem approximately 93% of the HRA debt or alternatively to re-invest this sum in new homes.
Capital and Planned Revenue Investment Real Increase Inflation	Capital and Planned Revenue Investment Inflation at 3% in the longer-term	A real increase of 1% is allowed for building inflation for the longer-term. Assume that real inflationary increase required is 2% for remaining life of the plan.	Long-term borrowing is required by year 10 if existing commitments are to be met.
Direct Payments (Universal Credit)	Bad Debts at 1.5%	Evidence from the pilot authorities for direct payment indicated that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2019/20.	Long-term borrowing is required by year 3 if existing commitments are to be met.

Revenue Budget Proposals

Appendix G (1)

HRA Revenue Bids and Savings - 2019/20 Budget

Category	Bid / Saving	Description	Linked Proposal	Bid / (Saving)			
				2019/20	2020/21	2021/22	2022/23
Saving	Review of revenue funded property maintenance budgets and resulting net reduction in spending	Proposed reduction to revenue programme (Internal Paintwork £10,000, Garden Works £43,610, Specialist Investigations £31,000, Asbestos Surveys £40,930, External Property Works £61,110, Maintenance of Disabled Adaptations £20,410, Internal Works £49,080, Flats £16,470), partially offset by increases to Revenue Programme (Cyclical Works - Revenue £28,320, Heating Service Contracts £61,290, Electrical Surveys £22,770 and response repairs £73,280 to offset adjustment for stock reductions.		(87,160)	(87,160)	(87,160)	(87,160)
Saving	Reduction in budgets for sheltered housing	A review of budgets across the sheltered housing service has resulted in a marginal reduction in anticipated spending.		(12,660)	(12,660)	(12,660)	(12,660)
Saving	Reduction in recharges and operational overheads and inflation not required	A review of recharge and overhead budgets, coupled with only applying inflation to budgets where required, results in a net saving to the HRA from 2019/20.		(139,270)	(139,270)	(139,270)	(139,270)
Increased Income	To recognise the fee income associated with funding the new additional Development Project Officer roles and pert	This increased income proposal links to a bid for two Development Project Officer roles (new build) and a part time Project Support Officer. It is anticipated that the roles will be self sustaining for at least 3 years through the fee arrangement of 1.95% for each new build scheme to cover the costs of the post to deliver capital projects. Additional new build	A	(113,980)	(113,980)	(113,980)	0

	time Project Support Officer for HRA New Build	homes increase the rental income to the HRA and deliver new homes as part of the councils core objectives.					
Increased Income	Increased rent income	Additional rent income is anticipated from 2019/20 based upon the latest stock numbers, void predictions and rent levels being charged.	B	(90,920)	(90,920)	(90,920)	(90,920)
Increased Income	Increased service charge income	Additional service charge income is anticipated from 2019/20, particularly in respect of sheltered housing charges.		(41,700)	(41,700)	(41,700)	(41,700)
Unavoidable Revenue Pressure	Employment of two Housing Assistants to manage the risk to the Housing Revenue Account due to the roll out of Universal Credit	The proposal is to employ two fixed term Housing Assistants on a grade 4 to support Universal Credit (UC) claimants to ensure they pay their rent, support the Housing Officers to chase rent arrears in conjunction with the Rent Recovery Team and support the Neighbourhood Support Officer (NSO) dedicated to dealing with high level complex arrears cases. In addition to their primary function they will also be expected to undertake Tenancy Audit surveys. It is expected that as UC rolls out this will become their focus. As evidence of spend to save the NSO dedicated to high level rent arrears recovered over £!8k within an estimated 6 months period. The proposal will also help people sustain their tenancies thus avoiding eviction and homelessness.		62,710	62,710	0	0
Unavoidable Revenue Pressure	Increase in bad debt provision	The increase in rent income from 2019/20 drives a corresponding increase in the level of resource required to be set aside to meet the cist of bad debt.	B	420	420	420	420

Reduced Income	None	N/A		0	0	0	0
Bid	Two additional Development Project Officers to support the work of the Council's Development Team	The current and projected pipeline will more than double the workload of the Development Team - therefore two additional officers are required to join the existing Development Project Officer and Head of Development (new build) to deliver the additional new build council housing and bring further new build schemes into contract in future years. The overall expected programme of investment 2019-2022 of circa £48m generates an in house fee based on the 1.95% fee charge of circa £832k over the 3 years. Netting off existing staff costs there is sufficient income to self sustain these additional posts and to allow work to begin to generate income to continue to cover the posts. These posts are self financed from internal fees charged. Please note : from year 4 the current pipeline and budget assumptions may not support the continuation of these 2 new posts.	A	100,950	100,950	100,950	0
Bid	To fund a part time Project Support Officer for HRA New Build	We have approval for a part time Project Support Officer to cover the work of the self build/modular housing 'team'. This bid seeks to extend this role to a full time role with the additional half role covering work to support the new build development team. The role would be wholly funded from the internal development fee charged on each and every new build scheme that starts on site. The overall expected programme investment 2019-2022 of circa £48m generates an in house fee based on the 1.95% fee charge of circa £832k over the 3 years. Netting off existing staff costs there is sufficient income to self sustain these additional posts and to allow work to begin to generate income to continue	A	13,030	13,030	13,030	0

		to cover the posts. This post is self financed from internal fees charged.					
Bid	Gas & Electrical Safety Compliance Software	This software automatically checks certification for gas and electrical installations to ensure correct completion of the documentation, full statutory compliance and produces error reports where compliance is not achieved. It replaces a manual operation. The total number of certificates can exceed 10,000 per year. This will monitor all compliance requirements relating to gas and electrical safety, and may be expanded into other areas of compliance such as fire risk and energy performance over time.		15,500	15,500	15,500	15,500
Bid	Reviewing the Response Repairs, Voids and Packaged Works partnering contract in preparation to retender the work	The bid is to employ specialist advice, subject to procurement, to take forward the consultation with Members, residents, staff and other stakeholders on the options available for the delivery of the Response Repairs, Voids and Packaged Works contract. The contract has been extended and will end in March 2020. Consultation on the options and the consequences both contractual and financial need to be fully understood by all parties. This will enable procurement to be undertaken in 2020/21, giving a year for potential mobilisation.		25,000	0	0	0
Bid	Additional staffing resource in the Rent Recovery Team	Additional staffing input is anticipated to be required to tackle collection rent and recovery of arrears once Universal Credit begins to roll out more widely.		77,500	77,500	77,500	77,500
Bid	HRA contribution to Communications Team	The HRA is required to make a contribution towards the cost of the Corporate Communications Team, who support both General Fund and HRA Services for the Council.		45,000	45,000	45,000	45,000
Bid	Revenue costs associated with fire door	A capital programme to replace fire doors will result in an increase in revenue expenditure to ensure that doors are serviced and		21,000	42,000	63,000	63,000

	replacement programme	maintained appropriately.					
Total Net Bids / (Savings)				**(124,580)**	**(128,580)**	**(170,290)**	**(170,290)**

HRA Non-Cash Limit Adjustments - 2019/20 Budget

Category	**Bid / Saving**	**Description**	**Linked Proposal**	**Bid / (Saving)**			
				2019/20	**2020/21**	**2021/22**	**2022/23**
Non-Cash Limit	Increase in direct revenue funding of capital expenditure	An increase in the revenue resource to fund capital expenditure is anticipated in 2019/20 as a direct result of reductions in the level of self-build receipts anticipated and delays in the receipt of shared ownership sales income.		1,104,550	0	0	0
Non-Cash Limit	Increase in interest due to the HRA	Based upon the latest cash balance projections for 2019/20, the HRA is expected to receive a greater sum in interest earned for 2019/20		(47,900)	0	0	0
Non-Cash Limit	Marginal increase in depreciation	Based upon the latest estimated stock numbers, the level of deprecation anticipated to be charged in 2019/20 is marginally lower than previously assumed		(5,030)	0	0	0
Total Net Non-Cash Limit Adjustments				**1,051,620**	**0**	**0**	**0**

Capital Budget Proposals

Appendix G(2)

Category	Bid / Saving	Description	Linked Proposal	Bid / (Saving)			
				2019/20	2020/21	2021/22	2022/23
Capital Bid	Review of capital investment in the housing stock and resulting net increase in investment	Net Increase to HRA capital property maintenance programme. Proposed increase in Estate Roads & Lighting £44,700, Parking/Garages £62,440, Structural Works £240,000, Asbestos Removal £25,220, partially offset by reductions in Drainage Upgrades 30,600, Heating Installation £61,200, Energy Conservation £20,400, Kitchen Refurbishment £34,240 and Bathroom Refurbishment £42,900.		183,020	183,020	183,020	183,020
Capital Bid	Compliance - Fire Door Replacement Programme	Funding to allow replacement of fire doors in line with revised fire safety legislative requirements		180,000	180,000	180,000	0
Total Net Capital Position Bids / (Savings)				**363,020**	**363,020**	**363,020**	**183,020**

Capital Budget Amendments

Appendix H

Area of Expenditure and Change	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Total Housing Capital Plan Expenditure per HRA MTFS	**18,842**	**26,645**	**35,011**	**20,688**	**11,828**
Improvements – Existing Stock					
Removal of inflationary element of drainage upgrade works	0	(30)	(41)	0	0
Reintroduction of budget for structural works to dwellings	0	240	240	240	240
Reduction in investment for heating installation	0	(61)	(61)	(62)	(63)
Reduction in discretionary investment in energy conservation	0	(20)	(37)	(54)	(55)
Increased investment in works to parking areas	0	62	64	65	66
Increased investment in estate roads, paths and lighting	0	45	45	47	48
Increased investment in asbestos removal works	0	25	26	27	27
Reduction in investment in kitchen replacements	0	(35)	(34)	(35)	(36)
Reduction in investment in bathroom replacements	0	(43)	(43)	(44)	(46)
Introduction of a door replacement programme	0	180	184	187	0
Other minor changes	0	0	1	1	2
Adjustment to decent homes investment due to anticipated stock changes	0	(9)	(5)	(17)	(11)
Other Improvements					
No changes	0	0	0	0	0
Re-Provision of Existing Homes					
No changes	0	0	0	0	0
Acquisition and New Build					
Inclusion of scheme specific budget for Grace Crescent, Hardwick (Shared Ownership)	521	2,084	521	0	0
Inclusion of scheme specific budget for Burton End, West Wickham	0	730	0	0	0
Adjustment to unallocated new build budget based upon latest spending approvals	(310)	(2,258)	(638)	209	0
Adjustment to unallocated S106 new build budget based upon latest spending approvals	(366)	(284)	0	0	0

Area of Expenditure and Change	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Other HRA Capital Spend					
Adjustment to budgets for self-build plot preparation costs, based upon latest costs per plot and number of anticipated plots to be brought forward	(50)	(240)	618	695	0
Inflation Allowance					
No change	0	0	0	0	0
Total Housing Capital Plan Expenditure per HRA BSR	**18,637**	**27,031**	**35,851**	**21,947**	**12,000**

HRA Summary 2018/19 to 2023/24

Appendix I

Description	2018/19 £0	2019/20 £0	2020/21 £0	2021/22 £0	2022/23 £0	2023/24 £0
Rental Income (Dwellings)	(28,008,880)	(27,559,960)	(28,371,710)	(29,502,500)	(30,592,100)	(31,293,900)
Rental Income (Other)	(426,990)	(652,630)	(666,130)	(679,250)	(692,630)	(706,290)
Service Charges	(1,001,970)	(1,064,860)	(1,086,230)	(1,107,010)	(1,128,210)	(1,149,830)
Contribution towards Expenditure	(280,840)	(288,720)	(289,180)	(289,620)	(23,070)	(23,530)
Other Income	(120,320)	(120,960)	(123,500)	(125,970)	(128,490)	(131,060)
Total Income	**(29,839,000)**	**(29,687,130)**	**(30,536,750)**	**(31,704,350)**	**(32,564,500)**	**(33,304,610)**
Supervision & Management - General	4,761,200	5,122,850	5,291,080	5,509,220	5,754,630	5,970,250
Supervision & Management - Special	1,826,420	1,814,680	1,856,040	1,904,970	1,739,260	1,783,830
Repairs & Maintenance	4,133,950	4,151,390	4,276,230	4,276,010	4,405,700	4,485,980
Depreciation – to Major Repairs Res.	6,455,470	6,662,610	6,868,450	7,032,300	7,124,360	7,156,730
Debt Management Expenditure	1,400	1,400	1,430	1,460	1,490	1,520
Other Expenditure	318,950	470,320	487,730	511,330	538,330	567,020
Total Expenditure	**17,497,390**	**18,223,250**	**18,780,960**	**19,235,290**	**19,563,770**	**19,965,330**
Net Cost of HRA Services	**(12,341,610)**	**(11,463,880)**	**(11,755,790)**	**(12,469,060)**	**(13,000,730)**	**(13,339,280)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account						
Interest Receivable	(631,380)	(546,220)	(343,510)	(210,870)	(271,230)	(379,200)
(Surplus) / Deficit on the HRA for the Year	**(12,972,990)**	**(12,010,100)**	**(12,099,300)**	**(12,679,930)**	**(13,271,960)**	**(13,718,480)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance						
Loan Interest	7,178,920	7,178,920	7,178,920	7,179,640	7,181,830	7,181,830
Housing Set Aside	0	0	(6,833,000)	(1,667,000)	6,100,000	2,094,000
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0
Direct Revenue Financing of Capital	5,094,920	12,621,740	12,603,300	7,322,950	0	2,434,560
(Surplus) / Deficit for Year	**(699,150)**	**7,790,560**	**849,920**	**155,660**	**9,870**	**(2,008,090)**
Balance b/f	(10,096,300)	(10,795,450)	(3,004,890)	(2,154,970)	(1,999,310)	(1,989,440)
Total Balance c/f	**(10,795,450)**	**(3,004,890)**	**(2,154,970)**	**(1,999,310)**	**(1,989,440)**	**(3,997,530)**

Housing Capital Investment Plan

Appendix J

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Improvements - Existing Stock						
Water / Drainage Upgrades	80	81	83	85	86	88
Drainage Upgrades	310	310	310	0	0	0
Disabled Adaptations	849	866	883	902	920	938
Change of Tenancy - Capital	500	500	500	500	500	500
Rewiring	484	325	332	338	345	352
Heating Installation	1,980	2,020	2,062	2,103	2,145	2,188
Energy Conservation	1,020	200	204	208	213	217
Estate Roads, Paths & Lighting	15	60	61	63	64	65
Garage Refurbishment	52	53	54	55	56	57
Parking/Garages	86	149	153	156	159	163
Window Replacement	270	276	282	287	293	299
Re-Roofing	446	455	464	473	483	493
Full Refurbishments	200	200	200	200	200	200
Structural Works	10	250	250	250	250	250
Non-Traditional Refurbishment	0	0	0	0	0	0
Asbestos Removal	34	60	61	63	64	65
Kitchen Refurbishment	743	723	739	753	768	784
Bathroom Refurbishment	318	282	288	294	299	305
Fire Door Replacement Programme	0	180	184	187	0	0
Assumed adjustment in spend for varying stock numbers	0	10	38	77	42	(62)

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Total Improvements - Existing Stock	**7,397**	**7,000**	**7,148**	**6,994**	**6,887**	**6,902**
Other Improvements						
Sheltered Housing and Other Stock	110	50	50	50	50	50
Flats	20	20	20	20	20	20
Central / Departmental Investment	19	0	0	0	0	0
Total Other Improvements	**149**	**70**	**70**	**70**	**70**	**70**
Re-provision of Existing Homes						
Robinson Court, Gamlingay	910	0	0	0	0	0
Other Re-provision	0	0	0	0	0	0
Total Re-provision of Existing Homes	**910**	**0**	**0**	**0**	**0**	**0**
HRA Acquisition and New Build						
Pembroke Way, Teversham	483	353	0	0	0	0
Pampisford Road, Great Abington	200	0	0	0	0	0
High Street, Balsham	1,532	0	0	0	0	0
Woodside, Longstanton	249	0	0	0	0	0
Bannold Drove, Waterbeach	94	0	0	0	0	0
Gibson Close, Waterbeach	1,444	0	0	0	0	0
Highfields, Caldecote	446	0	0	0	0	0
Linton Road, Great Abington	1,302	2,605	0	0	0	0
Grace Crescent, Hardwick (Rented)	785	3,141	785	0	0	0
Grace Crescent, Hardwick (Shared Ownership)	521	2,084	521	0	0	0
Burton End, West Wickham	0	730	0	0	0	0
Acquisitions	1,560	0	0	0	0	0

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Unallocated New Build / Acquisition Budget	300	9,573	25,890	13,369	4,224	5,700
Unallocated New Build / Acquisition - Section 106 funded	0	216	500	500	500	500
Total HRA New Build	**8,916**	**18,702**	**27,696**	**13,869**	**4,724**	**6,200**
Other HRA Capital Spend						
Shared Ownership Repurchase	300	300	300	300	300	300
Self-Build Vanguard - Up front HRA Land Assembly Costs	695	540	618	695	0	0
HRA Share of Corporate ICT Development	270	419	19	19	19	19
Total Other HRA Capital Spend	**1,265**	**1,259**	**937**	**1,014**	**319**	**319**
Total HRA Capital Spend	**18,637**	**27,031**	**35,851**	**21,947**	**12,000**	**13,491**
Inflation Allowance for New Build and Other HRA Spend	0	0	0	0	0	125
Total Inflated Housing Capital Spend	**18,637**	**27,031**	**35,851**	**21,947**	**12,000**	**13,616**
Housing Capital Resources						
Right to Buy Receipts	0	0	0	0	0	0
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0	0
Other Capital Receipts (Self-Build Plot Sales)	(977)	(1,266)	(1,477)	(1,688)	(1,900)	0
Major Repairs Reserve	(6,429)	(6,689)	(6,868)	(7,032)	(5,714)	(8,567)
Direct Revenue Financing of Capital	(5,095)	(12,622)	(12,603)	(7,323)	0	(2,435)
Other Capital Resources (Grants / Shared Ownership / S106 funding)	(3,524)	(2,558)	(8,842)	(3,753)	(3,437)	(904)
Retained Right to Buy Receipts	(2,039)	(3,896)	(6,061)	(2,005)	(949)	(1,710)
HRA CFR / Prudential Borrowing	0	0	0	(146)	0	0

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Total Housing Capital Resources	**(18,064)**	**(27,031)**	**(35,851)**	**(21,947)**	**(12,000)**	**(13,616)**
Net (Surplus) / Deficit of Resources	573	0	0	0	0	0
Capital Balances b/f	**(573)**	**0**	**0**	**0**	**0**	**0**
Use of / (Contribution to) Balances in Year	573	0	0	0	0	0
Capital Balances c/f	**0**	**0**	**0**	**0**	**0**	**0**
Right to Buy Receipts						

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.