Version 2
Scrutiny and Cabinet

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

South Cambridgeshire District Council

November 2016

2016/17 to 2045/46

South Cambridgeshire District Council

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Section 1
Introduction and Local Context

Foreword by the Portfolio Holder for Housing

This most recent update of the Medium Term Strategy for management of the Housing Revenue Account (HRA) reflects the challenges faced by the Council as a stockholding authority. As well as the requirement for implementation of new government policies such as 'Pay to Stay' and the requirement to sell void properties introduced through the Housing and Planning Act there is the uncertainty of as yet unpublished regulation that will underpin them. Existing policies such as Right to Buy continue to add to the overall challenges.

South Cambridgeshire District Council's Housing Service has though proved previously that it is able to rise to challenge; most notably in 2012 as a previously debt-free council, it rose to that of managing the debt imposed on it through the self financing regime and identified an opportunity to fund a programme of council house building. The new requirement to reduce rents by 1% a year for the next 4 years, whilst it would seem to be good news for the Council's existing tenants, will have a significant impact on that building programme. There is uncertainty too, about what will happen at the end of that 4 year period. And all of this is in an area that is forecast to see a significant increase in population in the future.

Circumstances, it might seem, conspire both to deplete the Council's existing stock and put obstacles in the way of it providing replacements, never mind increasing the supply. Through the manner of its response to the challenges in recent years the Council has developed a reputation with government, its peers and the housing industry for innovation and a willingness to work with partners to create solutions and make the most of opportunities. It is intent on continuing to do this. The Council recognises both its statutory duties and the aspirations of South Cambridgeshire's residents in its ambition to provide homes that are needed in this high growth area. This it will strive to achieve through its continuing prudential management of the HRA, current and future partnership working and pursuing new, appropriate opportunities.

Councillor Lynda Harford

Portfolio Holder for Housing

Background

The Housing Revenue Account (HRA) Mid-Year Financial Review is to be read in conjunction with the original HRA 30-Year Business Plan approved in February 2012, which set the scene for the current financial environment and the HRA Budget Setting Report of February 2016.

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

The HRA Mid-Year Financial Review re-states the budget for the current year (2016/17), highlighting only significant or exceptional in-year changes for approval, reviews and updates financial assumptions and presents updated projections for the following 4 years from 2017/18 to 2020/21, in the context of the longer-term financial position.

Timetable

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

Date	Task
2016	
8 November	Scrutiny and Overview Committee considers HRA Medium Term Financial Strategy, with any amendments incorporated into recommendations to Cabinet
17 November	Cabinet considers HRA Medium Term Financial Strategy, with any amendments incorporated into recommendations to Council
2017	
7 February	Scrutiny and Overview Committee considers HRA Budget Setting Report, with any amendments incorporated into recommendations to Cabinet
9 February	Cabinet considers HRA Budget Setting Report, with any amendments incorporated into recommendations to Council
23 February	Council approves HRA Budget Setting Report

Section 2
Housing Stock

Housing and Leasehold Stock

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

Housing Category	Actual Stock Numbers as at 1/4/2016	Estimated Stock Numbers as at 1/4/2017
General Housing (Incl. use as Temporary Housing)	4,175	4,174
Sheltered Housing	1,053	1,053
Sheltered Housing – Equity Share	82	82
Miscellaneous Leased Dwellings	20	11
Shared Ownership / FTB Dwellings	56	56
Total Dwellings	5,386	5,376

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 1/4/2016	Estimated Stock Numbers as at 1/4/2017
Bedsits	32	20
1 Bed	1,016	1,012
2 Bed	2,252	2,262
3 Bed	1,872	1,868
4 Bed	71	71
5 Bed	1	1
6 Bed	4	4
Total Dwellings	5,248	5,238

Leasehold Stock

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

Section 3
The National Policy Context and External Factors

External Factors

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

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

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). Having reviewed changes in this measure of inflation over the past 18 months, the average rate of growth has remained low, with rates of below 1% spanning the entire period.

In light of the recent referendum, resulting decision for the UK to leave the European Union and subsequent reduction in the Bank of England Base Rate, it is difficult to accurately predict in which direction this indices will move in the short or medium term.

With this in mind, forecasts for the rate of base inflation have been amended as part of the Medium Term Financial Review to reflect the projections currently being made by the Office for Budgetary Responsibility (OBR), with estimates that prices will increase by 1.9% for 2017/18, increasing to 2.4% from 2018/19 ongoing. This assumption will be revisited again as part of the 2017/18 Budget Setting Report.

Expenditure in respect of building maintenance is inflated in the financial forecasts using the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) all in tender price index. This index is historically volatile, with huge peaks and troughs in the rates between years, depending upon the level of activity and availability of both labour and materials for the industry.

Again, a decision to leave the European Union is anticipated to have a direct impact in this industry, with current uncertainty about the price that can be secured for building materials, whether financial institutions will continue to lend on the same terms for building projects in the UK, and whether the labour market will be directly impacted.

According BCIS All in Tender Price Index, forecasts for the next 5 years are for growth of 3.7% for the next 3 years, followed by an increase of 4.6% and 6.4% in the last 2 years. These revised assumptions have been incorporated into the financial forecasts, using an average rate of 4.5% from year 6 onwards.

Interest Rates

The Council lends externally, any cash balances held, adopting a mix of investments which include lending to Ermine Street Housing, a market rented housing company wholly owned by the Council. If the balances held, whether revenue or capital in nature, relate to the Housing Revenue Account, the interest earned by the authority is credited to the Housing Revenue Account. Although the introduction of lending to Ermine Street Housing has provided a different mix of investments, the level of return remains relatively low. Revised interest rate assumptions are included in **Appendix B.**

As the Housing Revenue Account is already at its borrowing cap, bar a very small amount of notional internal lending to the General Fund, the level at which the HRA could borrow additional resource, over and above the existing PWLB loan portfolio totalling £205,123,000, is not currently relevant for HRA business planning purposes. From the perspective of accounting for the interest due to the HRA for the internal lending to the General Fund, the same rate that would be achieved via lending externally is adopted.

Right to Buy Sales

In 2015/16, 80 right to buy applications were received and recorded, compared with 67 in the previous year. 48 applications were received in the first 6 months of 2016/17. This supports the view that there is still increased initial interest in the scheme, but not all of the applications are progressed to completion, as some applicants withdraw during the process. It is possible that continued interest in the scheme may be brought about by the introduction of 'Pay to Stay', the requirement for those on higher income to pay up to market rent for living in their council home.

In 2015/16, 23 of the applications proceeded to completion of the sale of the property, compared with 29 in 2014/15. In the first 6 months of 2016/17, 12 sales have completed, indicating that the number of applications that proceed to completion is being broadly maintained at present.

It is impossible to accurately predict future sales, although the lead up to the introduction of 'Pay to Stay' will potentially have some impact, causing mores sales to proceed than might otherwise have done, offsetting the current downward trend being experienced. With this in mind, it is considered prudent to retain the current assumption of sales, with 25 sales in 2016/17 and 2017/18, 20 sales per year from 2018/19 to 2020/21 and 15 sales per annum after this.

Right to Buy Receipts

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

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

Appendix C summarises the latest position in 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, 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.

National Housing Policy

National Rent Setting Policy

There is now no discretion at a local level in terms of setting rents. The Welfare Reform and Work Bill included legislation that imposes the requirement on local authorities and registered providers to reduce rents by 1% each year for four years, beginning in April 2016.

For the first year, an exclusion to the legislation was granted in respect of supported housing (sheltered and temporary housing in South Cambridgeshire District Council's case), which allowed rents in these dwellings to be increased as before, pending the outcome of a review into the rent levels for this type of accommodation.

South Cambridgeshire District Council decided not to apply the exemption for supported housing in April 2016, and subsequently the Secretary of State for Work and Pensions, following an agreed review, has confirmed that the rent cut is to apply for supported housing for the remaining three years of the rent cut regime.

Market Rents for Higher Income Households (Pay to Stay)

The Housing and Planning Act 2016 incorporated a requirement for local authority social landlords to charge up to market rent levels for households on higher incomes, and for HMRC to be able to share information with local authorities to facilitate this.

The policy change will require households earning over £31,000 per annum in taxable income to pay a higher level of rent than the social housing rent restructuring formula dictates, with increased rents introduced on a tapering basis. For every £1 over the threshold which a household earns, the rent payable will increase by 15p. The definition of household will include tenant, joint tenant, spouse, partner or civil partner. Earnings from non-dependent children living in the property, but not included on the tenancy will be disregarded, and any household in receipt of Housing Benefit or Universal Credit will be automatically excluded from the need to pay higher rents.

Local authorities will be able to retain 'reasonable' administrative costs, and for the **first** year of implementation, the sum payable to Central Government will be based upon actual receipts received, indicating that this might not always be the case.

Formal regulations are expected to be published in advance of the need to set rents from April 2017, when the policy is intended to be implemented from, although recent lobbying by local authorities, including South Cambridgeshire District Council, may see a delay in the implementation timetable. Once regulations have been issued, we will be in a position to communicate with individual residents.

Mandatory Disposal of Higher Value Housing Stock

The Housing and Planning Act 2016 also introduced the ability for Central Government to impose a financial levy on stock owning authorities, which equates to the assumption that the authority disposes of a proportion of its higher value housing stock when it falls vacant.

The levy will vary for each financial year, with the value arrived at on a formulaic basis, after a period of consultation with local authorities. Although the formal regulations are still awaited at present, it is anticipated that each authority will have some discretion over which assets it disposes of, in order to meet the levy. Payments are likely to be due periodically throughout each financial year. Once the regulations are available, consideration will need to be given to agreeing a set of disposal criteria.

In the absence of any regulations, the HRA Medium Term Financial Strategy has been constructed maintaining the assumption that the compulsion to sell will require the equivalent of approximately 1.8% of the housing stock each year to be disposed of, representative of just under 100 properties per annum from the outset.

Welfare Reforms

Universal Credit

Universal Credit was introduced at Cambridge Job Centre on the 29th February 2016 and is currently only applicable to those single, working age customers who would otherwise have been entitled to make a claim for Jobseekers Allowance. Universal credit does include housing costs for this group and generally this is paid directly to the customer. Claims must be made online, however, the full digital service is not yet available in this area. This means that any follow up to the initial claim is currently paper based. The full digital service will not be available in Cambridge until the rollout of Universal Credit to all claim types. As yet, no date is available but it is not likely to be until at least 2017. The numbers of claims since the end of February have been 50 lower than the DWP's (Department for Work and Pension's) initial estimate. Most of these are for people who do not have a rental liability such as non-dependants and only 5 customers have needed to apply for Council Tax Support and only one of these is a South Cambridgeshire District Council tenant.

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

Benefit Cap

Preparations for the introduction of the reduced Benefit Cap are progressing, with the early identification of potential customers being approximately 69, of which approximately 26 are South Cambridgeshire District Council tenants. DWP have sent letters to all of these customers. The Housing Advice and Homeless Team are working with Benefits to offer advice and support to those who will be affected.

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 253 South Cambridgeshire District Council tenants affected by the reform, with 222 impacted by a reduction of 14%, and 31 by 25%.

Local Housing Allowance Restriction

Social sector rents used in the calculation of Housing Benefit and the Housing Costs element of Universal Credit will be restricted to the prevailing Local Housing Allowance rates from April 2018 for all new tenancies entered into from April 2016 (unless the tenancy is for a Specified Accommodation, then the tenancy start date is April 2017).

For claimants under the age of 35, a restriction applies which limits the Housing Benefit payable to the shared room rate, and not the one bedroom rate, as would previously have been applied to those under 25, but now impacts a larger number of residents.

Support for Vulnerable People

South Cambridgeshire District City Council is still in contract with the County Council for the delivery of tenure neutral support services to older people across the district as a whole, with a term of up to 5 years from April 2014, assuming an extension is agreed from April 2017. The contract sum is £302,000 per annum.

The District Council no longer receives any funding from the County Council for the provision of alarms in sheltered housing.

Section 4
Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

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

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

Financial Year End	Value of Year End Arrears in Accounts (Current Tenants)	Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2012	£252,040	1.00%	£65,429
31/3/2013	£279,776	1.05%	£67,244
31/3/2014	£316,922	1.12%	£76,767
31/3/2015	£328,376	1.13%	£98,954
31/3/2016	£306,046	1.03%	£92,305

Performance in the collection of current tenant debt was improved during 2015/16, but arrears levels have increased again marginally during the first 4 months of 2016/17, when compared with both year-end position and the profile at this point last year. In August 2016, current tenant arrears stood at £339,065 and former tenant arrears at £96,882, the latter also 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 still anticipated to become more challenging with the phased introduction of direct payment, which began locally in February 2016, but is not anticipated to be implemented in full until 2020.

Considering the above positive performance, but also recognising the need to collect rent directly from an increasing number of residents in the future, the current assumption of setting aside 0.5% of the rent due, broadly equivalent to an annual contribution to the bad debt provision of £140,000 has been reviewed, with the resulting recommendation that the level is reduced in the short term, but increased back to 0.5% for the longer term.

A bad debt provision of 0.25% has been made for 2016/17, 0.3% for 2017/18, 0.35% for 2018/19 and 0.4% for 2019/20, moving back to 0.5% from 2020/21 onwards.

At 31 March 2016, the provision for bad debt stood at £300,000, representing approximately 75% of the total debt outstanding.

Void Levels

The estimated value of rent not collected as a direct result of void dwellings in 2015/16 was £354,774, representing a void loss of 1.2%. The higher than desired level of void loss in 2015/16 was partly due to 'management or major voids' held pending disposal or re-development the site.

At the end of 2015/16, 61 properties were unoccupied, , representative of 1.1% of the housing stock, with approximately 36% 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 requirement to sell high value void properties in the future will impact this assumption in future iterations of the business plan, with the loss of estimated rental income already incorporated into the financial forecasts as a separate assumption.

Rent Setting

Although in the background, the national rent setting policy for calculating rents in social housing, 'rent restructuring' remains, as identified in Section 3, National Housing Policy, there has been significant change in national rent policy which impacts this.

Rents levels are required legislatively to be reduced by 1% per annum for 4 years, with the first year of this applied from April 2016. Compared to the previous business plan assumption of an increase of 4%, this change has already significantly impacted the revenue stream for the HRA.

The potential to exempt supported housing from the rent cut in April 2016, and instead to apply an increase of CPI plus 1% was not exploited locally, and confirmation has since been received that this type of accommodation will not be exempted going forward.

Rent Restructuring

Rent restructuring, designed to ensure consistency in rent levels for all social housing tenants irrespective of landlord by introducing a formulaic target rent for each property, is still the prescribed method of calculation for social housing rents.

There is still a significant gap between the target rents for many properties, and the actual level of rent being charged to the existing residents. The authority now only has the ability to close this gap when a property becomes void, which the authority has been doing for some time.

The average target 'rent restructured' rent at the time of preparing this report in 2016/17 across the housing stock was £109.95, with the average actual rent charged being £103.32. The average actual rent was therefore representative of 94% of the average target rent, with only 27.2% of the housing stock being charged at target rent levels.

There were no new build properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at April 2016, but the first 20 homes developed to be let at these rent levels were completed and let in May 2016, with 4 further homes available by July 2016.

The gap between actual and target rent levels now equates to an annual loss of income of approximately £1,834,000 across the HRA, compared with the income assumption in the HRA Self-

Financing Debt Settlement, where convergence was anticipated by now. Closing this gap may never be realised in many cases, with a significant proportion of properties likely to need to be sold when they fall vacant, to meet the higher value void levy.

Pay to Stay

The requirement for households with annual incomes in excess of £31,000 to be required to pay up to market rent levels is anticipated to be introduced from April 2017, as described in Section 3.

The increased income collected by local authorities as a result of this change will be payable to central government, with the expectation that a contribution towards the cost of administering the scheme will be retainable locally.

Until work has been undertaken to define the process through which income information will be shared by HMRC and the basis upon which rents will be charged to residents, combined with IT suppliers undertaking development work to provide for as much of the process to be managed electronically as possible, it is impossible to quantify the additional resource that will be required to fulfil our obligations.

Due to the complexities anticipated, and the volume of data that will need to be collected once the regulations are made available, officers are lobbying Central Government, to request that the implementation date be deferred to April 2018.

Communication with residents will be undertaken in the lead up to April 2017, as soon as the authority is clear about the process being adopted.

Once the regulations supporting the changes in national rent policy are available, consideration will be given to a Rent Setting Policy at a local level as part of the 2017/18 HRA budget setting process, either as part of the HRA Budget Setting Report or as the subject of a specific report to Cabinet and Council at the same time. Rent levels will continue to be set at Council in February of each year.

Reserves

Housing Revenue Account General Reserves

Reserves are held partly to help manage risks inherent in financial forecasting and budget-setting. These risks include changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies. In addition, reserves may be used to support the Housing Capital Investment Plan and, in the short-term, to support revenue spending, for example to spread the impact of savings requirements over more than one financial year. For the Housing Revenue Account the intended target level of reserves remains at £2m.

The impact on HRA reserves for 2015/16, and 2016/17 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	Financial Year	
	2015/16 £'000	**2016/17 £'000**
Opening General HRA Reserves	**(3,178)**	**(8,073)**
Changes in HRA Reserves		
Original Budget (Approved in February)	255	(28)
Rollovers (Approved in July)	0	3,969
MTFS Mid-Year Review (Approved in November)	0	(183)
Budget Setting Report Revised Budget (February)	0	-
Estimated Closing General HRA Reserves	**(2,923)**	**(4,315)**
Actual Outturn for the Year (Reported in July)	(4,970)	-
Contribution to / (from) Ear-Marked Reserves	75	-
Actual Closing General HRA Reserves	**(8,073)**	**-**

The original budget for 2016/17 approved a net contribution to general reserves of £27,640 and incorporated a revenue contribution of £5,691,200 to fund capital expenditure.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources, approved rollovers from 2015/16 and incorporation of changes in rental income, anticipated call on the bad debt provision and revised estimates for interest due for 2016/17 based upon revised cash balance assumptions as part of this HRA Medium Term Financial Strategy.

The final general HRA reserves position reported at 31 March 2016 was £8,072,873. This included a return to the self-insurance reserve of approximately £75,000, to reflect the call on the fund in the previous year.

The revised projection of the use of general reserves in the current year (2016/17) now indicates that there is expected to be a net use of reserves of £3,757,520, which would leave a balance of £4,315,353 at 31st March 2017.

There is now a proposed use of £9,560,690 of direct revenue financing of capital expenditure in 2016/17 as a result of approval of rollovers as part of the outturn process for 2015/16. There is also now an assumed use of direct revenue financing of capital expenditure in future years, as a direct result of proposals to utilise the reserve previously held for potential debt redemption to allow top up and appropriate re-investment of right to buy receipts.

Earmarked Funds

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

Section 5
Review of Revenue Budgets

Housing Savings Programme

As part of the 2015/16 budget setting process, a formal savings target of £250,000 per annum, for four years, was incorporated into the HRA, in direct response to some of the national changes in housing policy which have, will, or are expected to have a negative financial impact on the HRA.

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

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

- Responsive, Cyclical and Void Repairs
- Housing & Tenancy Management (to include Tenant Participation and Anti-Social Behaviour)
- Approach to set-aside for redemption of the Self-Financing Debt

Any operational pressures for the Housing Service for 2017/18 and beyond will also need to be considered as part of this process, and these include:

- Administrative burden of Pay to Stay
- Administrative burden of requirement to meet Higher Value Voids Levy

The proposals for year one will be presented to Cabinet and Council, following scrutiny consideration, as part of the 2017/18 budget process, included in the 2017/18 HRA Budget Setting Report.

2016/17 Mid-Year Budget Changes

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

For 2016/17, there is the need to recognise and approve the following changes in the HRA mid-year:

- Revised rental income assumptions as a result of more vacant homes being moved to target rent levels in 2015/16 than anticipated, coupled with recognition that the authority has not yet begun to hold vacant homes for potential disposal under the higher value voids levy, in the absence of any regulations having been issued to date. The assumption that the regulations are received imminently, and that the requirement to hold voids commences immediately afterwards, is maintained.

- A reduction in the amount of interest that the HRA will expect to pay in 2016/17, recognising a small amount of internal lending to the General Fund.

- An increase in the anticipated interest received on cash balances for 2016/17, as although the interest rate is predicted to remain low, the level of balances held will be higher due to underspending in 2015/16 at outturn and re-phased capital expenditure.

- A reduction in the contribution to the bad debt provision, recognising the phased manner in which direct payment of Universal Credit is being implemented.

- The transfer of budget for drainage surveys to be carried out over the next 3 to 5 years to revenue now that the contract has been awarded and the split between capital and revenue expenditure is known.

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

Depreciation

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

It has been confirmed, despite extensive lobbying nationally, that the transitional measures will cease with effect from 31st March 2017, and that all stock holding local authorities will be required to account for full depreciation on a componentised basis, from April 2017.

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

There is a risk that the full level of depreciation that will need to be charged to the HRA from 2017/18 will exceed the level assumed in the current business plan, but to mitigate the risk, officers have obtained an independent mid-year valuation to arrive at the revised depreciation that has been included as part of this iteration of the business plan.

The independent opinion on the level of depreciation which should be debited to the HRA from 2017/18 onwards, taking into consideration property values, the residual lives of the assets and the need to depreciate on a componentised basis, results in a lower level of estimated depreciation than was prudently assumed to apply from April 2017 when the 2016/17 budget was set in February 2016. This will be kept under review going forward.

Section 6
Housing Capital Budget

Stock Investment and Decent Homes

Stock condition data is continually updated in respect of the housing stock, improving the information held to inform future decision making. The authority is currently procuring updated 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 2016 at 87.5%, compared with 91.5% at 31 March 2015, with 656 (449 in March 2015) properties that were considered to be non-decent (in addition to refusals), and another 73 (155 in March 2015) anticipated to become non-decent during 2016/17.

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 heat pumps and more controllable high heat retention electric 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 be reviewed before the end of 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 changes in national housing policy, the authority currently has little resource available for investment in new build housing, compared with that previously anticipated.

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

New Build and Re-Development Schemes Completed and in Progress

The table below updates the position in respect of schemes completed or in progress 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 Social Housing Units	Indicative Scheme Composition (Subject to Change)	Indicative Scheme Cost (Net of subsidy / land receipt)
Fen Drayton Road, Swavesey	Completed May 2016	20	4 x 1 Bed House 10 x 2 Bed House 5 x 3 Bed House 1 x 4 Bed House	2,954,320
Horseheath Road, Linton	Completed July 2016	4	1 x 2 Bed Bungalow 2 x 2 Bed Flat 1 x 2 Bed House	494,550
Hill Farm, Foxton	On Site, Completion by March 2017	15	4 x 1 Bed House 6 x 2 Bed House 5 x 3 Bed House	2,246,660
Robinson Court, Gamlingay	Planning Submission July 2016, On Site by May 2017	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
Pembroke Way, Teversham	Pre-Planning Stage	5	2 x 2 Bed Flat 3 x 3 Bed House	860,230
Total		**58**		**8,793,130**

The scheme previously included in Balsham is not now anticipated to proceed, and as such has been removed from the programme. The scheme at Wilford Furlong, Willingham is subject to review in light of the potential to utilise some of the land as self-build plots, and has been removed from the programme in its previous form, pending the outcome of this review.

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

The table below includes indicative details of schemes in the pipeline, which have been incorporated into this iteration of the Housing Business Plan, ear-marking the resource so that schemes can proceed if they are able to.

Scheme	Status	Estimated Social Housing Units	Indicative Scheme Composition (Subject to Change)	Indicative Scheme Cost (Net of subsidy / land receipt)
Pampisford Road, Great Abington	Planning Submitted, SCDC to be RP Partner	8	2 x 1 Bed Flat 2 x 2 Bed House 3 x 2 Bed Bungalow (Shared Ownership) 1 x 3 Bed House	1,383,080
Highfields, Caldecote	Section 106 negotiations in progress	3	1 x 1 Bed House 2 x 2 Bed House	430,590
Total		**11**		**1,813,670**

The majority of schemes deliver new provision of affordable housing and as such will be eligible for 30% of the scheme to be funded using retained right to buy receipts, with the exception of any shared ownership dwellings that may be delivered on any site, the Gamlingay site and one dwelling on the Teversham site, which are re-development schemes where 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 new build schemes, acquire existing homes for use as social housing, or pass the resource over to a registered provider for re-investment.

The assumption has been made as part of this update to the Housing Business Plan, that the authority utilise resource that has previously been set-aside for the potential redemption of housing debt. This, coupled with capital receipts that have been received for the sale of HRA dwellings on the open market in recent years, provides sufficient resource to allow the appropriate re-investment of existing and anticipated retained right to buy receipts in the short to medium term, without the need to pass any funding to a registered provider in future years.

Changes in the level of estimated depreciation for the housing stock, coupled with the assumption that the authority can deliver the savings target of £250,000 per annum for the next four years, enable the continuation of a new build programme, sufficient to meet the assumed obligations in respect of retained right to buy receipts, for a period of ten years.

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

As a backstop position, the 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.

Self-Build Vanguard

With South Cambridgeshire District Council acting as a Self-Build Vanguard pilot authority, work is progressing well in preparing parcels of HRA land that could provide self-build opportunities, with a business case approved at Cabinet on 14th July 2016.

Following approval of an initial capital budget of £150,000 in the HRA as part of the Medium Term Financial Strategy considered by Council in November 2015, officers identified HRA sites, with the potential to provide in the region of 100 self-build plots.

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, are incorporated into the financial planning process, with the assumption that the self-build plot receipts will be used to deliver homes elsewhere in the HRA, utilising retained right to buy funding to make up 30% of the funding required. This has allowed inclusion of additional new build housing investment in the Housing Capital Investment Plan over the next few years.

This update of the business plan includes recognition of a lead in period to disposal of the first plots, with the first land receipts now not anticipated until 2017/18, with a corresponding delay in the ability to re-invest the receipts in new homes.

Section 106 Funding

Commuted Sums Money received in lieu of Affordable Housing

In certain circumstances the Council receives commuted sum payments where approval has been granted as part of the planning decision to receive payment in lieu of affordable housing. This money has to be spent on the provision of affordable housing and is time limited. In November 2015, the Housing Portfolio Holder agreed that the default position for future funding should be to contribute to the Council's own new-build programme, before funding alternative projects within the District.

The Council currently holds £3.6m in commuted sums. The following table identifies when the money has to be spent.

Year	Section 106 sum to be spent	Cumulative Section 106 sum to be spent
2016/17	52,981 *	52,981
2017/18	195,887	248.868
2018/19	509,258	758,126
2019/20	61,780	819,906
2020/21	563,258	1,383,164
2021/22	57,500	1,440,664
2022/23	131,087	1,571,751

2023/24	199,092	1,770,843
2024/25	345,455	2,116,298
2025/26	104,580	2,220,878
2026/27	1,395,984	3,616,862

*Project underway for improvement to Council properties at Little Wilbraham (money had to be spent in Little Wilbraham and for the provision and / or improvement of affordable housing).

The 2016/17 original budget for spending the Section 106 resource, in the General Fund Capital Programme to ensure the commuted sums are appropriately invested is set out below:

Year	**Budget**
2016/17	505,000
2017/18	400,000
2018/19	279,000
2019/20	279,000
2020/21	279,000
2021/22	279,000

Commitments to date include:

Scheme	**Fund**	**2016/17**	**2017/18**
Little Wilbraham Council house improvements	HRA	53,000	0
Emmaus – additional 10 en-suite bed-spaces	General Fund	50,000	50,000
Little Gransden Almshouses – refurbishment of 4 properties	General Fund	40,000	42,000
Robinson Court, Gamlingay – Council property redevelopment	HRA	0	75,000
Organisational cost for delivery of Affordable Housing using Section 106 resource	General Fund	20,000	20,000
		£162,981	**£187,000**

The total commitment to 31st March 2018 amounts to £349,981 which is above the amount of £248,868 that needs to be spent by that point. A pipeline of schemes will be developed over the coming months as part of the HRA New Build / Acquisition Programme, to ensure the commuted sums are spent in a timely manner.

The balance of budgeted Section 106 spend included in the General Fund Capital Programme, after allowing for the General Fund commitments above, has been incorporated into the HRA Capital Programme in anticipation of schemes being brought forward which can utilise the resource. If schemes are identified with a differing investment profile, the timing of use of funding will be incorporated into the next iteration of the business plan and budget.

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 policy will have be reviewed and significantly amended once the regulations surrounding the higher value voids levy are available. This legislation will require a completely new approach to the asset management of the housing stock.

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

However, anticipated receipts from the sale of self-build plots are already taken into consideration in financial planning in anticipation of the ability to utilise them to top up retained right to buy receipts.

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.

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 top up resource is available, but new build is not possible within a quarterly deadline for the use of retained receipts.

During the summer of 2016, the decision was taken to utilise resource previously ear-marked for investment in new build homes, to instead acquire a number of existing market dwellings during

2016/17, which will be utilised for social housing purposes. This decision combines resource previously identified for the abortive scheme in Balsham with unallocated new build funding and resource identified for transfer to a registered provider, where the HRA now has sufficient resource to top up retained right to buy receipts held.

Budgetary Changes

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

- Expenditure as approved in the HRA Budget Setting Report in February 2016.
- Re-phasing (rollover) of expenditure anticipated to take place in 2015/16 into 2016/17 and beyond, as approved in July 2016.
- Re-phasing of anticipated expenditure in respect of new build schemes, taking account of the latest budgetary requirements for schemes that are progressing, the need to defer some anticipated investment, and to remove investment where schemes are now not expected to progress.
- Removal of new build budgets for Balsham and Wilford Furlong, Willingham, as these schemes are no longer anticipated to proceed, with resources instead being ear-marked for new schemes coming forward.
- Inclusion of specific budgets for acquisition of dwellings in 2016/17 to ensure that right to buy receipts can be appropriately re-invested despite re-phasing in the new build programme.
- Inclusion of both budget and associated Section 106 funding for improvement works to council homes in Little Wilbraham, to allow investment of this resource with the required timescales and following a decision notice recorded in June 2016.
- Capital financing has been updated in respect of revised assumptions in right to buy and other capital receipts, grants, Section 106 funding, revenue funding of capital expenditure and borrowing requirements.
- Transfer of budget for drainage surveys to revenue now that the contact has been awarded and the split of activity between revenue surveys and capital drainage upgrade works is known.

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

Devolution

Discussions with Central Government in respect of the potential for devolution across East Anglia have culminated in a recent agreement to proceed to public consultation based upon a brother / sister devolution deal for the region.

The devolution arrangements would see an arrangement for Norfolk and Suffolk together, and a separate arrangement for Cambridgeshire and Peterborough, with both having an elected mayor for their area.

In respect of the Cambridgeshire and Peterborough offer, government funding of £100 million would be made available for housing and infrastructure costs to meet the impact of growth, particularly in the Greater Cambridge (Cambridge City and South Cambridgeshire) area, and £70 million would be made available over 5 years, ring-fenced for affordable housing and to be spent in Cambridge's HRA. A government allocation of £20 million over 30 years would be provided to meet the ongoing costs of supporting infrastructure.

Section 7
Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget for 2017/18 will incorporate the proposals made as part of the HRA Savings Programme. The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2017/18 budget process. The process will remain broadly similar to that for previous years in terms of timing and detailed administration.

The work being undertaken as part of the Savings Programme to exemplify savings will allow response to the changes in national housing policy which negatively impact the HRA business model, but could also allow strategic re-direction of resource into other areas of investment, such as new build housing, if the financial pressures are not as currently anticipated.

There is still a need to consider the delivery of a sustainable HRA over the full 30 years if the higher value voids levy were to be implemented as we are currently assuming. The assumption that savings will be made, or additional income will be generated to meet a target of £1,000,000 over the next four years is still required to ensure sustainability, and the continuation of a new build programme for ten years to meet obligations under the retention agreement, based upon current assumptions.

If the level of depreciation that needs to be charged to the revenue budget is higher than the revised assumptions incorporated, a greater degree of cost reduction, additional income generation, or a reduction in the new build programme, would be required to ensure the longer-term viability of the business.

For 2016/17 the HRA Medium Term Financial Strategy incorporates changes in anticipated rental income, interest earned and paid in year from a revenue perspective, and a reduced call on the bad debt provision

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

Approach to HRA Savings

A savings target of £250,000 per annum from April 2017, for the next 4 years, was incorporated into the financial forecasts, and approved by Council in February 2016. An adjustment in respect of repairs expenditure in line with estimated stock changes is also assumed.

As part of the 2017/18 budget setting process, any areas of new revenue investment will need to be offset by the identification of additional savings or increased income generation elsewhere across the HRA.

At this stage, pending receipt of the regulations surrounding the higher value voids levy, any resource previously set-side for potential debt redemption is assumed to be available for re-investment in new homes, recognising that this will mean that all loans will need to be re-financed as they reach maturity.

One of the key challenges for 2016/17 and beyond, remains the need to ensure that the authority can re-invest retained right to buy receipts appropriately, with the potential for the receipts to need to be paid over to CLG, with interest, currently at 4.25%, calculated from the quarter in which they were originally received if not spent within 3 years. It is not only identification of resource to top up the right to buy receipts that proves challenging, but also our ability to identify sites, secure planning permission, and deliver new homes within the time constraints imposed.

The position will be reviewed again as part of the January 2017 HRA Budget Setting Report, with a view to maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst attempting to maintain a programme of new build housing where possible.

Base Assumptions

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

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

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

Appendix G summarises the revenue budget position for the HRA for the period between 2016/17 and 2020/21, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

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

HRA MTFS Conclusions

Updating the base assumptions for the HRA has had a significant impact on the future financial projections for the housing business.

One of the key risks highlighted in this update of the business plan is the potential for an increase in the assumed level of depreciation to be charged for the housing stock in future years, following cessation of the transitional arrangements that allowed the authority to mitigate the revenue impact of the full level of depreciation for the housing stock for 5 years from April 2012. Any increase in the level of depreciation increases the amount of resource which needs to be transferred into the Major Repairs Reserve, where it can then only be spent on capital activity, as opposed to leaving the resource in the revenue account, where it could be used to fund either revenue or capital activity, thus increasing the flexibility in the use of this resource. The level of depreciation incorporated into the financial forecasts from April 2017 is based upon the findings of the independent mid-year review of asset valuations and lives, which is considered to have mitigated any risk to some degree.

Current financial modelling retains the assumption of the requirement to reduce rents by 1% per annum for four years from April 2016 and the compulsion to sell higher value housing stock on the open market when it becomes void. If we add to this the assumption made as part of the 2016/17 budget process that savings totalling £1,000,000 will be identified between 2017/18 and 2020/21, the HRA is able to set a revenue budget for the 30 year life of the business plan.

Although the revenue position, assuming the savings target of £1,000,000 is delivered in full, is viable for the life of the business plan, any increase in the level of depreciation to be charged could impact this.

Any options available to the authority are currently predicated on the assumption that the Housing Savings Programme will reduce costs or generate additional income of at least £1,000,000. The first £250,000 is anticipated to be identified for delivery in 2017/18, allowing for clarity in some of the national housing policy changes before further tranches of savings are identified in preparation for future year's budgets. The approach to delivering savings in future years will be set out as part of the 2017/18 budget setting process.

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

Appendix A

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified	• Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted
Funding is not identified to meet the costs associated with changes in statutory requirements	• Additional / specific funding requirements for new services can be identified through the budget process, to allow effective prioritisation of resources
HRA Debt Settlement could be re-opened by Government (or not re-opened when changes dictate that it should)	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies
Changes in national rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible. • Consideration could be given to deviating from national rent policy at a local level if statute were to allow
Implementation of Pay to Stay and Fixed Term Tenancies carry administrative costs that far outweigh any allowances provided	• Consideration given as part of annual budget process of the level of resource that may be required, with incorporation of this into financial plans, with the opportunity to review this annually
Housing Portfolio & Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	• Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact • The Business Plan includes long-term trend analysis on key cost drivers such as growth levels and demographics, and their implications • Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures

Risk Area & Issue arising	Controls / Mitigation Action
Financial planning lacks appropriate levels of prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA Failure to deliver Major Housing / Development Projects, i.e. return on capital, project on time etc.	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework • Performance and contractor management procedures are robust and contracts are enforceable • The Council's accounts are audited on an annual basis, with assurance given that the authority is delivering economy, efficiency and effectiveness in its use of resources

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation and the provision of information to negotiation bodies such as LGA and CIH
Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms	• Performance closely monitored to allow positive action if required.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management activity undertaken to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes to the right to buy rules, pooling regulations and Pay to Stay result in continued higher level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity
Volatility and competition in the property market impacts the ability to fund capital pressures from the sale of assets	• Review values achieved for land and property disposals on a regular basis, and amend forecast assumptions appropriately
Volatility and uncertainty in the property market impacts the ability to dispose of assets at appropriate values and within timescales required to meet the higher value voids levy	• Reconsider appropriate level of HRA reserves to hold as a minimum once the levy vale is known • Retain capital receipts realised in advance of the levy in anticipation of the need for them

Appendix B

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**1.9%, then 2.4% ongoing**	**General inflation on expenditure included at 1.9% for 2017/18, then 2.4% ongoing, per OBR (Office for Budgetary Responsibility) forecasts.**	**Amended**
Capital Inflation	**3.7% for 3 years, 4.6%, 6.4%, then 4.5% ongoing**	**Based upon the BCIS forecast for the next 5 years, using an average over this period as the ongoing assumption**	**Amended**
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: 2017/18 – 1.0% 2018/19 – 1.0% 2019/20 – 1.0% 2% ongoing	Assume allowance for increments at 1.3%. Pay inflation for three years from 2017/18 limited to 1% reflecting recent Government guidance, and a return to 2% thereafter, reflecting economic recovery.	Retained
Employee Vacancy Allowance	£50,000	Employee budgets assume a vacancy allowance of £50,000 per annum.	Retained
Rent Increase Inflation	**-1% from 2016/17 for 4 years, then CPI plus 1% for 4 years, then CPI plus 0.5% from 2024/25**	**Rent decreases of 1% per annum in line with government guidelines from 2016/17 to 2019/20, then CPI plus 1% until the end of the 10 year period, reverting to inflation plus 0.5% after this. Assume CPI in preceding September is as above.**	**Amended**
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	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	**2.4%, 2.5%, then 2.7% ongoing**	**Assumes additional borrowing using Capita predictions of PWLB rates, rising to 2.7% over the next 3 years, including assumed certainty rate.**	**Amended**
Internal	**2.4%, 2.5%, then**	**Assume the same rate as external borrowing to**	**Amended**

Key Area	Assumption	Comment	Status
Borrowing Interest Rate	**2.7% ongoing**	**ensure flexibility in choice of borrowing route.**	
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, pending a review once the impact of the higher value voids levy and other housing policy changes are clear.	Retained
Right to Buy Sales	25 for 2 years, 20 for 3 years, then 15 sales ongoing	Pay to Stay expected to return to a higher level of activity. Assume 25 for 2016/17 and 2017/18, 20 for 3 years from 2018/19, until 15 are assumed ongoing from 2021/22.	Retained
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. Debt repayment proportion reported as at 1/4/2016 and assumed available for intended use.	Retained
Void Rates	1.1%	Assumes 1.1% per annum from 2016/17 onwards.	Retained
Bad Debts	**0.25% for 2016/17, 0.3% for 2017/18, 0.35% for 2018/19, 0.4% for 2019/20, then 0.5%**	**Bad debt provision of up to 0.5% over 5 years to reflect the requirement to collect 100% of rent directly for new benefit claimants, following phased implementation of Universal Credit from 2016 to 2020.**	**Amended**
Debt Management Expenses	£24,370 per annum from 2016/17	Internal treasury management activity recharged to the HRA.	Retained
Savings Target	£250,000 per annum for 4 years	Inclusion of a savings target at £250,000 per year ongoing, for 4 years from 2017/18 to 2020/21, reducing base budgets by £1,000,000 over this period.	Retained
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Policy Space	£0	No policy space incorporated at present, but if included would recognise a desire to be able to facilitate strategic investment and respond to pressures. To be reviewed again as part of 2017/18 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

Appendix C

Retained 1-4-1 Right to Buy Receipts

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
30/06/2012	273,807.59	273,807.59	912,691.97	30/06/2015	4,803,740.45	1,441,122.14	0.00	0.00
30/09/2012	110,185.59	383,993.18	1,279,977.27	30/09/2015	5,486,448.80	1,645,934.64	0.00	0.00
31/12/2012	786,867.59	1,170,860.77	3,902,869.23	31/12/2015	6,535,409.29	1,960,622.79	0.00	0.00
31/03/2013	257,177.59	1,428,038.36	4,760,127.87	31/03/2016	7,795,001.90	2,338,500.57	0.00	0.00
30/06/2013	180,159.83	1,608,198.19	5,360,660.63	30/06/2016	8,438,395.73	2,531,518.72	0.00	0.00
30/09/2013	408,259.67	2,016,457.86	6,721,526.20	30/09/2016	8,845,393.65	2,653,618.10	0.00	0.00
31/12/2013	405,074.37	2,421,532.23	8,071,774.10	31/12/2016			0.00	0.00
31/03/2014	1,012,895.75	3,434,427.98	11,448,093.27	31/03/2017			780,809.89	2,602,699.62
30/06/2014	190,149.46	3,624,577.44	12,081,924.80	30/06/2017			970,959.35	3,236,531.15
30/09/2014	542,412.66	4,166,990.10	13,889,967.00	30/09/2017			1,513,372.01	5,044,573.35
31/12/2014	490,971.13	4,657,961.23	15,526,537.43	31/12/2017			2,004,343.14	6,681,143.78
31/03/2015	417,089.12	5,075,050.35	16,916,834.50	31/03/2018			2,421,432.26	8,071,440.85
30/06/2015	417,483.31	5,492,533.66	18,308,445.53	30/06/2018			2,838,915.57	9,463,051.88
30/09/2015	527,469.65	6,020,003.31	20,066,677.70	30/09/2018			3,366,385.22	11,221,284.05
31/12/2015	446,035.59	6,466,038.90	21,553,463.00	31/12/2018			3,812,420.81	12,708,069.35
31/03/2016	330,902.72	6,796,941.62	22,656,472.07	31/03/2019			4,143,323.53	13,811,078.42
30/06/2016	310,654.33	7,107,595.95	23,691,986.49	30/06/2019			4,453,977.85	14,846,592.84
30/09/2016	687,638.84	7,795,234.79	25,984,115.96	30/09/2019			5,141,616.69	17,138,722.31

Appendix D

2016/17 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2016/17 Budget (£)	Budget Amendment in 2017/18 Budget (£)	Comment
Budgeted (use of) / contribution to HRA Reserves pre MTFS		**3,940,710**		
HRA Repairs and Maintenance				
Drainage Surveys	Budget for the drainage surveys transferred from capital now that contract has been awarded	190,000	Incorporated into base assumptions	5 years built into assumptions
Total HRA Repairs and Maintenance		**190,000**		
HRA Summary Account				
Rent Income	Increase in rent income due to vacant homes moved to target rent and not yet holding voids for sale to meet the higher value voids levy.	(277,110)	Incorporated into base assumptions	One-Off and built into assumptions in future years
Bad Debt Provision	Reduction in bad debt provision to 0.25% for 2016/17, rising to the higher level of 0.5% by 2020/21.	(70,280)	Incorporated into base assumptions	Short-term and built into assumptions in future years
Interest paid on Borrowing	An element of notional internal lending reduces the net interest paid by the HRA on borrowing.	(4,160)	Incorporated into base assumptions	Short-term and built into assumptions in future years
Interest earned on HRA Balances	Although interest rates may fall in the short to medium term, the level of balances held by the HRA result in an estimated increase in the level of interest that will be earned in 2016/17	(21,640)	Incorporated into base assumptions	One-Off and built into assumptions in future years
Total HRA Summary Account		**(337,190)**		
Total Mid-Year Revenue Changes		**(183,190)**		
Revised (use of) / contribution to HRA Reserves post MTFS		**3,757,520**		

Appendix E

2016/17 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**18,963**	**13,751**	**13,045**	**13,278**
Improvements – Existing Stock				
Transfer of budget for drainage surveys to revenue now contract has been awarded and split is known	(190)	(190)	(190)	(190)
Inclusion of budget for refurbishment works in Little Wilbraham to be funded using Section 106 resource	53	0	0	0
Changes in investment assumptions for varying stock numbers	0	84	56	4
Re-Provision of Existing Homes				
Re-phasing of spend for Robinson Court, Gamlingay	(247)	247	0	0
HRA New Build				
Re-phasing of spend for Pembroke Way, Teversham	(799)	799	0	0
Removal of budget for Balsham	(1,301)	(434)	0	0
Removal of budget for Wilford Furlong, Willingham	0	0	(660)	0
Inclusion of resource for the scheme at Pampisford Road, Great Abington	0	1,383	0	0
Inclusion of resource for the scheme at Highfields Road, Caldecote	0	431	0	0
Increase in budget for acquisitions to reflect removal of Balsham, delays in other schemes and removal of grant to Registered Providers, recognising the need to spend RTB receipts within deadlines	2,524	0	0	0
Increase in budget ear-marked for new build or acquisition as a result of the removal of the scheme in Wilford Furlong, Willingham	0	0	660	0
Inclusion of additional resource for new build or acquisition funded from resource previously set-aside for potential debt repayment or re-investment, awaiting property or scheme identification	0	3,829	3,829	3,828
Reduction in new build spend anticipated as a result of delay in receipt of resource from sale of self build plots	0	(1,357)	(1,357)	(815)
Inclusion of additional new build / acquisition spend to be funded using Section 106 resources	342	213	259	259
Removal of assumed grants to Registered Providers where HRA set-aside is to be used to match fund receipts	(391)	(963)	(488)	(441)
Total Housing Capital Plan Expenditure post MTFS	**18,954**	**17,793**	**15,154**	**15,923**

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£'0	£'0	£'0	£'0	£'0	£'0
New Build / Re-Development / Acquisition Cost Expenditure						
Robinson Court Re-Development	200,000	2,037,370	0	0	0	0
Unallocated Re-Development	1,192,680	0	0	0	0	0
Swavesey 20D	472,900	0	0	0	0	0
Linton, 4D Horseheath Rd	191,260	0	0	0	0	0
Foxton, 13D Hill Farm	1,527,666	0	0	0	0	0
Pembroke Way, Teversham	50,000	798,790	0	0	0	0
Pampisford Road, Great Abington	0	1,383,077	0	0	0	0
Highfields Road, Caldecote	0	430,592	0	0	0	0
Acquisitions	3,208,000	0	0	0	0	0
Unallocated New Build / Acquisition	0	3,829,113	5,846,196	6,543,399	7,357,684	3,829,113
New Build / Acquisition - Section 106 funded	342,000	213,000	259,000	259,000	259,000	259,000
Grants to Registered Providers	0	0	0	0	0	0
Total Expenditure	**7,184,506**	**8,691,942**	**6,105,196**	**6,802,399**	**7,616,684**	**4,088,113**
Use of Retained Right to Buy Funding						
Swavesey 20D	(141,870)	0	0	0	0	0
Linton, 4D Horseheath Rd	(57,378)	0	0	0	0	0
Foxton, 13D Hill Farm	(458,300)	0	0	0	0	0

New Build / Re-Development Scheme	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£'0	£'0	£'0	£'0	£'0	£'0
Pembroke Way, Teversham	(12,000)	(191,710)	0	0	0	0
Pampisford Road, Great Abington	0	(259,327)	0	0	0	0
Highfields Road, Caldecote	0	(129,178)	0	0	0	0
Acquisitions	(962,400)	0	0	0	0	0
Unallocated New Build / Acquisition	0	(1,148,734)	(1,753,859)	(1,963,020)	(2,207,305)	(1,148,734)
Grants to Registered Providers	0	0	0	0	0	0
Total Use of Retained Right to Buy Funding	**(1,631,948)**	**(1,728,949)**	**(1,753,859)**	**(1,963,020)**	**(2,207,305)**	**(1,148,734)**
Section 106 Funding						
New Build / Acquisition - Section 106 funded	(342,000)	(213,000)	(259,000)	(259,000)	(259,000)	(259,000)
Total Section 106 Funding	**(342,000)**	**(213,000)**	**(259,000)**	**(259,000)**	**(259,000)**	**(259,000)**
Total to be funded from HRA Resources (DRF & MRR), Sales Receipts and Non-RTB Capital Receipts	**(5,210,558)**	**(6,749,993)**	**(4,092,337)**	**(4,580,379)**	**(5,150,379)**	**(2,680,379)**
Total HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**0**

Appendix G

HRA Summary Forecast 2016/17 to 2020/21

Description	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Income					
Rental Income (Dwellings)	(28,224,460)	(27,474,670)	(26,945,140)	(26,424,100)	(27,085,020)
Rental Income (Other)	(401,080)	(408,700)	(418,510)	(428,550)	(438,840)
Service Charges	(1,080,600)	(1,099,950)	(1,124,860)	(1,150,370)	(1,176,490)
Other Income	(447,920)	(450,690)	(454,260)	(155,920)	(159,660)
Total Income	**(30,154,060)**	**(29,434,010)**	**(28,942,770)**	**(28,158,940)**	**(28,860,010)**
Expenditure					
Supervision & Management - General	3,044,520	3,122,870	3,210,140	3,303,560	3,421,040
Supervision & Management - Special	2,049,040	2,003,080	2,050,370	1,775,540	1,823,040
Repairs & Maintenance	5,660,910	5,868,970	5,979,910	6,096,960	6,233,630
Depreciation – to Major Repairs Res.	14,382,430	9,659,850	9,711,680	9,767,220	9,829,070
Debt Management Expenditure	24,370	24,830	25,430	26,040	26,660
Other Expenditure	247,810	13,990	(218,870)	(452,490)	(668,200)
Total Expenditure	**25,409,080**	**20,693,590**	**20,758,660**	**20,516,830**	**20,665,240**
Net Cost of HRA Services	**(4,744,980)**	**(8,740,420)**	**(8,184,110)**	**(7,642,110)**	**(8,194,770)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(142,410)	(131,030)	(132,200)	(136,490)	(126,980)
(Surplus) / Deficit on the HRA for the Year	**(4,887,390)**	**(8,871,450)**	**(8,316,310)**	**(7,778,600)**	**(8,321,750)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,188,640	7,188,640	7,188,640	7,188,640	7,188,640
Housing Set Aside	0	0	0	0	(2,500,000)
Appropriation from Ear-Marked Reserve	(54,960)	0	0	0	0
Depreciation Adjustment	(8,049,460)	0	0	0	0
Direct Revenue Financing of Capital	9,560,690	4,004,480	70,000	698,410	4,000,540
(Surplus) / Deficit for Year	**3,757,520**	**2,321,670**	**(1,057,670)**	**108,450**	**367,430**
Balance b/f	(8,072,873)	(4,315,353)	(1,993,683)	(3,051,353)	(2,942,903)
Total Balance c/f	**(4,315,353)**	**(1,993,683)**	**(3,051,353)**	**(2,942,903)**	**(2,575,473)**

Appendix H

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Improvements Existing Stock					
Water / Drainage Upgrades	77	78	80	81	83
Drainage Upgrades	310	310	310	310	310
Disabled Adaptations	816	832	849	866	883
Change of Tenancy - Capital	500	624	637	649	662
Rewiring	306	312	318	325	331
Heating Installation	2,509	2,000	2,500	2,550	2,601
Energy Conservation	1,500	1,488	1,592	1,624	1,656
Estate Roads, Paths & Lighting	82	84	85	87	89
Garage Refurbishment	50	127	130	132	135
Parking/Garages	15	50	85	87	89
Window Replacement	411	265	271	276	282
Re-Roofing	568	437	446	455	464
Full Refurbishments	253	200	243	258	273
Structural Works	150	150	212	216	221
Non-Traditional Refurbishment	1,412	0	0	0	0
Asbestos Removal	33	33	34	35	35
Kitchen Refurbishment	714	728	743	758	773
Bathroom Refurbishment	306	312	318	325	331
Wilford Furlong, Willingham Refurbishment	933	644	0	0	0
Assumed adjustment in spend for varying stock numbers	0	-100	-261	-419	-575
Total Improvements Existing Stock	**10,945**	**8,574**	**8,592**	**8,615**	**8,643**
Other Improvements					
Sheltered Housing and Other Stock	155	50	50	50	50
Flats	30	30	30	30	30
Central / Departmental Investment	7	7	7	7	7

Description	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Total Other Improvements	**192**	**87**	**87**	**87**	**87**
Re-Provision of Existing Homes					
Robinson Court, Gamlingay	200	2,037	0	0	0
Other Re-provision	1,193	0	0	0	0
Total Re-Provision of Existing Homes	**1,393**	**2,037**	**0**	**0**	**0**
HRA New Build / Acquisition					
Fen Drayton Road, Swavesey	473	0	0	0	0
Horseheath Road, Linton	191	0	0	0	0
Hill Farm, Foxton	1,528	0	0	0	0
Pembroke Way, Teversham	50	799	0	0	0
Pampisford Road, Great Abington	0	1,383	0	0	0
Highfields Road, Caldecote	0	431	0	0	0
Acquisitions	3,208	0	0	0	0
Unallocated New Build / Acquisition Budget	0	3,829	5,846	6,543	7,358
New Build / Acquisition - Section 106 funded	342	213	259	259	259
Grants to Registered Providers for New Homes	0	0	0	0	0
Total HRA New Build / Acquisition	**5,792**	**6,655**	**6,105**	**6,802**	**7,617**
Other HRA Capital Spend					
Shared Ownership Repurchase	300	300	300	300	300
Self-Build Vanguard - Up front HRA Land Assembly Costs	118	0	0	0	0
HRA Share of Corporate ICT Development	214	140	70	119	23
Total Other HRA Capital Spend	**632**	**440**	**370**	**419**	**323**
Total HRA Capital Spend	**18,954**	**17,793**	**15,154**	**15,923**	**16,670**
Inflation Allowance for New Build and Other HRA Spend	0	0	0	0	0
Total Inflated Housing Capital Spend	**18,954**	**17,793**	**15,154**	**15,923**	**16,670**
Housing Capital Resources					

Description	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Right to Buy Receipts	0	0	0	0	0
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0
Major Repairs Reserve	(6,332)	(9,661)	(9,491)	(9,989)	(9,829)
Direct Revenue Financing of Capital	(9,561)	(4,004)	(70)	(698)	(4,001)
Other Capital Resources (Grants / Shared Ownership / S106 funding)	(745)	(1,593)	(3,283)	(3,097)	(633)
Retained Right to Buy Receipts	(1,632)	(1,729)	(1,754)	(1,963)	(2,207)
Retained Right to Buy Receipts (Used by Registered Provider)	0	0	0	0	0
HRA CFR / Prudential Borrowing	0	0	0	0	0
Total Housing Capital Resources	**(18,270)**	**(16,987)**	**(14,598)**	**(15,747)**	**(16,670)**
Net (Surplus) / Deficit of Resources	684	806	556	176	0
HRA Capital Balances b/f	**(2,222)**	**(1,538)**	**(732)**	**(176)**	**0**
Use of / (Contribution to) Balances in Year	684	806	556	176	0
HRA Capital Balances c/f	**(1,538)**	**(732)**	**(176)**	**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.

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Self-Insurance Reserve

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

Debt Set-Aside (Revenue)

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

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(2,998.5)	(344.4)	0.0	(3,342.9)

Major Repairs Reserve

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

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
General Inflation	General Inflation using CPI of up to 2.4% for expenditure	Volatility in the economy could lead to an increase in expenditure inflation, particularly whilst rents increases are non-existent for the next 4 years. Assume CPI for expenditure only of 3% ongoing.	Debt cap is breached in year 29, 2045/46.
Rents Inflation	1% reduction for 4 years, then return to CPI plus 1% for remaining 4 years of 10 year rent settlement followed by CPI plus 0.5%	There is no guarantee that there will be the ability to return to previously assumed rent increase if rents are set legislatively, so assume a rent freeze from 2020/21.	Inability to set a balanced revenue budget from 2020/21 and reserves exhausted after 2023/24.
Direct Payments (Universal Credit)	Bad Debts at 0.25%, 0.3%, 0.35%, 0.4% then 0.5%	Evidence from the pilot authorities for Direct payment indicates that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2020/21.	Debt cap is breached from year 9, 2025/26.

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

Appendix K

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

Self-Financing for the HRA

Future uncertainty exists about the ability to manage the cashflow and service the debt for the HRA in a self-financing environment in light of recent national housing policy changes. The debt cap, over which the HRA is not allowed to borrow, currently remains. The authority has explored a variety of avenues to persuade government that re-opening the debt may be required.

Right to Buy Sales

The number of sales increased significantly from April 2012, but has remained relatively consistent since then. The announcements surrounding Pay to Stay may result in an increase in interest in the scheme in the short-term. The implications of continued higher levels of sales from a revenue perspective are significant, with the potential loss of rental income being the major factor.

Right to Buy Retention Agreement

The resource currently retained in respect of 1-4-1 receipts exceeds the level that the authority is able to support in 70% match funding following national housing policy changes unless resource previously set-aside for potential debt redemption is re-directed for this purpose. At present, although the investment required to fulfil the resource held at 30th June 2016 is incorporated into the HRA financial model, specific sites for all of the investment of the resource have not been identified and approved to proceed. The potential interest that will be payable if the receipts are not utilised within the agreed 3-year period has not been incorporated into the HRA revenue projections.

Welfare Reforms

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

HRA New Build

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

National Rent Policy

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

Housing Revenue Account – Revenue Uncertainties

Compulsion to Sell Higher Value Homes Levy

The Housing and Planning Act allows the introduction of an annual levy, representative of the proportion of high value homes which may become vacant in any one year. Until the regulations surrounding the legislation are released, significant uncertainty exists about the value of the levy and the timing within which payments may be due. In addition to the loss of rental income, the process to dispose of a large number of assets in any one year will be costly and administratively burdensome.

Housing Revenue Account - Capital Uncertainties

Robinson Court, Gamlingay

Funding has been ear-marked for the re-development of homes at Robinson Court, Gamlingay. It has / is taking some time to secure vacant possession of the site, and there are risks that the sums identified for re-investment on this site will not be sufficient to deliver what is required for the site.

Right to Buy Sales and Retained Right to Buy Receipts

Interest in right to buy has been broadly maintained, with the introduction of 'Pay to Stay' from April 2017 having the potential to increase interest again as communication about the scheme is undertaken. Under the terms of the agreement signed with CLG, the authority is committed to invest the receipts in new homes within 3 years of the date of the retained 1-4-1 receipt, with this funding meeting no more than 30% of the cost of the dwelling. There is doubt over the level of top up funding that can be afforded by the authority, in light of the recent changes in national housing policy. Receipts may be paid over to central government at the end of each quarter, unless there is demonstrable resource available to provide the top up funding required, or a clear indication that a registered provider in the locality could spend the receipt appropriately on the authorities behalf.