South
Cambridgeshire
District Council

REPORT TO:	Cabinet	5 February 2020
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Trevor Roff, Interim Director of Finance	

Housing Revenue Account Revenue & Capital Budget: 2020/2021

Executive Summary

1. To consider the summary Housing Revenue Account (HRA) Revenue and Capital Budget for 2020/2021 and to recommend the HRA Budget to Council.

2. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budgets for the service or function to which the decision relates.

Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, to:**

Housing Revenue Account (HRA): Revenue

(a) **Recommend Council to approve the HRA revenue budget for 2020/2021 as shown in the HRA Budget Summary as presented at Appendix A;**

HRA: Review of Rents and Charges

(b) **Approve that council dwelling rents for all social rented properties be increased by the Consumer Prices Index plus 1% (2.7%), in line with legislative requirements introduced as part of the Welfare Reform and Work Act, with effect from 1st April 2020;**

(c) **Approve that affordable rents are reviewed in line with rent legislation, to ensure that rents charged are no more than 80% of market rent for 2020/2021. Local policy is to cap affordable rents at the lower level of Local Housing Allowance, which will result in rent variations in line with any changes notified to the authority in this level, effective from 1st April 2020;**

(d) **Approve inflationary increases of 2% in garage rents for 2020/2021, in line with the base rate of inflation for the year assumed in the proposed HRA Budget.**

(e) **Approve the proposed service charges for HRA services and facilities provided to both tenants and leaseholders, as shown in Appendix D.**

HRA: Capital

(f) Approve the required level of funding for new build investment between 2020/2021 and 2024/2025 to ensure that commitments can be met in respect of the investment of all right to buy receipts currently retained or anticipated to be received by the authority for this period. This expenditure will take the form of HRA new build, with the 70% top up met by other HRA resources;

(g) Recommend Council approve the HRA Medium Term Financial Strategy forecasts as shown in Appendix B;

(h) Recommend Council approve the Housing Capital Programme as shown in Appendix C.

Reason for Recommendations

4. To enable the Cabinet to recommend to Full Council the 2020/2021 HRA Revenue Budget and Capital Programme.

Details

(A) Background

5. The HRA is a ring-fenced area of the Council's activity and represents the landlord activity which the authority carries out as a stock retaining authority.

6. HRA budgets continue to be set in the context of a 30-year business plan, which is reviewed in November and February of each year. The HRA budget setting report covers both HRA revenue and capital spending. As the authority's landlord account, the HRA accounts for all services to tenants and leaseholders and is the account into which the proceeds of the rent and landlord service charges are credited.

7. Resource available to invest in housing is dependent upon the income streams for the HRA, the most significant of these being the rental income for the housing stock. For the four years ended 31^{st} March 2020, the Council were required to reduce rents by 1% per annum to comply with a national approach to rent setting. From 1^{st} April 2020 rents can be increased by the Consumer Prices Index (CPI) plus 1% which equates to a 2.7% increase. The Government has indicated that CPI plus 1% will also apply for the following four years.

8. There is a key requirement to ensure that the HRA can support a significant level of housing debt whilst also ensuring ongoing delivery of housing services. As at April 2019, the authority was supporting a housing debt of £205 million. The current policy does not assume set-aside of resource to allow for repayment of housing debt, but instead assumes the resource is used to deliver a new build programme in the medium term, in an attempt to ensure sustainability of the HRA.

(B) Budget Formulation

9. Consideration needs to be given to the fluid nature of some of the assumptions that are required to be incorporated into the financial forecasting for the HRA, particularly in relation to the impact of changes in national housing policy. The previous assumption around rent loss from the sale of high value voids has now been removed as this policy is not being pursued by Central Government at this time.

10. Assumptions will need to be continually reviewed and amended as information is made available and any changes in the economic environment become apparent.

11. The budget for 2020/2021 has been constructed in the wider context of the national position for social housing. The Council still seeks to achieve a balance in investment against key housing priorities as follows, although this still proves challenging:

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

12. The time and top up constraints currently associated with the retention and re-investment of right to buy receipts and the rollout of Universal Credit locally, continue to pose significant financial challenges for the HRA but at least the ending of the 1% rent reductions provides additional resources going forward.

13. The draft revenue and capital estimates for the HRA are outlined in detail in **Appendices A to D** of the report.

(C) National and Local Policy Context

14. The Council welcomed the government's announcement of the lifting of the borrowing cap on HRA borrowing and aspires to build capacity, thus enabling an increase in the rate of building new council homes to take advantage of that opportunity when appropriate. A locally calculated debt cap has recently been estimated using the latest estimated income and expenditure projections and that suggests a cap of £250 million should be set on affordability grounds this is an additional £45 million. Any further borrowing though will be subject to Council approval, as was the case when the Council took on the original £205 million debt.

15. Welfare Reform has already presented some challenges, and the Council have resources in this budget to support tenants some of whom are now receiving Universal Credit, in the expectation that their numbers would further increase.

16. The Council's HRA owns and/or manages the following properties, broken down by category of housing provided:

Housing Category	Actual Stock Numbers as at 1/4/2019	Estimated Stock Numbers as at 1/4/2020
General Housing (Incl. use as Temporary Housing)	4,182	4,194
Sheltered Housing	1,056	1,056
Sheltered Housing – Equity Share	78	78
Miscellaneous Leased Dwellings	11	3
Shared Ownership / FTB Dwellings	63	73
Total Dwellings	**5,390**	**5,406**

17. A breakdown of the housing stock by property type is outlined in the table below:

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2019	Estimated Stock Numbers as at 1/4/2020
Bedsits	20	20
1 Bed	1,059	1,066
2 Bed	2,379	2,394
3 Bed	1,856	1,851
4 Bed	71	69
5 Bed	1	1
6 Bed	4	3
Total Dwellings	**5,390**	**5,404**

18. The HRA 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.

19. As at 31 March 2019, the Council held £7,079,896 of right to buy receipts under the retention agreement with the Ministry of Housing, Communities & Local Government (MHCLG), to be spent within 3 years of their original receipts date, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. Currently, the balance must be funded from the Council's own resources, or through borrowing, and the receipts cannot be used on replacement dwellings or dwellings receiving any other form of public subsidy.

(D) HRA Resources

20. HRA resources comprise rent, service charges, income from garages/other property, investment income, external funding and earmarked funds. These are each considered below:

(i) Rent: Rent Arrears, Bad Debt Provision and Void Levels

21. Performance in the collection of current tenant debt worsened during 2019/2020, and is worse by December 2019, when compared to the previous year. At the end of December 2019, current tenant arrears stood at £506,564 and former tenant arrears at £191,023, compared with £428,411 and £148,435 retrospectively at 31 March 2019. Although there are always some seasonal fluctuations in arrears levels throughout the year, the upward trend anticipated due to welfare reform changes continues to impact. The position is being carefully monitored, with staff working proactively with tenants in arrears. The long-term position is still anticipated to become more challenging now that the full rollout of direct payment is underway.

22. The level of annual contribution to the bad debt provision was reviewed again as part of the HRA budget, with the reduced contribution of 0.4% for 2019/2020 and 0.5% from 2020/2021 retained. This assumption has not been amended as part of this HRA budget setting report.

23. At 31 March 2019, the provision for bad debt stood at £454,000, representing 79% of the total debt outstanding at the time.

24. The estimated value of rent not collected as a direct result of void dwellings in 2019/2020 was £315,000, representing a void loss of 1.1%, with higher than desired levels partly due to voids held pending disposal or re-development of a site.

25. At the end of December 2019, 82 properties were unoccupied, representative of 1.5% of the housing stock. This figure includes 11 new build shared ownership properties that were acquired within the previous month or so.

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

(ii) Rent: Restructuring and Rent Levels

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

28. Property specific rent restructured target social rents apply for the socially rented stock held in the HRA. From 1st April 2020 both the target rent and actual rent will increase by CPI plus 1% so the convergence of the actual and target rents, which was abandoned when the 1% rent reduction targets were brought in, will still not happen unless a property becomes void and the rent is moved to target on re-let.

29. The average social rent at the time of writing this report in 2019/2020 across the socially rented housing stock was £100.43, and after applying the expected increase of 2.7% will become £103.14. At the time of writing this report, 38% of the social rented housing stock was being charged at target rent levels, compared with 35% in the previous year.

30. There are currently 120 new build or acquired properties charged at the higher ‘affordable rent’ levels, equivalent to the Local Housing Allowance at the end of November 2019, with 25 of these being shared ownership homes.

(iii) Rent Setting

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

32. From April 2020, the authority is able to apply an increase of CPI plus 1% which equates to 2.7%. The last year of a four year rent cut in social housing rents of 1% per annum is 2019/2020.

33. In respect of longer-term financial forecasts, the Government has agreed a return to the previous policy of increasing rents by CPI (as measured at the preceding September), plus 1% each year, for the next 4 years.

34. For affordable rented homes, the requirement for local authorities is to determine what 80% of the market rent is for each dwelling and ensure that the combined rent and service charges levied for a property does not exceed this level. As local policy limits affordable rents to the Local Housing Allowance level (approximately 60% of market rent) from the point of introduction. As a result, affordable rents for 2020/2021 will be reviewed in line with the Local Housing Allowance.

(iv) Service Charges

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

36. The approach to setting service charge levels for 2019/2020 is detailed in the report at **Appendix D.**

(v) Other Sources of Income

37. The HRA had 945 residential garages at 1st April 2019, which are outside the curtilage of the dwelling. Approximately 254 garages were vacant at the time of compiling this report. A number of the vacant garages have been identified as needing repairs or major works prior to being ready to let, or are being considered for demolition, disposal, self-build sites or redevelopment.

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

39. In addition to dwellings held for rent, the HRA has a number of communal rooms and hub offices in sheltered schemes. Currently the costs of these buildings are recovered through service charges levied to residents. A review of these assets is in progress to ensure that they are either well utilised for the purpose intended, or that consideration is given to alternative options for the use of each site, generating an income for the HRA where possible. Extensive consultation is being carried out as part of this review to ensure that all local views are taken account of.

40. The HRA receives interest on general and ear-marked revenue balances, any funds set-aside in the major repairs reserve or the revenue debt repayment reserve, any unapplied capital balances and in respect of any internal lending to the General Fund. The interest rates available to the Council generally remain low, and market recovery is slow, although lending to Ermine Street Housing still provides a better return than lending to external third parties currently.

(vi) Other External Funding

41. In addition to income direct from service users, the HRA anticipates receiving external funding from Section 106 Funding. The Council has a policy in respect of Section 106 Commuted Sums, which allows the first call on these to be to fund the delivery of new build affordable housing in the HRA. The assumption that this funding is utilised to deliver new affordable homes is identified into the Housing Capital Investment Plan.

(vii) Earmarked & Specific Funds: Revenue

42. In addition to General Reserves, the HRA Account still maintains a number of earmarked or specific funds. Details the current level of funding in these reserves is shown at **Appendix A**.

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

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

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

(viii) Earmarked Funds: Capital Receipts

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

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

(E) HRA Revenue Account Budget: Revised Budget 2019/2020

48. Service budgets for the current financial year were reviewed as part of the budget setting process for the coming year in order to ascertain what the likely balance would be on the Housing Revenue Account at the end of the financial year. The changes are summarised in the table below:

2019/2020 Revised Budget	Original Budget Feb-19 £ 000's		Proposed Changes £ 000's	Revised January 2020 £ 000's
Rental Income	(27,953)		(318)	(28,271)
Other Income	(33)		(10)	(43)
Supervision and Management	5,558		(496)	5,063
Repairs	4,151		(400)	3,751
Depreciation	6,663			6,663
Other Expenditure	149		(14)	135
Revenue Funding of Capital Expenditure	12,622		(1,710)	10,912
Interest on Self Finance Debt	7,179			7,179
Interest receivable	(546)		(395)	(941)
Revised Net HRA Use of Reserves	**7,791**			**4,448**

49. The above figures include any rollover approvals from 2018/2019 in the second column along with other amendments listed on a category by category basis. The resulting change in the use of reserves is also identified for the current year. The final column shows the difference between the original and revised budgets. The net reduction in costs for 2019/2020 will result in a lower call on the use of HRA reserves than previously anticipated.

(F) HRA Revenue Account Budget: Budget 2020/2021

50. The HRA balance at the start of the financial year was a little over £11 million but it is anticipated that a substantial amount of this will be used to fund the Housebuilding Programme either in 2019/2020 or 2020/2021. At the end of 2020/2021 the balance is anticipated to fall to a little over £2.9 million. Whilst this level of balance is adequate for HRA purposes it would not be prudent to let this fall much below £2.5 million.

51. The Council will be undergoing a transformation programme over the next four years which will deliver savings across the authority and some of these savings will fall on the HRA. It will also be necessary to ensure that efficiency savings are sought within the HRA to ensure that the account remains viable so the savings initiatives that were undertaken during this budget process for the General Fund should be extended to encompass the HRA for the next budget cycle.

52. Expenditure excluding capital charges has increased by £826,000 over the 2019/2020 original position though much of this (£612,000) relates to a real-terms increase in the cyclical repairs programme. Capital expenditure charged to revenue has increased on the previous year by £2.5 million but the increase plus a further £3.5 million is funded from earmarked reserves.

53. Income has increased by £932,000 this is primarily down to the aforementioned rent increase of 2.7% now allowed by central government following the ending of the four year 1% rent reduction policy.

54. The proposed budget is based on an HRA deficit of £4.448 million in 2019/2020 and £3.727 million in 2020/2021. This is possible due to the level of HRA balance at 1st April 2019 (£11.1 million). Much of the balance is being used to fund the Housebuilding Programme in those years but, beyond that, some borrowing is likely to be required. Efficiency savings could reduce the required level of borrowing but it would be unrealistic to expect the HRA to find all of the additional resource requirements from efficiencies.

55. The overall revenue budget position for the HRA for 2020/2021 is presented in **Appendix A**. A balanced budget can be set for 2020/2021, but the balance on the account would be reducing close to the desired minimum by March 2021.

(G) Housing Capital Budget

(i) Stock Investment and Decent Homes

56. Stock condition data is continually updated in respect of the housing stock, improving the information held to inform future decision making. The authority procured, as part of a joint exercise with Cambridge City Council, updated software to record and report asset management data, as part of a wider project to implement a fully integrated housing management information system. The successful supplier of the new Housing Management Information System was “Orchard”, with ProMaster asset management solution and a mobile working solution provided by a third party, Kirona.

57. As at 31 March 2019, 95.31% of the housing stock was reported as decent, compared with 95.25% at 31 March 2018; with 246 properties that were considered to be non-decent (in addition to refusals by tenants to access the property and undertake the necessary works), and another 87 anticipated to become non-decent during 2019/2020.

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

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

60. The Capital programme was updated and re-phased by Cabinet in January 2020 and the programme as presented has not changed since then but is reproduced at **Appendix C**.

(ii) New Build and Re-Development

61. At the time of writing this report 85 new homes had been completed since April 2012, all of which were built as affordable rented homes, with a further 23 shared ownership homes also completed.

Scheme	Status	Estimated Affordable Units	Scheme Composition	Scheme
Fen Drayton Road, Swavesey	Completed May 2016	20	4 x 1 Bed House 10 x 2 Bed House 5 x 3 Bed House 1 x 4 Bed House	Fen Drayton Road, Swavesey
Horseheath Road, Linton	Completed July 2016	4	1 x 2 Bed Bungalow 2 x 2 Bed Flat 1 x 2 Bed House	Horseheath Road, Linton
Hill Farm, Foxton	Completed January 2017	15	4 x 1 Bed House 6 x 2 Bed House 5 x 3 Bed House	Hill Farm, Foxton

Robinson Court, Gamlingay	Completed August 2018	6 plus 4 shared ownership and 4 market sale	4 x 1 Bed Flat 2 x 2 Bed Flat 2 x 1 Bed House (Shared Ownership) 2 x 2 Bed House (Shared Ownership) 2 x 2 Bed House (Market Sale) 2 x 3 Bed House (Market Sale)	Robinson Court, Gamlingay
Pampisford Road, Great Abington	Completed April 2018	6 plus 2 shared ownership	2 x 1 Bed Flat 2 x 2 Bed House 1 x 2 Bed Bungalow 2 x 2 Bed Bungalow (Shared Ownership) 1 x 3 Bed House	Pampisford Road, Great Abington
Bannold Road, Waterbeach	Completed April 2018	16 plus 7 shared ownership	6 x 1 Bed Flat 6 x 2 Bed Flat 4 x 2 Bed House 2 x 2 Bed House (S/Ownership) 5 x 3 Bed House (S/Ownership)	Bannold Road, Waterbeach
Woodside, Longstanton	Completed April 2019	3	3 x 2 Bed House	Woodside, Longstanton
Gibson Close, Waterbeach	Completed November 2019	6 plus 3 shared ownership	4 x 1 Bed Flat 2 x 2 Bed House 3 x 2 Bed House (Shared Ownership)	Gibson Close, Waterbeach
High Street, Balsham	Completed December 2019	9 plus 4 shared ownership	7 x 1 Bed Flat 2 x 2 Bed Flat 4 x 2 Bed House (S/Ownership)	High Street, Balsham
Highfields, Caldecote	Completed December 2019	3 shared ownership	1 x 1 Bed House 2 x 2 Bed House	Highfields, Caldecote
Total		**85 rented** **23 shared ownership** **4 market sale**		**Total**

62. The table below updates the position in respect of schemes either in progress or with Lead Cabinet Member approval, based upon previous versions of the business plan, confirming their status and the current budget allocation which is required for each of the schemes, with the budgeted expenditure included at **Appendix C**.

Scheme	Status	Estimated Affordable Units	Indicative Scheme Composition (Subject to Change)	Scheme Budget (Gross of subsidy / capital receipts)
Pembroke Way, Teversham	On site	5	2 x 1 Bed Flat 1 x 1 Bed Bungalow 2 x 2 Bed House	893,000
Linton Road, Great Abington	On site	13 plus 5 shared ownership	6 x 1 Bed Flats 2 x 2 Bed House 5 x 3 Bed House 2 x 2 Bed House (SO) 3 x 3 Bed House (SO)	3,907,000
Grace Crescent, Hardwick (Rented)	On site	27	16 x 1 Bed Flats 9 x 2 Bed Houses 1 x 3 Bed House 1 x 4 Bed House	4,711,480
Grace Crescent, Hardwick (Shared Ownership)	On site	12 shared ownership	6 x 2 Bed Flat (SO) 4 x 2 Bed House (SO) 2 x 3 Bed House (SO)	3,125,540
Burton End, West Wickham	On site	3 plus 1 shared ownership	1 x 1 Bed Bungalow 1 x 2 Bed Bungalow 1 x 2 Bed House 1 x 3 Bed House (SO)	730,020
Bennell Farm, Toft	On site	25 plus 11 shared ownership	8 x 1 Bed Flat 9 x 2 Bed Flat 5 x 2 Bed House 3 x 3 Bed House 8 x 2 Bed House (SO) 2 x 3 Bed House (SO)	6,753,970

			1 x 4 Bed House (SO)	
Station Road, Foxton	On site	6 plus 3 shared ownership	4 x 1 Bed Flat 1 x 2 Bed House 1 x 3 Bed House 2 x 2 Bed House (SO) 1 x 3 Bed House (SO)	1,758,000
Babraham Road, Sawston	On site	44 plus 19 shared ownership	20 x 1 Bed Flat 21 x 2 Bed Flat 2 x 3 Bed House 1 x 4 Bed House 4 x 1 Bed Flat (SO) 11 x 2 Bed Flat (SO) 3 x 3 Bed House (SO) 1 x 4 Bed House (SO)	11,800,030
Impington Lane, Impington	On site	7 plus 3 shared ownership	6 x 1 Bed Flat 1 x 3 Bed House 2 x 2 Bed House (SO) 1 x 3 Bed House (SO)	1,749,000
Northstowe, Phase 2A	In contract Spring 2020	81	59 x 1 Bed Flat 22 x 2 Bed Flat	11,109,430
Total		**211 rented** **54 shared ownership**		**46,537,470**

63. There are a number of schemes where feasibility work is being carried out with a view to building out the sites for the HRA directly, or alternatively negotiations are in progress with developers, for the HRA to acquire the affordable housing on existing new build development schemes. These schemes do not yet have formal approval, and as such have not yet been built in to the Housing Capital Investment Plan on a scheme specific basis. Instead an unallocated new build budget is included, which when a scheme receives Head of Housing and Lead Cabinet Member approval, allows resource to be transferred from this unallocated new build/acquisition budget to the scheme specifically to allow monitoring of progress.

64. Some schemes deliver only new provision of affordable rented housing and, as such, will be eligible for 30% of the scheme to be funded using retained right to buy receipts. Many of these schemes, in order to be planning policy complaint, include a mix of affordable rented and intermediate housing (usually shared ownership). Shared ownership dwellings are not currently eligible for use of retained right to buy

resource, but instead can be part funded using Section 106 commuted sums if they are available.

65. The assumption has been retained, that the authority utilise resource previously set-aside for the potential redemption of housing debt, combined with revenue resource that can be released as a result of capital receipts that have been received from the sale of HRA land and dwellings on the open market in recent years, or that are anticipated to be received from the sale of self-build plots, to fund building new homes. This is anticipated to provide sufficient resource to allow the appropriate re-investment of existing and anticipated retained right to buy receipts in the medium term, without the immediate need to pass any funding to a registered provider.

(iii) Self-Build Plots

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

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

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

69. 16 sites are currently being progressed with offers accepted on 2 single plot sites. Others are still undergoing investigation and feasibility work.

70. The table below details those sites disposed to date:

Location	**Date**	**Receipt**	**No. of plots**
Benet Cl, Milton	Oct-18	195,000	1
Cambridge Rd, Balsham	Dec-18	171,750	1
St Audreys Close, Histon	Aug-19	151,000	1
Macaulay Avenue, Great Shelford	Sep-19	405,000	3
Blacksmiths Close, Babraham	Oct-19	205,000	1
Total		**1,127,750**	**7**

71. Offers have been accepted on the following sites:

Location	**Status**	**No. of plots**

Westfield Road, Fowlmere	Offer accepted	1
Coploe Road, Ickleton	Offer accepted	1

(iv) Section 106 Funding

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

73. The Council currently holds £3.86m in commuted sums for affordable housing. The following table provides an update of when current sums held have to be spent (year-end prior to deadline date), against the resource committed to date:

Year	Section 106 sum to be spent	Cumulative Section 106 sum to be spent	Resource committed / spent General Fund	Resource committed / spent HRA	Cumulative resource still to be committed
	£	£	£	£	£
2020/21	139,704	139,704	0	139,704	0
2021/22	94,500	94,500	0	94,500	0
2022/23	293,180	293,180	0	293,180	0
2023/24	68,824	68,824	0	68,824	0
2024/25	381,213	381,213	0	381,213	0
2025/26	2,236,454	2,236,454	0	1,307,579	928,875
2027/28	494,614	1,423,489	0	0	1,423,489
2028/29	150,000	1,573,489	0	0	1,573,489
				2,285,000	

Commitments to date include:

Scheme	Fund	2019/20 £	2020/21 £	2021/22 £
Grace Crescent, Hardwick – contribution towards 12 shared ownership homes	HRA	190,000	195,000	0
Burton End, West Wickham – contribution to 1 shared ownership home	HRA	0	50,000	0
Bennell Farm, Toft – contribution to 11 shared ownership home	HRA	275,000	275,000	0
Babraham Road, Sawston – contribution to 19 shared ownership home	HRA	325,000	325,000	300,000
Station Road, Foxton – contribution to 3 shared ownership home	HRA	0	150,000	0
Impington Lane, Impington – contribution to 4 shared ownership home	HRA	100,000	100,000	0
	HRA	**890,000**	**1,095,000**	**300,000**

74. With £1,573,489 of resource still to be re-invested, there is a commitment to invest the sum in new HRA homes wherever possible.

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

(v) Asset Acquisitions and Disposals

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

77. Receipts from individual asset disposals are only recognised in the HRA's reserves when received, and after all relevant costs have been provided for, whilst there are assumptions incorporated about the level of receipts from the sale of self-build plots, allowing planned utilisation of the funds to release resource elsewhere in the HRA to facilitate the appropriate reinvestment of retained right to buy receipts. Any delay in the receipt of these capital sums will significantly impact the authority's ability to spend right to buy receipts appropriately.

78. 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.

(vi) Capital spend and Phasing

79. The Updated Capital programme was agreed by cabinet at the meeting on 8th January and this included re-profiling and updating the capitalised repairs budgets, new house building budgets and transferring resources from the unallocated sum to schemes that have now been identified.

(H) HRA Treasury Management

(i) Background

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

(ii) HRA Borrowing

81. As at 1 April 2019, the HRA was supporting external borrowing of £205 million in the form of 41 maturity loans with the Public Works Loans Board (PWLB), with rates ranging between 3.44% and 3.53%. The loans have varying maturity dates, with the first £5 million due to be repaid on 28 March 2037 and the last on 28 March 2057.

82. The HRA Capital Financing Requirement (HRA CFR) stood at £204 million due to a small amount (£694,000) of internal borrowing from the HRA by the General Fund. The General Fund is required to pay the HRA annual interest on the internal

borrowing as part of the Item 8 Determination for the HRA. The interest rate payable to the HRA can be determined by the authority, but must be deemed reasonable and stand up to external scrutiny from auditors.

83. Recent changes in legislation mean that the HRA is no longer subject to a borrowing debt cap. The authority can borrow within its HRA as long as it can demonstrate that the HRA can support the borrowing and that the resource is being utilised in the provision of social or affordable housing. A local debt cap has been calculated at £250 million as at 1st April 2019 rising to £300 million at 31st March 2022. This will be kept under review but is dependent on expected HRA income and expenditure levels.

84. The Council may now choose to borrow to deliver additional affordable housing to ensure that it can maintain a programme of new build affordable housing over the longer-term. The Capital Programme assumes that £7 million will be required during 2021/2022 but the expectation currently is that this will only need to be for 2 years.

85. The 2020/2021 HRA Budget Setting Report does not review the potential sources of lending (i.e. Internal, Inter-Authority, Public Works Loans Board, Market) types of borrowing, lengths of loans or rates available for taking out any additional borrowing at this stage. This will need to be undertaken at the point at which any borrowing is considered as part of the coming year's budgets.

(iii) Debt Repayment/Re-Investment

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

87. The potential debt repayment or re-investment reserve stood at £8.5 million at 1 April 2019, with the current assumption being that this will be re-invested in order to extend the life of the business plan, once other resources are exhausted. Whilst this will not be required during 2019/2020 it is proposed that £6 million will be used in 2020/2021 with the remainder expected to be used during 2021/2022.

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

Options

89. There are a number of other options regarding budget setting, but the budget as presented represents the best use of resources within the constraints that exist**.**

Implications

90. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Policy

91. Housing is one of the Council's top priorities, with a commitment to deliver good quality housing which is affordable for people to live in, near to where they work. There are more than 2,400 households on the Council's waiting list, so council house-building needs to be a high priority.

Legal

92. The pressure to reduce budgets and the continuation of a poor financial settlement could adversely affect the provision of statutory services. Officers will be required to seek legal advice in relation to a few the national changes in housing policy as the regulations are released by Central Government.

Financial

93. These are outlined in the report and its supporting appendices.

Risk

General

94. An annual update to the assessment of the key risks which the HRA faces in financial terms was included as part of the HRA Medium Term Financial Strategy.

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

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

97. For the HRA, the minimum level of reserves of £2.5 million is proposed to be retained, recognising the need to safeguard the Council against the risk and uncertainty in the current financial and operational environment for housing.

Environmental

98. There are no environmental implications arising from this report. The Council’s housing stock is largely energy-efficient and in a good state of repair and but there is a need to improve it where we can, and keep it in good condition.

Equality Analysis

99. In preparing this report, due consideration has been given to the Council’s statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. Preliminary analyses have been undertaken of the equality impact of each of the proposals summarised at Appendix D where efficiencies are profiled for 2020/2021.

100. Further equalities work is being completed. Where that assessment concludes that a proposal has no relevance to the Council’s equalities duties then no further action will be taken. Where it is determined that the proposal does have relevance to these duties, a full equality analysis will be undertaken by the relevant service area to

establish the impact of the proposal on a protected group or groups and to identify the necessary mitigating actions.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 6 February 2019/Council: 21 February 2019
- Value for Money Strategy – Report to Cabinet: 4 September 2019
- Capital Programme Update and New Bids 8th January 2020
- 2019/2020 Revenue and Capital Budget Monitoring Q2 Cabinet - 6th November 2019

Appendices

A HRA Revenue Budget 2020/2021: Summary

B HRA Medium Term Financial Strategy: Financial Forecast 2020/2021 to 2024/2025.

C HRA Capital Programme 2020/2021 and 2024/2025

D Proposed HRA Service Charges 2020/2021

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