Appendix C

South Cambridgeshire District Council Housing Revenue Account Budget Setting Report 2016/17

February 2016

South Cambridgeshire District Council

Version Control

	Version	for :	Anticipated Content
	1	Draft	Draft content for consultation
	2	Cabinet	Member Scrutiny
Current	3	Council	The Portfolio for Housing’s recommended final budget proposals
	4	FINAL	Final version for publication following Council

Contents

Appendices

Section 1
Introduction

Background

Decisions about the level of expenditure in the Housing Revenue Account continue to be made in the context of a 30-year business plan, which is reviewed in September / October and January / February of each year.

The resource available to invest in housing services remains wholly dependent upon anticipated income streams for the Housing Revenue Account, with the most significant of these being the rental income for the housing stock. Following legislative changes to be introduced through the Welfare Reform and Work Bill 2015, the authority no longer has discretion to set rents at a local level, but will instead be required to comply with a national approach where rents will be reduced by 1% per year, for four years, from April 2016.

This change, alongside other national changes in housing policy, removes a lot of the flexibility over longer-term decision making, which has been available at a local level since April 2012. It is vital, with diminishing resources, 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 aspiration to invest in new affordable housing
- The ability to invest in new initiatives or income generating activities
- The desire to deliver discretionary services (i.e. support)

To protect the future of the Council's social housing, setting a budget for the short-term, in the context of the longer-term impact on the financial viability of the Housing Revenue Account 30-Year Business Plan, is crucial.

A key feature of the 30-Year Business Plan is the requirement to support a significant level of housing debt, with external borrowing of £205,123,000 as at April 2015. To date, it has been the policy of the HRA to set-aside resource to allow the potential to repay the housing debt should the authority so chose, although this is no longer possible due to the constraints imposed or anticipated as part of the recent changes in national housing policy.

The HRA Budget Setting Report provides an update of the latest financial position for the HRA, covering both HRA revenue and capital spending, highlighting the inter-relationships between the two.

A key aspect of each review of the financial position for the HRA is consideration of risk and any potential mitigation, considering these over both the medium (5 years) and long-term (30 years).

Sensitivity analysis of key factors is also undertaken, to ensure that effective contingency plans are available to the Council and that an appropriate level of reserves can be maintained in light of changes in assumptions.

The work on the 2016/17 HRA Budget Setting Report takes as its starting point the key medium and long-term parameters set out in the HRA Medium Term Financial Strategy of October 2015.

Section 2

Review of National and Local Policy Context and External Factors

Review of National Policy Context

National Tenancy and Rent Setting Policy

Until recently, the assumption in respect of rent increase for the medium to long-term was based upon government policy of an annual increase in line with CPI (the Consumer Price Index)at each preceding September, plus a fixed 1%. Financial plans have previously been constructed on this basis.

Following announcements as part of the July 2015 budget, and subsequent legislation anticipated to be approved as part of the Welfare Reform and Work Bill 2015, both local authority landlords and registered providers will be required to apply a 1% reduction in rent levels across each of the next four years, beginning in April 2016. Exemptions from the rent cut have been announced, for one year, in respect of the provision of supported accommodation, where it is recognised that the cost of providing services is higher than in general needs housing. The exemption is anticipated to mitigate the impact on key services, whilst a review of this accommodation provision is conducted at a national level.

It has now been confirmed that any local authorities with actual rents that are still below rent restructured target social rents levels, will be permitted to increase the rent to target at re-let. Target rent levels will of course also reduce by 1% each year for the next four years, unless exempted due to the nature of the property.

It is still not clear what will happen to rent levels after 2019/20, with the authority still making the assumption that rent increases can be re-introduced at the previous levels of CPI plus 1% per annum.

Proposed amendments to the Housing and Planning Bill, which was still being considered in the House of Commons in early January 2016, will also see local authorities being required to adopt fixed term tenancies of between 2 and 5 years, in respect of all new tenancies, anticipated to begin from April 2017.

This report presents two options for consideration and approval, with option 1 making the assumption that rents for all properties are reduced by 1% from April 2016, whilst option 2 assumes that the authority applies the exemption for supported housing, thus increasing rents for these properties by the previously assumed CPI plus 1%, where CPI at September 2015 was -0.1%, resulting in a rent increase of 0.9%.

Market Rents for Higher Income Households

The policy announcement that those in existing social housing with a household income in excess of £30,000 (£40,000 in London) will be charged up to market rent for living in their home, has now been subject to government consultation. The consultation, which ended on 20th November 2015, asked respondents to consider the following:

- how income thresholds might be set, for example by applying a taper that increases the rent as income rises
- whether the starting threshold should be set in line with housing benefit eligibility
- what each local authority would consider the administrative cost to them would be based upon existing systems and powers

It is impossible to accurately predict how much the change in legislation will cost the Council until more information is available. It is clear however that there will be both upfront costs associated with putting systems in place to cater for the requirement, and significant ongoing costs associated with data collection, data validation, individual rent calculations, system amendments / updates and communication. This will be compounded by an assumed increase in collection and recovery costs, where it is anticipated that households may have committed their income in other ways, and will not initially be in a position to meet the higher rents payments.

Mandatory Disposal of High Value Housing Stock

Following announcements in advance of the June 2015 elections, which suggested local authorities should be required to sell any property that is valued in the top third for the area, on the open market at the point at which it becomes void, the draft Housing and Planning Bill 2015 provides further detail as to how this policy is intended to be implemented.

A payment to the Secretary of State, under a local authority specific determination, is anticipated in respect of a sum derived from an estimate of the high value property which may become vacant in any year. It could therefore be interpreted from this that a local authority may have some discretion over which assets it chooses to dispose of to make payment to central government, but this is not explicit. Concerns exist around the timing of the payments that may fall due under any determination, particularly if this is in advance of the sale of assets to which the determination formula relates.

There is allowance in the draft bill, for the Secretary of State to enter into an agreement with a local authority to reduce the amount that the authority is required to pay in order to provide, or facilitate the provision of, housing.

In December 2015, the Department for Communities and Local Government required every stock retaining local authority to provide a large data set in respect of their housing stock holding. This included the size, type and purpose of each property, the value of each dwelling and the incidence of void in each property each year, over the last 3 years, with the reason which the property became vacant in each instance. This data is expected to be used to arrive at the levy that each local authority will be required to pay.

For financial planning purposes, an initial assumption that approximately 1.8% of the housing stock will need to be sold each year has been made, which is representative of just under 100 properties per annum at the outset. This assumption may need to be significantly amended as further information is made available, as it is based upon early estimates of what might constitute high value, in the absence of any detail at this stage.

Universal Credit

The introduction of Universal Credit for working age tenants is still anticipated to begin from 29th February 2016. For South Cambridgeshire residents this will start with new unemployed claimants claiming out of work job benefits receiving Universal Credit with a housing costs element rather than Housing Benefit. This will affect only a small number of claims in the first instance. The timetable for rolling out to couples, those with families and those who are unable to work due to disability is still unclear.

With residents paid directly, receiving calendar monthly payments in arrears, administered centrally by the DWP, there will be a real impact on the HRA in terms of both collection costs, and potentially arrears recovery costs.

Those in specified accommodation, such as supported housing, are still anticipated to be exempt from direct payment and support will continue for these people through Housing Benefit. Pensioners will not claim Universal Credit but will continue to receive Housing Benefit, calculated locally.

The full impact of this, and other welfare benefit changes, on the Housing Revenue Account remains uncertain at present.

Right to Buy Sales

Following a number of changes in the right to buy legislation in the past three years, the increase in activity experienced initially, appears to have stabilised.

The table below highlights the activity over the last 5 years:

Status	Year	RTB Sales
Actual Sales	2010/11	6
	2011/12	5
	2012/13	24
	2013/14	28
	2014/15	29
Estimated Sales	2015/16	25
	2016/17	25
	2017/18	25
	2018/19	20
	2019/20	20

In the first 8 months of 2015/16, 16 completions have taken place, indicating that activity is remaining at the higher level experienced since the re-invigoration of the scheme from April 2012.

It is impossible to accurately predict future sales, although it is anticipated that the reduction in the qualifying period and the proposal to charge market rents for all households earning over £30,000 per annum, may cause some re-escalation in sales levels that were otherwise starting to show some signs of slowing again.

Until the direction of travel is clear, the assumption of future sales at levels of 25 in 2016/17 and 2017/18, 20 per annum from 2018/19 to 2020/21 and 15 sales per annum from 2021/22 onwards has been retained.

Right to Buy Receipts

The authority remains subject to the agreement with CLG that allows the retention of right to buy receipts, subject to a set of specific conditions.

As highlighted in the HRA Medium Term Financial Strategy, the looming deadlines for appropriate investment of these retained receipts, coupled with difficulties in identifying the required 70% top up funding in the HRA, means that active consideration is now being given to passing receipts over to a registered provider for investment in affordable housing in the district.

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

The additional capital spending required and the resulting funding sources identified, will be 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 1/4/2015	Estimated Stock Numbers as at 1/4/2016
General Housing – Social	4,188	4,130
Sheltered Housing	1,053	1,053
Sheltered Housing – Equity Share	82	82
Temporary Housing	11	29
Miscellaneous Leased Dwellings	20	11
Shared Ownership / FTB Dwellings	57	57
Awaiting Disposal / Demolition / Transfer to HA	14	25
Total Dwellings	5,425	5,387

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

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2015	Estimated Stock Numbers as at 1/4/2016
Bedsits	31	31
1 Bed	1,028	1,013
2 Bed	2,260	2,257
3 Bed	1,887	1,867
4 Bed	75	75
5 Bed	1	1
6 Bed	4	4
Total Dwellings	5,286	5,248

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 Service Contracts

South Cambridgeshire District Council continues to deliver support services to older people on a district-wide basis, within a contract which expires early in 2017/18, unless the two year extension is agreed. The service is now demand led, and includes a greater degree of signposting to other agencies for those with lower support needs due to the expanded client based encompassed under the contract. The contract value is fixed at £302,000 per annum.

Funding for the provision of alarms, and the telephone response to alarms, in sheltered housing is being terminated by the County Council from the end of March 2016. From April 2016, all residents in schemes with hard-wired alarms will be required to pay a service charge, which will not be eligible for housing benefit, for the continued provision of the alarm.

Following consultation with residents, the future of the alarm service is likely to be in the form of community lifelines, where residents will ultimately have the option as to whether they want to receive the alarm service, which will be invoiced and payable separately from rent. This approach will be rolled out across schemes in a phased manner, as the old hard-wired installations are de-commissioned over a period of time, following installation of lifelines and separate smoke detectors in properties where they are required.

Partnership Working and Shared Services

The organisation, and therefore the HRA, continues to expand the provision of services which are delivered as shared or partnership services with other local authorities.
From a corporate perspective, the authority has entered into shared services with Cambridge City Council and Huntingdonshire District Council for the provision of ICT and Legal Services, both of which impact the HRA.

A pilot shared Head of Finance and Housing Finance Service with South Cambridgeshire District Council has been operational since March 2015, and is now set to be made permanent and expanded into a wider shared service following consolidation of financial management systems, which will begin in 2016/17.

From April 2016, the new Housing Development Agency (HDA) is anticipated to be in place, with the City Council and South Cambridgeshire District Council seconding staff into a shared service for the initial stage. The HDA will aid the delivery of new homes in the sub-region, working with multiple partner agencies, helping increase the supply of new housing in response to the investment in transport and infrastructure which the Greater Cambridge City Deal brings. There is an agreed £400,000 of pump prime funding which has been made available alongside the City Deal funding to help create the new delivery vehicle.

A shared Housing Management Service with Cambridge City Council will also be explored in 2016/17, with the potential for a wider shared strategic housing function in the future also.

External Factors

Factors outside of the direct control of the authority continue to impact strategic decision making, with judgements having to be made about the likely direction of travel for many of these. The latest assumptions in respect of inflation and interest rates are detailed at Appendix A.

Section 3
Housing Revenue Account Resources

Rent

Rent Arrears, Bad Debt Provision and Void Levels

Performance in the collection of current tenant debt was maintained during 2014/15, and in first 8 months of 2015/16, has been improved, when compared with the profile at this point in previous years. At the end of November 2015, current tenant arrears stood at £289,563 and former tenant arrears at £98,943, with the latter being marginally higher than at the start of the year.

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

Considering the above performance, but also taking into consideration the need to collect rent directly from more residents in 2016/17, the increased level of 0.5% of the rent due, broadly equivalent to an annual contribution to the bad debt provision of £140,000 has been maintained as part of the budget setting process.

However, recent indications from a survey carried out by the Chartered Institute of Housing and ARCH suggest that as many as 9 out of 10 direct benefit claimants could be in arrears in the early stages of implementation due to the need to wait a number of weeks before receiving their first payment, a direct impact of the transition from payment of housing benefit weekly in advance, to monthly in arrears.

At 31 March 2015, the provision for bad debt stood at £300,000, representing 70% of the total debt outstanding.

The value of rent not collected as a direct result of void dwellings in 2014/15 was approximately 1.5% of the rent due for the year.

At the time of writing this report, 1.1% of the housing stock was unoccupied, with approximately 30% of the void dwellings being intentionally held vacant pending re-development of the site.

On an ongoing basis, a base assumption of 1.1% voids in general housing is still considered appropriate for the longer-term. The proposed requirement to sell high value void properties in the future will impact this assumption in future iterations of the business plan.

Rent Restructuring

Although property specific target social rents under the rent restructuring regime still apply, the requirement to reduce all rents in non-supported social housing by 1% for the next 4 years, will mean that the target rents will also reduce in line with this.

The basic formula for the calculation of target rents remains unchanged, with 30% of a property's rent based upon historic relative property values and 70% based upon historic relative local earnings, combined with a factor for the number of bedrooms in the property. The result of the calculation is then limited by an overall rent cap for each size of property.

Although the national assumption is that local authority rents have reached target levels, the local picture is quite different, with actual rents that are still well below target levels. The ability to move rents up to the new lower target levels is only available to local authorities when a property is re-let to a new tenant.

The average weekly target rent at this point in 2015/16 across the housing stock, according to the rent system, is £109.59, with the average actual rent charged being £102.54. The average actual rent is therefore representative of 93.6% of the average target rent, with only 23.5% of the housing stock being charged at target rent levels.

Rent Setting

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

From April 2016, the requirement, to be introduced through the Welfare Reform and Work Bill, to reduce rents by 1% each year for four years is expected to be effective, unless specifically exempted.

In advance of the legislation being passed, but confident that it will be, the authority has the option to approve a blanket cut of 1% across the entire housing stock, or to assume and apply the exemption for this deviation from previous ret setting policy in respect of supported housing, and apply the increase of 0.9%, CPI of -0.1% plus 1%, to sheltered and temporary housing. The change in rent level adopted will be effective from Monday 4th April 2016.

The assumption is still being made, in respect of longer-term financial forecasts, that the authority will be able to revert to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, from April 2020.

Service Charges

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

The approach to setting service charge levels for 2016/17 is detailed at Appendix B.

Other Sources of Income

Garages

The Housing Revenue Account currently has 1,061 residential garages, which are outside the curtilage of the dwelling, available for letting according to the rent system. Of these, 391 were vacant at the time of compiling this report.

In line with the HRA Garage Strategy, a large 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, with an estimate of only 12% of the vacant dwellings being ready for immediate let.

The HRA has a two part charging structure for garages, with one rate for garages rented to tenants or leaseholders, and another for rental of garages by others, with the latter being subject to VAT at the prevailing rate. If a tenant or leaseholder 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 is recovered through service charges levied to residents, but in the current financial climate, consideration is being given to whether these assets could generate an income for the HRA where they are not well utilised.

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 recovery is still anticipated to be slow.

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 recently approved a policy in respect of spending Section 106 Commuted Sums, which includes the provision for any currently un-committed resource to be to be utilised to fund delivery of new build affordable housing in the Housing Revenue Account as the first call on the funds. At this stage, no schemes have been specifically identified as projects which will receive funding through this mechanism, but a list of suitable pipeline schemes is anticipated to be brought forward in 2016/17.

- Support Funding – The level of funding via the Supporting People Programme has reduced over the last 10 years, to a point where the authority now only receives £302,000 per annum for support provided to older people across the district.

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 reserve is maintained to recognise the risks associated with the authority self-insuring its housing stock. The cost of any works that would otherwise be treated as insurance claims, are charged to the HRA in the year that they are incurred. The reserve exists to ensure that the authority has the funds to meet any higher than anticipated remedial costs, allowing the HRA time to react to the additional expenditure incurred.

Major Repairs Reserve

This statutory reserve receives a sum, transferred from the revenue account, equivalent to the depreciation in respect of the housing stock each year. Any resource available in the Major Repairs Reserve can then be utilised as a source of funding in the Housing Capital Investment Plan, to meet the cost of capital works to HRA assets, or alternatively to repay housing debt. From April 2017, the transitional measures that allow the authority to limit the depreciation charged in respect of dwellings to the value of the old Major Repairs Allowance will cease, after which the full depreciation value will need to be transferred into the reserve each year, irrespective on whether the asset base requires the higher level of investment.

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

The ability to set-aside surplus revenue resource to the self-financing debt as loans mature, has been significantly impacted by the recent changes in national housing policy. This means the authority will have no alternative but to re-finance a greater proportion of the loan portfolio as each loan matures than previously planned, and reduces the flexibility to opt to reinvest the surpluses in the delivery of new homes as an alternative use of the anticipated resource. The approach of using an ear-marked reserve, as opposed to making a formal voluntary revenue provision (VRP), will allow 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 initial self-financing settlement, in recognition of the debt which the authority holds in respect of the asset. The balance of sums retained to date, will be held in a separate ear-marked capital balance, allowing them to be utilised to repay debt should the authority so choose, or alternatively to be reinvested as deemed appropriate.

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

The Right to Buy Receipt Retention Agreement remains in force. To ensure that these resources are separately identified for re-investment, and if necessary, repayment purposes, an ear-marked balance exists to record the balance at the end of each reporting period.

Section 4
Housing Revenue Account Budget

Budget - 2016/17

Overall Budget Position

The overall revenue budget position for the Housing Revenue Account for 2016/17 is presented in Appendices G(1) and G(2), depending upon the rent setting option adopted. A balanced budget can be set for 2016/17, without the need to seek immediate savings, allowing the authority time to explore how to cut costs, generate efficiencies or earn additional income in the HRA, in preparation for 2017/18 and beyond.

The tables below show the budget changes proposed for 2016/17, against option 1 for a blanket rent cut of 1% and option 2, which assumes the exemption from the rent cut for supported accommodation, compared to the base budget from 2015/16. Both tables show net increases in revenue costs to the HRA. The increase, which includes the impact of 1% rent reductions from April 2016 has resulted in the ability to make a significantly lower level of revenue contribution towards capital expenditure in 2016/17 than previously anticipated, directly impacting the authorities ability to invest in capital projects, particularly in new build housing.

Savings were not specifically sought for 2016/17, allowing officers the opportunity to plan for the need to significantly increase revenue into the HRA, or to reduce costs in the coming years. A strategic approach to delivering a balanced HRA budget will be sought, with work beginning during 2016/17, once the final details of the proposed changes in national housing policy are clear, and detailed guidance is available to ensure that the authority's assumptions are consistent with those being made nationally.

A savings target has been proposed for the next 4 years, recognising the need to deliver a balanced revenue budget over the 30 year life of the HRA Business Plan. With the current assumptions in the business model, a savings target of £250,000 per annum for each of the next 4 years would allow the HRA to set a balanced revenue budget over the longer-term, but would still require a separate review of capital expenditure, to ensure that the HRA does not breach its debt cap. If option 2 is adopted, and the rent cut exemption is applied for supported accommodation, the need to make savings over the next four years can be reduced to £892,270, as opposed to £1,000,000. Alternatively, the additional rental income could be used increase the supply of new homes.

A decision to exempt supported accommodation (sheltered housing and temporary housing) from the 1% rent cut, and to instead apply an increase of 0.9%, results in additional income of £106,720 per annum ongoing, after allowing for voids and bad debts. Additional interest receipts of £310 would also be realised in 2016/17 as a direct result.

Option 1 - Proposal Type	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Cumulative Savings Target Proposed	0	250,000	500,000	750,000	1,000,000
2016/17 Budget Changes					
Savings	(296,330)	(296,330)	(296,330)	(296,330)	(296,330)
Increased Income	(194,350)	(194,350)	(194,350)	(194,350)	(194,350)
Unavoidable Revenue Pressures	298,450	298,450	298,450	298,450	298,450
Reduced Income	673,150	673,150	673,150	673,150	673,150
Net Savings Position above / (below) Savings Target	**480,920**	**730,920**	**980,920**	**1,230,920**	**1,480,920**
Non-Cash Limit Items	548,870	548,870	548,870	548,870	548,870
Net Position for the HRA compared to 2015/16	**1,029,790**	**1,279,790**	**1,529,790**	**1,779,790**	**2,029,790**
Reduce Revenue Funding of Capital Expenditure to offset increased costs	(1,029,790)	(1,029,790)	(1,029,790)	(1,029,790)	(1,029,790)
Net Position for the HRA above / (below) overall assumptions	**0**	**250,000**	**500,000**	**750,000**	**1,000,000**

Option 2 - Proposal Type	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Cumulative Savings Target Proposed	0	250,000	500,000	750,000	1,000,000
2016/17 Budget Changes					
Savings	(296,640)	(296,640)	(296,640)	(296,640)	(296,640)
Increased Income	(194,350)	(194,350)	(194,350)	(194,350)	(194,350)
Unavoidable Revenue Pressures	298,450	298,450	298,450	298,450	298,450

Reduced Income	566,430	566,430	566,430	566,430	566,430
Net Savings Position above / (below) Savings Target	**373,890**	**623,890**	**873,890**	**1,123,890**	**1,373,890**
Non-Cash Limit Items	548,870	548,870	548,870	548,870	548,870
Net Position for the HRA compared to 2015/16	**922,760**	**1,172,760**	**1,422,760**	**1,672,760**	**1,922,760**
Reduce Revenue Funding of Capital Expenditure to offset increased costs	(1,029,790)	(1,029,790)	(1,029,790)	(1,029,790)	(1,029,790)
Net Position for the HRA above / (below) original assumptions	**(107,030)**	**142,970**	**392,970**	**642,970**	**892,970**

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 plans to replace the software used to record and report asset management data, in a bid to further improve the information available.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2015 at 91.5%, with 449 properties that were considered to be non-decent (in addition to refusals), and another 155 anticipated to become non-decent during 2015/16.

During 2016/17, work will be undertaken to quantify the minimum level of future investment required to maintain the decency standard, informing future decisions about investment in our existing housing stock.

In addition to decent homes investment, the authority invests a considerable sum in respect of energy conservation initiatives, such as external wall insulation, solar energy initiatives, renewable heating sources, air source pumps and high heat retention storage systems. There is also investment, as expected nationally, in adapting the housing stock for tenants with a disability.

The level of investment in the housing stock as a whole, particularly that which falls outside of the decent homes standard, will need to be fully reviewed in 2016/17, in an attempt to ensure that the authority is able to set a balanced budget for the HRA over the longer-term, without breaching the HRA debt cap, whilst also maximising any resource available to increase the now limited supply of new affordable housing.

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

New Build & Re-Development

General Approach

Following the introduction of self-financing for the HRA in April 2012, the authority was in a financial position to be able to invest a significant sum in the delivery of new build affordable housing, with an approved budget of £4,500,000 per annum.

The changes in national housing policy highlighted earlier in this report, now mean that the authority has little or no resource available for investment in new build housing in the way that was previously anticipated.

In order to continue to invest in new build housing, the authority is exploring a variety of alternative delivery models, including; mixed rented and market sale schemes, shared ownership homes and starter homes, considering levering in funding from assets sales, land sales, section 106 commuted sums, in addition to utilising retained right to buy receipts.

The budget for the delivery of new homes has currently been reduced to reflect completion of only the schemes below, pending the final outcome of anticipated legislative changes and the findings of the work identified above.

New Build and Re-Development Schemes in Progress or in the Pipeline

The table below details the current position in respect of schemes which have been progressed, either to the point that they are on site, are in contract, or have been through consultation and / or the planning process and are therefore committed to in some way. These schemes form the basis of the new build programme at present, with the budgeted cashflow included at Appendix E.

Scheme	Status	Estimated Social Housing Units	Indicative Scheme Composition (Subject to Change)	Indicative Scheme Cost (Net of subsidy / land receipt)
Fen Drayton Road, Swavesey	On Site	20	4 x 1 Bed House 10 x 2 Bed House 5 x 3 Bed House 1 x 4 Bed House	2,954,320
Horseheath Road, Linton	On Site	4	1 x 2 Bed Bungalow 2 x 2 Bed Flat	494,550

Scheme	Status	Estimated Social Housing Units	Indicative Scheme Composition (Subject to Change)	Indicative Scheme Cost (Net of subsidy / land receipt)
			1 x 2 Bed House	
Hill Farm, Foxton	Tender Stage	15	4 x 1 Bed House 6 x 2 Bed House 5 x 3 Bed House	2,246,660
Robinson Court, Gamlingay	Planning Submission	14	4 x 1 Bed Flat 2 x 2 Bed Flat 2 x 1 Bed House 4 x 2 Bed House 2 x 3 Bed House	2,237,370
Wilford Furlong, Willingham	Master Planning Stage	15	6 x 1 Bed Flat 4 x 2 Bed Flat 5 x 2 Bed House	659,940
Balsham	Offer Made to Developer	14	8 x 1 Bed Flat 2 x 2 Bed Flat 4 x 2 Bed House	1,734,000
Pembroke Way, Teversham	Land Acquired	5	2 x 2 Bed Flat 3 x 3 Bed House	860,230
Total		**82**		**10,327,070**

The above schemes are all still anticipated to deliver new provision of affordable housing and as such will be eligible for 30% of the scheme to be funded using retained right to buy receipts, with the exception of the Gamlingay site and one dwelling on the Teversham site, which are re-development schemes and where the some or all of the new homes will replace older housing which is no longer considered fit for purpose.

New Build – Other (including use of RTB Funding)

The new build schemes above are not sufficient to ensure that the authority can appropriately re-invest all of the right to buy receipts retained to date, with the need to identify and fund further schemes or pass the resource over to a registered provider for re-investment.

Although the current financial projections for the HRA indicate limited or no resource being available for investment in new build housing into the future, the authority continues to explore potential development opportunities, considering alternative funding models. There is a considerable amount of new build expenditure required to meet commitments against existing and anticipated future retained right to buy receipts, and although these receipts can be passed to a registered provider for investment in new homes, the authority will continue to prioritise investment through its HRA wherever possible.

Options for securing additional grant funding, for working with partner organisations and for developing sites with mixed tenure are all being explored fully in an attempt to continue to deliver a new build programme, despite the financial constraints imposed by the national housing policy changes.

As a backstop position, the Housing Capital Plan includes the assumption that if the authority is unable to identify the resource to top up right to buy funding and build for HRA stock, the receipts are instead passed to a registered provider for them to invest in new build affordable housing within the required timescales and in a way which is compliant with the retention agreement with CLG.

Land Audit and Garage Site Survey

A land audit was undertaken in 2012, identifying a large number of parcels of land across the authority area, which are owned and managed by the HRA. A follow up garage site survey completed the picture, ensuring that the authority has the information required to make strategic decisions about the disposal or retention and re-development of its land holding. This work has proven invaluable in the first stages of activity as a self-build vanguard authority.

Self-Build Vanguard

Following South Cambridgeshire District Council being awarded the status as a Self-Build Vanguard pilot authority, work is progressing well in identifying and preparing parcels of land that provide self-build opportunities.

Following approval of an initial capital budget of £150,000 as part of the Medium Term Financial Strategy considered by Council in November 2015, officers have identified 15 initial HRA sites, with the potential to provide in the region of 34 self-build plots. Planning permission is in progress in respect of 2 of the sites, with a further 3 to follow shortly.

It is anticipated that each plot may realise a gross capital receipt of up to £250,000, which after financing the costs of site preparation, could leave an estimated net receipt of £190,000 per plot available to the HRA for re-investment in the existing housing stock, or in the provision of new homes.

Capital receipts from the sale of self-build plots that have been identified on HRA land, have now been incorporated into the financial planning process. These assumed receipts, coupled with the assumption that the HRA would also apply 30% retained right to buy receipts to each development, has allowed re-inclusion of further new build housing investment in the Housing Capital Investment Plan over the next 4 years. The delivery of schemes utilising this funding stream is dependent upon the authority taking forward a Self-Build Vanguard Project, after consideration of a full business case to demonstrate the wider project's viability.

The Self Build & Custom Housebuilding Act 2015, and the imminent Housing & Planning Act 2016 will require all Local Authorities (General Fund) to hold and manage a register of self build /custom build applicants, and hold a land register of self build plots. In addition, local authorities are required to grant sufficient suitable development permissions on serviced plots of land to meet the demand for self-build and custom housebuilding in their area. Demand for self-build and custom housebuilding is evidenced by the number of people on the register held by local authorities under the 2015 Act.

The expectation that local authorities will be expected to provide as many serviced self-build plots as they have applicants on the register, within a 3 to 5 year timeframe, is likely to prove exceptionally challenging.

Housing Development Agency and City Deal

Following agreement, that jointly with our City Deal partners Cambridge City Council and the County Council, a Housing Development Agency should be created, it is anticipated that pump-prime funding of £200,000 per annum for two years, made available through the City Deal process, will allow this to happen from April 2016.

The new company, initially taking the form of a shared service, will be led by a new post of Housing Development Agency Managing Director, and will second development staff from both Cambridge City Council and South Cambridgeshire District Council into it.

The Housing Development Agency is expected to utilise the pump-prime funding to aid the set-up of the company, with the expectation that going forward, it be fully funded from fees generated through the new build projects delivered.

Recent housing policy changes for the Housing Revenue Accounts at both local authorities will mean the agency may need to look to place work on a wider basis in the longer-term, to ensure its continued financial viability.

Asset Acquisitions & Disposals

At present, consideration continues to be given to the strategic acquisition or disposal of assets, in line with the HRA Acquisition and Disposal Policy. The capital receipt generated by a strategic disposal can currently be retained in full by the authority, subject to utilising it to invest in affordable housing. Receipts from individual asset disposals continue to be recognised in the HRA's reserves only at the point of receipt and after all relevant costs have been provided for. However, anticipated receipts are now taken into consideration 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. There is a risk judgement that needs to be made as part of this quarterly decision making process.

The Right to Buy Retention Agreement still allows the strategic acquisition of existing dwellings, as an alternative to building new dwellings. This remains a less attractive proposition than the creation of new dwellings for the authority, but it is none the less a viable option to utilise the resource within the HRA, where new build is not possible within a quarterly deadline for the use of retained receipts.

In future, the authority expects to be compelled to sell a proportion of its vacant housing stock, or at the very least meet a significant levy in this regard, as part of the government plan to fund right to buy for housing associations, and the authority's Acquisition and Disposal Policy will need to be reviewed once further information and detailed guidance are available.

Section 6
HRA Treasury Management

Background

It is a statutory requirement for the Housing Revenue Account Council to set a balanced budget, including recognising the revenue implications that arise from capital financing decisions.

HRA Borrowing

As at 1 April 2015, the Housing Revenue Account was supporting external borrowing of £205,123,000 in the form of 41 maturity loans, (40 at £5,000,000 and 1 at £5,123,000), with the Public Works Loans Board (PWLB), with rates ranging between 3.44% and 3.53% depending upon the term of the loan. The loans have varying maturity dates, with the first £5,000,000 due to be repaid on 28th March 2037, and the last 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. Other than this £694,000, the HRA has no further borrowing capacity, due to the HRA debt cap imposed as part of the implementation of self-financing for the HRA.

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.

Debt Repayment / Re-Investment

Set-Aside for Repayment of HRA Debt

The current debt repayment strategy for the HRA, has been to set-aside (informally) the resource to repay all of the housing debt, recognising that the alternative option to utilise the resource to deliver new homes, may be considered and approved in any year of the business plan. In light of the recent changes in housing policy, there is currently little capacity to consider either debt redemption or re-investment in new affordable homes.

The current debt repayment or re-investment reserve stood at £8,500,000 at 1 April 2015, with the expectation that £1,000,0000 of this will be utilised during 2015/16 to fund existing new build commitments. Consideration will need to be given, in the context of the current financial climate and the expectation that HRA stock numbers will fall significantly over the coming years, whether the authority wants to retain this sum towards debt redemption, or alternatively make a conscious decision to re-finance its debt at maturity, instead investing the sum now in the delivery of new homes.

Premature Repayment of PWLB Debt

The potential to redeem loans held with the PWLB at an earlier stage than agreed at the outset, still remains. A discount rate is used at the point of redemption to calculate whether the authority should pay a premium, or alternatively receive a discount, for repaying the principal sum early. If the discount rate applicable at the point of redemption is lower than the original loan rate, a premium is payable and if it is higher, a discount is receivable by the authority.

In the current financial climate for the HRA, with limited ability to set-aside revenue resource for the redemption of debt, it is considered unlikely that early redemption of debt will take place at this stage.

Section 7
Summary and Overview

Uncertainties and Risk

Risk Assessment

To ensure that the authority is able to sustain a financially viable Housing Revenue Account, it is imperative that consideration is given to the level of internal and external risks that the housing service is subject to.

The authority maintains a Corporate Risk Register, a Housing Risk Register and an HRA Business Plan Risk Register which incorporates specific risks affecting the Housing Revenue Account in a self-financing environment, considering the likelihood and impact associated with each risk, and the mitigation in place to counteract these.

Risk Registers are regularly updated and are considered and reviewed by the Executive Management Team a number of times each year.

HRA Reserves

Housing Revenue Account General Reserves

General reserves are held partly to help manage risks inherent in financial forecasting and budget-setting. These 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.

In addition, reserves may be used to support the Housing Capital Investment Plan and, in the short-term, to support revenue spending, for example to spread the impact of savings requirements over more than one financial year or to invest up front in a project that is anticipated to pay back over a period of time or deliver future savings.

The HRA Budget Setting Report incorporates the requirements of the Local Government Act 2003, where the Chief Financial Officer is required to report on the adequacy of reserves and provisions and the robustness of budget estimates.

For the Housing Revenue Account the minimum level of reserves is currently assumed to be £2,000,000. It is not proposed to make any changes to the minimum levels as part of this report, recognising the need to continue to safeguard the Council against the higher levels of risk and uncertainty in the current financial and operational environment for housing.

Financial Assumptions and Sensitivity

The current financial assumptions, reviewed and used as part of this BSR are detailed in Appendix A, 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, it is recognised that 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 2016/17.

Options and Conclusions

Overview

The budget for 2016/17 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 now proves significantly more 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

Continued rent cuts for a further 3 years, and the compulsion to dispose of high value housing stock (or an equivalent proxy for) pose significant financial challenges for the HRA into the future.

As identified in the HRA Medium-Term Financial Strategy and confirmed in this report, it will be necessary to consider significant income generation or reductions in spending from 2017/18, with a target of £250,000 per annum for 4 years, incorporated into financial assumptions. The approach to this will include:

- Reviewing options for greater income generation, to include section 20 notices to ensure full cost recovery from leaseholders
- Reviewing spending on HRA revenue services
- Reviewing spending on the existing housing stock, to include both decent homes and discretionary expenditure
- Exploring the extension of shared services, to include; shared housing services with Cambridge City Council and shared Strategic Housing Services
- Exploring alternative delivery models for the provision of social housing
- Exploring alternative delivery models to maintain a new build housing programme

Summary and Conclusions

The work undertaken as part of the 2016/17 budget process to date has resulted in the development of proposals for the base budget of the Housing Revenue Account. Although savings have not specifically been sought for 2016/17 against a pre-agreed savings target, consideration has been given to the required level of spending against each and every budget heading across the HRA as a whole, arriving at the proposed budget incorporated into this report.

The overall position for the HRA for 2016/17 (including non-cash limit adjustments) is an increase in revenue spending, which has been offset by a reduction in the level of revenue resource available for transfer to fund the capital programme, having a direct impact of the amount of new build housing that could otherwise have been delivered.

It is recognised, however, that from 2017/18, taking current assumptions into consideration the HRA will need to seek to significantly increase income or reduce costs. Aspirations to continue to build new homes in the future will result in the need to seek further efficiencies, or to work in new and creative ways to aid delivery.

During February 2016, 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 property rents (either option 1 to include a blanket rent cut of 1% across the entire housing stock, or option 2, to exempt supported housing from the rent cut, and to instead apply an increase of 0.9%), garage rents and service charges
- Approval of the HRA revenue budget for 2016/17 as shown in Appendix G(1) or G(2)
- Approval of the Housing Capital Programme for 2016/17 to 2020/21 as shown in Appendix H
- Agreement of the Savings Target for the HRA for the period from 2017/18 to 2020/21, and the approach outlined for delivering against these

Business Planning Assumptions   Appendix A

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	1.4%, 1.8%, 1.9%, 1.9% then 2%	General inflation on expenditure included, rising to 2% (Based upon government projections for CPI)	Retained
Debt Repayment	Set-aside to repay debt as resource allows	Assumes set-aside to repay debt as loans reach maturity dates if resource allows, with any surplus re-invested in income generating assets.	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 2016/17.	Retained
Pay Inflation	1.3% Pay Progression plus: 2016/17 – 1.0% 2017/18 – 1.0% 2018/19 – 1.0% 2019/20 – 1.0% 2% ongoing	Assume allowance for increments at 1.3%. Pay inflation for four years from 2016/17 limited to 1% reflecting recent Government guidance, and a return to 2% thereafter, reflecting economic recovery. Increased National Insurance contribution rates have been incorporated from April 2016.	Retained
Employee Vacancy Allowance	£50,000	Employee budgets assume a vacancy allowance of £50,000 per annum.	Retained
Rent Increase Inflation	-1% from 2016/17 for 4 years, then 3%	Rent decreases of 1% per annum in line with government guidelines from 2016/17 to 2019/20, then CPI plus 1%. Assume CPI in preceding September is as above.	Retained
Rent Convergence	Voids Only	Ability to move to reduced target rent achieved only through movement of void properties directly to target rent.	Retained
External Lending Interest Rate	0.6%	Interest rates based on latest market achievement.	Retained
Internal Lending Interest Rate	0.6%	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	4%	Assumes additional PWLB borrowing at a rate of 4%. Current rate for 30 years is 3.66%. Retain 4% for prudence.	Retained
Internal Borrowing Interest Rate	4%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Retained
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising risks in a Self-Financing environment.	Retained
Right to Buy Sales	25 for 3 years, 20 for 3 years, then 15 sales ongoing	Housing Policy changes expected to sustain a higher level of activity in the short-term. Assume 25 for 2015/16, reducing by 5 sales per annum from 2018/19, until 15 are assumed ongoing from	Retained

Key Area	Assumption	Comment	Status
		2021/22.	
Right to Buy Receipts	Settlement right to buy receipts excluded and assumed one-for-one receipts included as required.	Debt settlement receipts excluded as assumed to fund General Fund housing capital expenditure. Anticipated one-for one receipts included, but only as they are drawn down to fund budgeted eligible capital schemes. Debt repayment proportion reported as at 1/4/2015 and assumed available for future use.	Retained
Void Rates	1.1%	Assumes 1.1% per annum from 2016/17 onwards.	Retained
Bad Debts	0.35% for 2015/16, then 0.5% ongoing	Bad debt provision of 0.35% increased to 0.5% to reflect the requirement to collect 100% of rent directly for new benefit claimants, when Universal Credit begins implementation in 2016.	Retained
Debt Management Expenses	**£24,370 per annum from 2016/17**	**Internal treasury management activity recharged to the HRA.**	**Amended**
5-Year New Build Programme	**82 Units**	**Assumes delivery of the existing commitments in the new build programme. If self-build plots are sold in the HRA, and new build schemes are identified to re-cycle this resource, there is potential for an additional 43 new homes over this period.**	**Amended**
Savings Target	**£250,000 per annum for 4 years**	**Inclusion of a savings target at £250,000 per year ongoing, for 4 years from 2017/18 to 2020/21, reducing base budgets by £1,000,000 over this period.**	**Amended**
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Policy Space	£0	No policy space incorporated at present, but if included would recognise a desire to be able to facilitate strategic investment and respond to pressures. To be reviewed again as part of 2016/17 MTFS.	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 2015/16 (£)	Proposed Charges 2016/17 (£)	Increase (%)	Increase (£)
General Housing					
Use and Occupation Fee	Weekly	As per Target Rent	As per Target Rent	-1%	Variable
Sewerage	Weekly	4.65 to 5.73	As per Anglian Water Standard Rates	TBC	TBC
White Goods Charge (per item)	Weekly	1.15	1.50	30%	0.35
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	3.26	3.31	1.4%	0.05
Blocks without Door Entry	Weekly	2.17	2.20	1.4%	0.03
General Sheltered Schemes					
Sheltered Charge (Staffing)	Weekly	3.53 to 21.62	3.46 to 4.99	Variable	Variable
Communal Premises Charge	Weekly	Included above	0.00 to 18.86	Variable	Variable
Grounds Maintenance Charge	Weekly	Included above	0.15 to 5.67	Variable	Variable
Communal Heating / Lighting (Elm Court)	Weekly	8.67	8.83	1.85%	0.16
Water (Elm Court)	Weekly	2.00	2.76	38%	0.76
White Goods Charge (per item)	Weekly	1.15	1.20	4.30%	0.05
Alarm Charge	Weekly	3.00	3.00	0%	0.00
Elderly Equity Share (As per Sheltered Housing recovered quarterly, plus charges below)					
External Property Repairs	Quarterly		14.69 to 28.34	Variable	Variable
Management Fee (10%)	Quarterly		7.28 to 34.45	Variable	Variable
Temporary Accommodation					
Temporary Let Charge	Weekly	25.00	30.00	20%	5.00
Community Alarm Service					
Council Supplied Alarm	Weekly	4.43	4.47	0.9%	0.04
Group Alarms	Weekly	3.58	4.47	24.9%	0.89

Installation Charge (Within 30 mile radius)	One-Off	20.00	25.00	25%	5.00
Installation Charge (Outside 30 mile radius)	One-Off	20.00	30.00	50%	10.00
Replacement Pendant Charge	One-Off	50.00	50.00	0%	0.00
Garage and Storage Unit Rents					
Garages or Storage Unit Rented to Tenant/Leaseholder	Weekly	8.25	8.37	1.4%	0.12
More than 2 Garages Rented to Tenant/Leaseholder	Weekly	8.25 plus VAT	8.37 plus VAT	1.4%	0.12 plus VAT
All Other Garage and Storage Unit Rentals	Weekly	11.38 plus VAT	11.54 plus VAT	1.4%	0.16 plus VAT
Leasehold Charges for Services					
Solicitors' pre-sale enquiries	One-Off	75.00	110.00	47%	35.00
Copy of lease	One-Off	20.00	30.00	50%	10.00
Re-mortgage Enquiry/Copy of Insurance schedule	One-Off	25.00	30.00	20%	5.00
Notice of Assignment/Notice of Charge/Notice of Transfer	One-Off	75.00	75.00	0%	0.00
Deed of Variations	One-Off	150.00	150.00	0%	0.00
Home Improvements – Administration Only Inclusive of Surveyor Visit	One-Off	10.00	30.00 125.00	200%	20.00
Retrospective consent for improvements	One-Off	10.00	Above + 25.00	150%	15.00
Registering sub-let details	One-Off	50.00	50.00	0%	0.00

Notes
Charges for Leasehold Services have not been reviewed for many years, and are now being brought in line with other local authority landlords. These charges are only levied when leaseholders, or their agent require the specific services listed.

HRA Earmarked & Specific Funds Appendix C

2015/16 (£'000)

Self-Insurance Fund	Opening Balance	Contributions	Expenditure to Dec	Current Balance
Self-Insurance Fund	(925.0)	(0.0)	0.0	(925.0)

Major Repairs Reserve	Opening Balance	Contributions	Expenditure to Dec	Current Balance
MRR	(0.0)	0.0	0.0	(0.0)

Debt Set-Aside (Revenue)	Opening Balance	Contributions / Adjustments	Expenditure to Dec	Current Balance
Debt Set-Aside (Revenue)	(8,500.0)	0.0	0.0	(8,500.0)

Debt Set-Aside (Capital)	Opening Balance	Contributions	Expenditure to Dec	Current Balance
Debt Set-Aside (Capital)	(2,364.2)	(543.3)	0.0	(2,907.5)

RTB 1-4-1 Reserve	Opening Balance	Contributions / Adjustments	Expenditure to Dec	Current Balance
RTB 1-4-1 Reserve	(3,705.2)	(1,391.0)	545.3	(4,550.9)

Capital Receipts	Opening Balance	Contributions / Adjustments	Expenditure to Dec	Current Balance
Capital Receipts (Land & Other)	(1,302.0)	(314,8)	0.0	(1,616.8)

It is anticipated that the insurance reserve will be returned to the previous level of £1,000,000 as part of the year end closedown process, at the end of 2015/16.

Appendix D

Retained 1-4-1 Right to Buy Receipts

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
30/06/2012	273,807.59	273,807.59	912,691.97	30/06/2015	4,803,740.45	1,441,122.14	0.00	0.00
30/09/2012	110,185.59	383,993.18	1,279,977.27	30/09/2015	5,334,848.80	1,600,454.64	0.00	0.00
31/12/2012	786,867.59	1,170,860.77	3,902,869.23	31/12/2015	6,383,809.29	1,915,142.79	0.00	0.00
31/03/2013	257,177.59	1,428,038.36	4,760,127.87	31/03/2016			0.00	0.00
30/06/2013	180,159.83	1,608,198.19	5,360,660.63	30/06/2016			0.00	0.00
30/09/2013	408,259.67	2,016,457.86	6,721,526.20	30/09/2016			101,315.07	337,716.91
31/12/2013	405,074.37	2,421,532.23	8,071,774.10	31/12/2016			506,389.45	1,687,964.81
31/03/2014	1,012,895.75	3,434,427.98	11,448,093.27	31/03/2017			1,519,285.19	5,064,283.98
30/06/2014	190,149.46	3,624,577.44	12,081,924.80	30/06/2017			1,709,434.65	5,698,115.51
30/09/2014	542,412.66	4,166,990.10	13,889,967.00	30/09/2017			2,251,847.31	7,506,157.71
31/12/2014	490,971.13	4,657,961.23	15,526,537.43	31/12/2017			2,742,818.44	9,142,728.14
31/03/2015	417,089.12	5,075,050.35	16,916,834.50	31/03/2018			3,159,907.56	10,533,025.21
30/06/2015	417,483.31	5,492,533.66	18,308,445.53	30/06/2018			3,577,390.87	11,924,636.24
30/09/2015	527,469.65	6,020,003.31	20,066,677.70	30/09/2018			4,104,860.52	13,682,868.41
31/12/2015	446,035.59	6,466,038.90	21,553,463.00	31/12/2018			4,550,896.11	15,169,653.71

New Build Investment Cashflow

Appendix E

New Build / Re-Development Scheme	Prior Year Actuals	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	Total Budget
	£'0	£'0	£'0	£'0	£'0	£'0	£'0
New Build / Re-Development / Acquisition Cash Expenditure (Net of Developer's Cross Subsidy / Notional Land Value)							
Empty Homes Acquisition	3,716,646	188,685	0	0	0	0	3,905,331
Land Acquisition	386,675	0	0	0	0	0	386,675
Linton, 4D Chalklands	374,432	0	0	0	0	0	374,432
Foxton, 13D Hill Farm	38,558	169,854	2,038,246	0	0	0	2,246,658
Swavesey 20D	49,902	2,314,075	204,000	0	0	0	2,567,977
Linton, 4D Horseheath Rd	0	339,150	155,400	0	0	0	494,550
Robinson Court Re-provision	22,710	0	447,470	1,789,900	0	0	2,260,080
Balsham	0	0	1,300,500	433,500	0	0	1,734,000
Willingham, Wilford Furlong - Infill	0	0	0	0	659,940	0	659,940
Pembroke Way, Teversham	0	860,230	0	0	0	0	860,000
Total Expenditure	**4,588,923**	**3,871,994**	**4,145,616**	**2,223,400**	**659,940**	**0**	**15,489,873**
Retained Right to Buy Funding							
Empty Homes Acquisition	(1,114,994)	(56,605)	0	0	0	0	(1,171,599)
Land Acquisition	(116,003)	0	0	0	0	0	(116,003)
Linton, 4D Chalklands	(112,329)	0	0	0	0	0	(112,329)
Foxton, 13D Hill Farm	(11,567)	(50,956)	(611,474)	0	0	0	(673,997)
Swavesey 20D	(14,971)	(694,223)	(61,200)	0	0	0	(770,394)
Linton, 4D Horseheath Rd	0	(101,745)	(46,620)	0	0	0	(148,365)
Balsham	0	0	(390,150)	(130,050)	0	0	(520,200)
Willingham - Wilford Furlong - infill	0	0	0	0	(197,982)	0	(197,982)
Pembroke Way, Teversham	0	(206,455)	0	0	0	0	(206,4055

New Build / Re-Development Scheme	Prior Year Actuals	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	Total Budget
	£'0	£'0	£'0	£'0	£'0	£'0	£'0
Total Retained Right to Buy Funding	**(1,369,864)**	**(1,109,984)**	**(1,109,444)**	**(130,050)**	**(197,982)**	**0**	**(3,917,324)**
Total to be funded from HRA Resources (DRF) and Non-RTB Capital Receipts	**(3,219,059)**	**(2,762,010)**	**(3,036,172)**	**(2,093,350)**	**(461,958)**	**0**	**(11,572,549)**
Total HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Key Sensitivity Analysis Appendix F

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
General Inflation	General Inflation using CPI increasing to 2% for expenditure	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.	Inability to set a balanced HRA budget from 2017/18 and current plans are therefore not fully deliverable.
Rents Inflation	Reduction in real terms of 1% per annum for 4 years, then return to CPI plus 1%	Assumption that government policy only allows for a return to rent increases at CPI from 2020/21, and not CPI plus 1%.	Inability to set a balanced HRA budget from 2019/20 and current plans are therefore not fully deliverable.
Investment Income	Interest on balances at 0.6%	Rates may recover more than anticipated, or long-term lending options may prove viable. Assume ongoing rate of 2% from 2017/18.	£16.5 million additional resource over the 30 year HRA Business Plan.
Housing Rent Collection and Welfare Reforms	Costs based on historic activity.	Universal Credit results in 100% of rent being collected directly from tenants. Assume an ongoing increase in collection costs of £50,000 and in bad debt, an additional 1% per annum from 2016/17.	Inability to set a balanced HRA budget from 2017/18 and current plans are therefore not fully deliverable.

HRA Summary 2015/16 to 2020/21

Appendix G (1)

Description	2015/16 £0	2016/17 £0	2017/18 £0	2018/19 £0	2019/20 £0	2020/21 £0
Income						
Rental Income (Dwellings)	(28,600,000)	(27,947,360)	(27,337,320)	(26,729,790)	(26,191,020)	(26,609,260)
Rental Income (Other)	(370,000)	(401,080)	(408,300)	(416,060)	(423,960)	(432,440)
Service Charges	(875,490)	(1,080,600)	(1,100,050)	(1,120,950)	(1,142,250)	(1,165,090)
Other Income	(452,240)	(502,880)	(450,550)	(453,370)	(154,240)	(157,330)
Total Income	**(30,297,730)**	**(29,931,920)**	**(29,296,220)**	**(28,720,170)**	**(27,911,470)**	**(28,364,120)**
Expenditure						
Supervision & Management	4,982,990	4,994,700	5,126,890	5,234,660	5,350,160	5,491,460
Repairs & Maintenance	5,354,890	5,470,910	5,549,600	5,624,140	5,692,820	5,773,760
Net Depreciation – t/f to Major Repairs Res.	13,851,970	6,332,970	10,796,640	10,788,140	10,774,140	10,777,570
Debt Management Expenditure	27,540	24,370	24,810	25,280	25,760	26,280
Other Expenditure	260,790	318,100	65,280	(197,180)	(468,960)	(747,270)
Total Expenditure	**24,478,180**	**17,141,050**	**21,563,220**	**21,475,040**	**21,373,920**	**21,321,800**
Net Cost of HRA Services	**(5,819,550)**	**(12,790,870)**	**(7,733,000)**	**(7,245,130)**	**(6,537,550)**	**(7,042,320)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account						
Interest Receivable	(53,990)	(116,960)	(133,610)	(152,240)	(159,750)	(167,710)
(Surplus) / Deficit on the HRA for the Year	**(5,873,540)**	**(12,907,830)**	**(7,866,610)**	**(7,397,370)**	**(6,697,300)**	**(7,210,030)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance						
Loan Interest	7,192,800	7,188,990	7,188,950	7,188,950	7,188,950	7,186,380
Housing Set Aside / (Use of Reserve)	(1,000,000)	0	1,416,500	136,000	(610,800)	0
Depreciation Adjustment	(8,067,870)	0	0	0	0	0
Direct Revenue Financing of Capital	8,003,500	5,691,200	140,000	70,000	118,750	22,500
(Surplus) / Deficit for Year	**254,890**	**(27,640)**	**878,840**	**(2,420)**	**(400)**	**(1,150)**
Balance b/f	(3,177,789)	(2,847,889)	(2,875,529)	(1,996,689)	(1,999,109)	(1,999,509)
Transfer to Insurance Reserve	75,010	0	0	0	0	0
Total Balance c/f	**(2,847,889)**	**(2,875,529)**	**(1,996,689)**	**(1,999,109)**	**(1,999,509)**	**(2,000,659)**

HRA Summary 2015/16 to 2020/21

Appendix G (2)

Description	2015/16 £0	2016/17 £0	2017/18 £0	2018/19 £0	2019/20 £0	2020/21 £0
Income						
Rental Income (Dwellings)	(28,600,000)	(28,054,070)	(27,445,960)	(26,840,490)	(26,303,820)	(26,724,320)
Rental Income (Other)	(370,000)	(401,080)	(408,300)	(416,060)	(423,960)	(432,440)
Service Charges	(875,490)	(1,080,600)	(1,100,050)	(1,120,950)	(1,142,250)	(1,165,090)
Other Income	(452,240)	(502,880)	(450,550)	(453,370)	(154,240)	(157,330)
Total Income	**(30,297,730)**	**(30,038,630)**	**(29,404,860)**	**(28,830,870)**	**(28,024,270)**	**(28,479,180)**
Expenditure						
Supervision & Management	4,982,990	4,994,700	5,126,890	5,234,660	5,350,160	5,491,460
Repairs & Maintenance	5,354,890	5,470,910	5,549,600	5,624,140	5,692,820	5,773,760
Net Depreciation – t/f to Major Repairs Res.	13,851,970	6,332,970	10,796,640	10,788,140	10,774,140	10,777,570
Debt Management Expenditure	27,540	24,370	24,810	25,280	25,760	26,280
Other Expenditure	260,790	318,100	65,280	(197,180)	(468,960)	(747,270)
Total Expenditure	**24,478,180**	**17,141,050**	**21,563,220**	**21,475,040**	**21,373,920**	**21,321,800**
Net Cost of HRA Services	**(5,819,550)**	**(12,897,580)**	**(7,841,640)**	**(7,355,830)**	**(6,650,350)**	**(7,157,380)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account						
Interest Receivable	(53,990)	(117,280)	(134,580)	(153,870)	(162,070)	(170,480)
(Surplus) / Deficit on the HRA for the Year	**(5,873,540)**	**(13,014,860)**	**(7,976,220)**	**(7,509,700)**	**(6,812,420)**	**(7,327,860)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance						
Loan Interest	7,192,800	7,188,990	7,188,950	7,188,950	7,188,950	7,185,980
Housing Set Aside / (Use of Reserve)	(1,000,000)	0	1,635,000	250,000	(499,000)	80,070
Depreciation Adjustment	(8,067,870)	0	0	0	0	0
Direct Revenue Financing of Capital	8,003,500	5,691,200	140,000	70,000	118,750	22,500
(Surplus) / Deficit for Year	**254,890**	**(134,670)**	**987,730**	**(750)**	**(3,720)**	**(39,310)**
Balance b/f	(3,177,789)	(2,847,889)	(2,982,559)	(1,994,829)	(1,995,579)	(1,999,299)
Transfer to Insurance Reserve	75,010	0	0	0	0	0
Total Balance c/f	**(2,847,889)**	**(2,982,559)**	**(1,994,829)**	**(1,995,579)**	**(1,999,299)**	**(2,038,609)**

Housing Capital Investment Plan

Appendix H

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Improvements - Existing Stock						
Water/Drainage Upgrades	75	77	78	80	81	83
Disabled Adaptations	0	500	500	500	500	500
Fire and Extreme Weather	800	816	832	849	866	883
Change of Tenancy - Capital	600	500	624	637	649	662
Rewiring	300	306	312	318	325	331
Heating Installation	2,356	2,000	2,000	2,500	2,550	2,601
Energy Conservation	1,500	1,000	1,488	1,592	1,624	1,656
Estate Roads, Paths & Lighting	80	82	84	85	87	89
Garage Refurbishment	123	50	127	130	132	135
Parking/Garages	80	15	50	85	87	89
Window Replacement	255	260	265	271	276	282
Re-Roofing	420	428	437	446	455	464
Full Refurbishments	700	200	200	243	258	273
Structural Works	200	150	150	212	216	221
Non-Traditional Refurbishment	550	872	0	0	0	0
Asbestos Removal	32	33	34	34	35	35
Kitchen Refurbishment	700	714	728	743	758	773
Bathroom Refurbishment	300	306	312	318	325	331
Wilford Furlong, Willingham Refurbishment	0	933	644	0	0	0
Assumed adjustment in spend for varying stock numbers	0	0	-300	-502	-706	-912

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Total Improvements Existing Stock	**9,071**	**9,242**	**8,565**	**8,541**	**8,518**	**8,496**
Other Improvements						
Sheltered Housing and Other Stock	600	50	50	50	50	50
Flats	30	30	30	30	30	30
Central / Departmental Investment	4	7	7	7	7	7
Total Other Improvements	**634**	**87**	**87**	**87**	**87**	**87**
Re-provision of Existing Homes						
Robinson Court, Gamlingay	0	447	1,790	0	0	0
Other Re-provision	1,200	0	0	0	0	0
Total Re-provision of Existing Homes	**1,200**	**447**	**1,790**	**0**	**0**	**0**
HRA Acquisition and New Build						
Property Acquisition	189	0	0	0	0	0
Fen Drayton Road, Swavesey	2,314	204	0	0	0	0
Horseheath Road, Linton	339	155	0	0	0	0
Hill Farm, Foxton	170	2,038	0	0	0	0
Balsham	0	1,301	434	0	0	0
Wilford Furlong,Willingham	0	0	0	660	0	0
Pembroke Way, Teversham	860	0	0	0	0	0
Unallocated New Build / Acquisition Budget	628	0	1,357	2,714	3,529	0
Grants to Registered Providers for New Homes	0	391	963	488	441	1,500
Total HRA New Build	**4,500**	**4,089**	**2,754**	**3,862**	**3,970**	**1,500**
Other HRA Capital Spend						
Shared Ownership Repurchase	300	300	300	300	300	300

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Self-Build Vanguard - Up front HRA Land Assembly Costs	150	0	0	0	0	0
HRA Share of Corporate ICT Development	243	214	140	70	119	23
Total Other HRA Capital Spend	**693**	**514**	**440**	**370**	**419**	**323**
Total HRA Capital Spend	**16,098**	**14,379**	**13,636**	**12,860**	**12,994**	**10,406**
Inflation Allowance for New Build and Other HRA Spend	0	58	115	185	283	58
Total Inflated Housing Capital Spend	**16,098**	**14,436**	**13,751**	**13,045**	**13,278**	**10,464**
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
Major Repairs Reserve	(5,784)	(5,383)	(9,307)	(8,654)	(11,309)	(8,591)
Direct Revenue Financing of Capital	(8,004)	(5,691)	(140)	(70)	(119)	(23)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(855)	(1,300)	(2,250)	(2,820)	(350)	(350)
Retained Right to Buy Receipts	(1,298)	(1,109)	(537)	(1,012)	(1,059)	0
Retained Right to Buy Receipts (Used by Registered Provider)	0	(391)	(963)	(488)	(441)	(1,500)
HRA CFR / Prudential Borrowing	(52)	0	0	0	0	0
Total Housing Capital Resources	**(15,993)**	**(13,874)**	**(13,197)**	**(13,044)**	**(13,278)**	**(10,464)**
Net (Surplus) / Deficit of Resources	104	563	555	0	0	0
HRA Capital Balances b/f	**(1,222)**	**(1,118)**	**(555)**	**0**	**0**	**0**

Description	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Use of / (Contribution to) Balances in Year	104	563	555	0	0	0
HRA Capital Balances c/f	**(1,118)**	**(555)**	**0**	**0**	**0**	**0**

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.