Version 4
Final

Housing Revenue Account 30-Year Business Plan

February 2012

2012/13 to 2041/42

Cambridge City Council

CAMBRIDGE
CITY COUNCIL

Version Control

	Version	for :	Anticipated Content
	1	Draft	Draft content for consultation
	2	Officers and Executive Councillor January 2012	Draft CLG Debt Settlement
	3	Housing Management Board and Council Meeting February 2012	Draft CLG Debt Settlement
Current	4	FINAL	Final CLG Settlement Version for publication following HMB and Council approval

Cambridge City Council

Housing Revenue Account Business Plan

2012/13 to 2041/42

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Section 1
Introduction

Background

Funding for the provision of local authority social housing has, for many years, been managed at national level, under a system called 'The Housing Revenue Account Subsidy System'. The system pools all rent assumed to be collected at a local level and re-distributes the resource back to local authorities to fund management, maintenance and major improvements of the housing stock and to support the borrowing costs that exist in terms of the existing level of housing debt.

Under this formulaic system, Cambridge City Council have been a significant net contributor into the national 'housing pot' for many years, with the negative subsidy due to Government for 2011/12 estimated to be £12.98 million.

In November 2011, the Localism Act confirmed the introduction of a 'self-financing' system for local authority social housing, to be effective from April 2012.

Self-financing will see Cambridge City Council receiving a one-off share of the national housing debt in return for retaining all rental streams in respect of the housing stock. This will allow local decision making to drive the level of investment in the housing stock, agreeing spending priorities in line with local demand.

Decisions will need to be made at a local level in terms of priorities for investment, delivering a balance between:

- Investment in the existing housing stock
- Investment in new affordable housing
- Investment in new initiatives and income generating activities

- Spend on landlord service (i.e. housing management, responsive and void repairs)
- Spend on discretionary services (i.e. support)
- Repayment of housing debt

To effectively manage the housing business into the future, it is imperative that the housing service has an in depth knowledge of the condition of the housing stock it is managing, coupled with a clear understanding of the direction in which it would like to see services travel.

Housing Stock

Cambridge City Council Housing Revenue Account owns and manages the following properties, broken down by category of housing provided:

Housing Category	Actual Stock Numbers as at 1/4/2011	Estimated Stock Numbers as at 1/4/2012
General Housing	6,653	6,644
Sheltered Housing	528	519
Supported Housing	28	28
Temporary Housing (Individual Units)	41	41
Temporary Housing (HMO's)	13	13
Miscellaneous Leased Dwellings	27	27
Shared Ownership Dwellings	89	88
Total Dwellings	7,379	7,360

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

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2011	Estimated Stock Numbers as at 1/4/2012
Bedsits	112	112
1 Bed Flat / Maisonette	1,636	1,636
2 Bed Flat / Maisonette	1,271	1,268
3 Bed Flat / Maisonette	41	41

Stock Category (Property Type)	Actual Stock Numbers as at 1/4/2011	Estimated Stock Numbers as at 1/4/2012
1 Bed House / Bungalow	188	188
2 Bed House / Bungalow	1,139	1,137
3 Bed House	2,272	2,267
4 Bed House	95	95
5 Bed House	6	7
6 Bed House	2	2
Sheltered Housing	528	519
Total Dwellings	7,290	7,272

The current composition of the Council's sheltered and extra care housing stock is as follows:

Stock Category	Actual Stock Numbers as at 1/4/2011	Estimated Stock Numbers as at 1/4/2012
Modern or Refurbished Schemes		
1 Bed Flat	370	398
2 Bed Flat	49	51
1 Bed Bungalow	3	3
2 Bed Bungalow	2	2
Schemes Awaiting Modernisation		
Bedsit	36	2
1 Bed Flat	51	49
Schemes Awaiting De-Classification as Sheltered		
Bedsit	14	12
1 Bed Flat	2	2
1 Bed Bungalow	1	0
Total Dwellings	528	519

Leasehold Stock

The Housing Revenue Account also maintains the freehold in respect of a number 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.

At 1st April 2011, the Council retained the freehold and managed the leases for 1,072 leasehold flats.

Section 2

Local Policy Context and Priorities

Council Vision

The Council has a clear vision for the future of our city, a vision that we share with Cambridge citizens and with partner organisations.

Cambridge – where people matter

- A city which celebrates its diversity, unites in its priority for the disadvantaged and strives for shared community wellbeing.
- A city whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives.
- A city where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all.

Cambridge – a good place to live, learn and work

- A city which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities.
- A city which draws inspiration from its iconic historic centre and achieves a sense of place in all of its parts with generous urban open spaces and well-designed buildings.
- A city with a thriving local economy that benefits the whole community and builds on its global pre-eminence in learning and discovery.
- A city where getting around is primarily by public transport, bike and on foot.

Cambridge – caring for the planet

- A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution.

Our Vision

The vision for Housing Services picks up the following themes and prioritises:

- Improving housing standards: Maintaining and refurbishing council housing, and supporting the development of new affordable housing, in the public and private sector, that achieves high environmental standards of energy efficiency, minimal carbon emission, and maximum waste recycling.

- Delivering high quality services: Enabling tenants and residents to have influence over the way we manage services and set priorities. Understanding the diverse needs of our customers. Being open and accountable to service users. Providing services through partnerships or other providers where this is the best option.

- Safe and secure neighbourhoods: Creating and maintaining estates in which our tenants and other residents feel safe and secure. Working in neighbourhoods with partners to effectively address issues that reduce the quality of life.

- Affordable housing plus: Promoting the successful delivery of new affordable housing that meets the needs of the city, and that creates good places to live for all residents regardless of tenure.

Underlying this vision are themes that underpin all our work:

- Embracing diversity and equality in our customers and staff.
- Maintaining an ethos that consistently focuses on the customer needs.
- Achieving value for money through economy, efficiency and effectiveness of service delivery.
- Valuing and respecting our staff through our commitment to providing opportunities for development of their skills, knowledge and competencies.

The Council's Vision is translated for Housing through the Housing Portfolio Plan. Alongside priorities to deliver more new affordable housing; improving the energy efficiency of homes;

and sustaining standards and housing choices through private housing; the importance of the Council as a social landlord is recognised.

Risk Management

Housing Revenue Account services share the Council's corporate approach to risk management, with the Risk Assurance Framework being integrated into the decision-making processes of the organisation.

A recent review of the approach to managing risk has resulted in a number of proposed changes to the way in which the organisation records and monitors risk, including:

- Facilitating risk workshops to capture risks within each service area
- Reducing the number of risk stages monitored from 5 to 2
- Presenting of risks to Strategic Leadership Team at 2 keys points in the year
  January / February – Portfolio Plans / Budget Implications
  June / July - Medium Term Strategy
- Capturing risks against risk categories / themes identified by Strategic Leadership Team
- Utilisation of specific groups to provide quality assurance and challenge to risks e.g. ICT Steering Group, Asset Management Group
- Scoring of risks once, recording only the residual risk score with controls and mitigation in place
- Implementing a new Risk Management software system

Key strategic risks are recorded and monitored at an organisational level as described above. A more detailed level of risk analysis is undertaken at project level, with risks considered, recorded, mitigated and monitored through risk assessments undertaken as part of the Council's project management process.

Appendix A provides details of the risk criteria and scoring methodology used, with a summary of the key risks in relation to this business plan provided at Appendix B.

Insurances

The Council insures its housing stock assets by combining external insurance with the operation of an internal insurance fund. A number of years ago, the Housing Revenue Account took a policy decision to partly 'self-insure' the housing stock, taking an insurance policy with a stop loss of £250,000 per annum. This arrangement requires the authority to meet the first £250,000 of insurance losses in any one insurance year, but serves to significantly reduce the level of annual insurance premium that would otherwise be payable.

The financial risk that this poses requires both the inclusion of an annual budget of approximately £57,000 to meet the costs associated with what would otherwise have been routine insurance claims met by the insurer, coupled with a requirement to maintain HRA balances at such a level that meeting the first £250,000 of any large claim in any one insurance year would not cause irreparable damage to the business.

This arrangement is kept under ongoing review, providing the opportunity to fully insure at any point, should this be deemed appropriate in both business risk and financial terms.

In addition to insuring property assets, the Council holds insurance policies which the HRA contributes to, and benefits from, in respect of:

- Public Liability - Limit of Indemnity £25m
- Employers Liability - Limit of Indemnity £20m
- Officials Indemnity - Limit of Indemnity £1m
- Libel & Slander - Limit of Indemnity £50,000
- Professional Negligence - Limit of Indemnity £5m (Architectural Services)
- Property Works in Progress Insurance - Sum Insured £5m
- Business Interruption cover for main offices including Hobson House, 171 Arbury Rd & 89 Cherry Hinton Rd
- Comprehensive Motor Insurance for Council Vehicles
- Fidelity Guarantee Insurance - All Employees guaranteed for £1m (designated officers have higher guaranteed sums)
- Computer Insurance - Material damage cover as per inventory (computer suite & equipment)

Partnership Working

The organisation and the Housing Service recognise the benefits, and therefore promote, partnership working wherever possible.

From a strategic housing perspective, the City Council work with a group of senior housing officers from neighbouring local authorities and housing associations (Cambridge Sub-Regional Housing Board) that meets regularly to ensure that there is a coherent approach to housing strategy across the sub-region that centres on Cambridge.

The Housing Service explores opportunities to work in partnership with South Cambridgeshire District Council at all opportunities, sharing procurement opportunities wherever possible. A recent example of this is a joint procurement for the external financial advice relating to the Housing Revenue Account's preparations for the implementation of self-financing from April 2012. A joint project team has worked to ensure that both authorities are best placed to respond to these changes.

The gas maintenance contract, for the servicing and maintenance of all Housing Revenue Account dwelling stock was also jointly procured with South Cambridgeshire District Council, to ensure that best value is delivered for tenants in procurement terms.

From July 2011, a new 5-year partnership arrangement has been entered into with two planned maintenance contractors, to deliver the investment required in relation to the housing stock, both in terms of capital investment (including decent homes) and planned / cyclical revenue expenditure.

Cambridge City Council will shortly be entering a Framework Agreement with five partners; a housebuilder and four Registered Providers (RP's), in order to develop land owned by the Council with high quality and sustainable market and affordable housing. The Council and these partners will work together to design a housing scheme satisfactory to both parties, carry out consultation, submit a planning application and build the housing once planning permission has been granted. If the Council works with the housebuilder then the Council will own and manage the affordable housing. If the Council works with an RP then the RP will own and manage the newly built affordable housing. Generally, the Council will work with either the housebuilder or one of the RP's to develop a site, however there is the opportunity for the Council to work with both the housebuilder and an RP on larger and / or more complex sites. It is likely that there will be an element of market housing on each site that will cross subsidise the delivery of the affordable housing.

Shared Services

The Choice Based Lettings team manage the Council's housing register as a part of a sub-regional partnership called *'Home-Link'* - a primarily web-based choice-based lettings (CBL) scheme offering more choice to housing register applicants in Cambridge and the six neighbouring authorities. It offers greater transparency, flexibility and feedback for applicants, allowing them to see the availability of social housing across all seven local authority areas and therefore make realistic decisions about their housing options. The team assesses housing need and allocates social housing within Cambridge City district boundaries as well as providing advice and support to both new housing applicants and current tenants on using the system.

With effect from April 2012 it is proposed to create a shared Home Improvement Agency with South Cambridgeshire District Council and Huntingdonshire District Council, to be co-located at the South Cambridgeshire offices in Cambourne, but to be managed by Cambridge City Council. Although only works to properties in the private sector are delivered by the existing Home Improvement Agency for Cambridge City residents, there is the potential scope to expand this service in the future to also manage works in Council homes, as this is already undertaken on behalf of Huntingdonshire District Council residents.

Equality Impact Assessments

Equality Impact Assessments (EQIA) are carried out in respect of individual service area delivery and policy review. Self-financing is a change in a major financially driven process and therefore it is not appropriate to undertake an EQIA in respect of the introduction of the Business Plan in its own right. However, EQIAs will be carried out in respect of any potential changes in policy or service delivery that may result from this different financial process.

Section 3
The National Policy Context and External Factors

External Factors

The Housing Revenue Account Business Plan is impacted upon by a number of external factors, all of which are outside of the direct control of the organisation, with little or no ability for the organisation to influence them. In making financial projections for the future operation of the business, it is necessary to make a judgement about the likely direction of travel for many of the factors. To do this, we rely heavily on historic data, using previous trends to inform our financial forecasting.

Using historical trend data, financial plans and forecasts will continue to be regularly reviewed at key points throughout each year to inform updated assumptions and to support decision making.

Inflation rates

Year	RPI % Annual Inflation	RPI(X) % Annual Inflation	CPI % Annual Inflation	CPI(Y)% Annual Inflation	GDP Deflator at Market Prices	BCIS
2002	1.7	2.1	1.0	No data	1.84	7.1
2 003	2.8	2.8	1.4	No data	2.63	7.7
2004	3.1	1.9	1.1	1.0	2.08	2.0
2005	2.7	2.5	2.5	2.6	2.87	10.5
2006	3.6	3.2	2.4	2.6	2.04	3.2
2007	3.9	2.8	1.8	1.7	3.31	4.8
2008	5.0	5.5	5.2	5.4	2.30	4.2
2009	-1.4	1.3	1.1	2.2	3.00	-10.4
2010	4.6	4.6	3.1	1.5	1.73	-6.3
2011	5.6	5.7	5.2	3.7	2.75	5.7

Interest rates

The Council lend externally, on a short-term basis, any cash balances that are held at any point within the financial year. If the balances held relate in any way to the Housing Revenue Account, the General Fund pays the interest earned to the Housing Revenue Account. The financial transaction between funds takes place at each year-end, based upon the average cash balance throughout the year, at the average rate of external interest received by the organisation as a whole.

It is clear from the table below that the level of interest receivable on Housing Revenue Account balances has significantly reduced in the last 3 years. Although recovery in the economy is anticipated, the time frame over which this is likely to happen is difficult to predict.

Year	Interest Rate Earned on Balances
2003/04	3.65%
2004/05	4.64%
2005/06	4.68%
2006/07	4.79%
2007/08	5.84%
2008/09	5.35%
2009/10	1.36%
2010/11	0.57%

Right To Buy

The right to buy legislation allows existing tenants to purchase their council home at a discounted purchase price. Since the introduction of the scheme in the 1980's, the rules surrounding the level of discounts available have changed significantly. In the 1990's and early 2000's, the discount levels available were high and the economy was in a strong position, seeing the Council lose over 100 properties each year as a result of this scheme.

In 1999, the level of discount available was capped at £34,000, and this, coupled with the recession, has resulted in far fewer properties being purchased by existing tenants in the last five years.

Year	Right to Buy (RTB)			Rent to Mortgage (RTM)			Total
	House	Flat	Bedsit	House	Flat	Bedsit	
2001/02	55	47	1	3	0	0	106
2002/03	63	38	1	7	2	0	111
2003/04	69	45	1	5	1	0	121
2004/05	59	47	0	3	0	0	109
2005/06	37	38	0	4	2	0	81
2006/07	41	29	2	0	0	0	72
2007/08	23	19	1	0	0	0	43
2008/09	2	4	0	0	0	0	6
2009/10	11	2	0	0	0	0	13
2010/11	12	5	0	0	0	0	17

Recent announcements, followed by a formal consultation paper, indicate that the coalition government are considering increasing the level of discounts available to tenants, to reinvigorate the scheme. Current proposals would see the maximum level of discount available to tenants enacting their right to buy increasing from £34,000 to £50,000. The consultation also considers a variety of options for the treatment of the residual capital receipt from the sale after the revised discount is applied. Some confidence is afforded that the authority will, as a minimum, retain a share of the capital receipt equal to the debt that was attributed to the dwelling from the outset of self-financing. The outcome of the consultation, and the resulting impact of the change, will need to be carefully considered in all financial modelling undertaken in the future.

Welfare Reforms

The Spending Review 2010 explicitly included welfare spending within its scope, enabling the Government to take a more strategic view of the trade offs across public services and welfare payments. As a result of the measures announced in the Spending Review and the June 2010 budget, welfare spending was forecast to fall in real terms over the following four-year period, in contrast to the 45% real increase over the previous decade.

The Spending Review confirmed the intention to phase in a Universal Credit from 2013. Universal Credit is to replace, amongst other things, Housing Benefit. The Review also committed to reducing spending on Council Tax benefits by 10% and localising it from 2013/14. In addition, the Spending Review announced a wide-ranging package of other reforms to the existing welfare system with the intention of providing a fair and affordable platform for the introduction of the Universal Credit. On 17 February 2011 the Government published the Welfare Reform Bill, containing provisions for the abolition of Council Tax benefit, paving the way for new localised schemes.

The Government has now announced further details of their plans for a new system of local support for Council Tax. A consultation paper 'Localising support for council Tax in England' was published on 2 August 2011. The paper confirms that help with Council Tax will not become part of Universal Credit – the new benefit that amalgamates tax credits, out-of-work benefits and housing benefit – but will instead remain a local authority responsibility. The paper also confirms the need for local authorities to save 10% of current expenditure but, importantly, makes clear that pensioners and the most vulnerable will be excluded from the effect of this cut.

The planned welfare reform changes, including a localised scheme to provide support for Council Tax, will be likely to have significant financial impacts for a large number of current and future claimants within the city and to social and private sector housing providers.

The impact of these reforms in respect of our housing business is impossible to quantify at this stage, although it is anticipated that the need to collect 100% of rent directly from tenants as opposed to approximately 49%, will have a negative financial impact in terms of our collection costs, recovery rate and the level of rent arrears experienced at a local level, potentially requiring write off in our accounts.

The Localism Act

Main measures

- New freedoms and flexibilities for local government
- New rights and powers for communities and individuals
- Reform to make the planning system more democratic and more effective, and
- Reform to ensure decisions about housing are taken locally

The Localism Bill gained Royal Assent in November 2011, becoming the Localism Act 2011. The Act has wide implications for social landlords and includes measures on:

- Local authority tenancy strategies - which will affect allocation of all social housing
- Tenure reform - the introduction of flexible tenancies
- Abolition of the HRA subsidy system, and the introduction of self-financing for all local authority social housing (with an implementation date of 1st April 2012)
- Regulatory reform - provision of stronger tools that tenants can use to hold their landlords to account, abolition of the Tenant Services Authority (with transfer of remaining regulatory functions to the Homes & Communities Agency), a cross-sector housing ombudsman scheme and complaints and tenant panels.

A currently live consultation document sets out proposals for a revised regulatory framework to take effect from 1 April 2012. The proposals suggest boards and councillors who govern service delivery will remain responsible for ensuring providers meet the consumer standards. Under the Localism Act, the regulator will no longer have an active role in monitoring providers' service performance or delivery of the consumer standards. Under the new arrangements for regulation, it is expected that others such as tenant panels, MPs and elected councillors will have a more prominent role in helping tenants to get redress where they have received a poor service and in scrutinising landlords' overall performance. The revised Tenant Involvement and Empowerment standard will reflect these objectives, including an increased scope for more tenant involvement in repairs and maintenance. Further information about what the changes mean will be provided by the Department of Communities and Local Government (DCLG).

Supporting People

In April 2003, the Supporting People regime was introduced, recognising the Government's desire to separately identify and fund the raft of housing-related support services that housing providers either delivered or facilitated across their housing stock.

In Cambridgeshire, local authorities opted to manage the funding, and therefore the procurement of support, at a County level. The County Council set up a team to act as administering authority, with a commissioning body including representatives from each local authority acting as the decision making body. The commissioning body agree the strategic priorities for investment in support services across the County. Since April 2003, the national funding for Supporting People has been the subject of successive annual reductions. Locally, the administering authority has also been working to deliver a more equal pattern of services across the County and to move away from ‘buildings-based services’ to more ‘floating support models’ focusing on the specific needs of individuals.

As a landlord and support provider, Cambridge City Council are currently contracted to deliver support services in sheltered, supported and temporary accommodation across the housing stock. The current Supporting People system presents particular challenges for a local authority support provider like City Homes; constrained to work within the district boundary and with historic, mainly building based services.

Many existing contracts are due to come to an end in March 2012, with the County Council either re-tendering or extending existing arrangements. The Council has not submitted a bid for the provision of mental health support services, as the scope of the new contract is far wider than the services currently provided. This contract is therefore now anticipated to transfer to a new provider from April 2012.

Contract	No. of Units	Contract Status	Maximum Support Income 2011/12 Gross of Voids (£)	Estimated Maximum Support Income 2012/13 Gross of Voids (£)
Temporary Housing (116 Chesterton Road)	60	Block Gross Contract – Expires 31/3/2012. SP confirm two year extension, with intention to re-tender from April 2014	132,070	132,070 (Supporting People seeking a reduction in costs for the two year extension period)
Temporary Housing (New Street)				
Temporary Housing (Dispersed Tenancies)				
Temporary Housing (Shared Houses)				
Floating Support	83	Contract transferred to new provider on 7/12/2011	184,920 (270,620 pro rata for 8.2 months)	0
Brandon Court	30	Block Subsidy Contract – Expires 31/3/2012. One year extension proposed by SP at a reduced rate of £9.00 per client per week.	Void in 2011/12	219,630 assuming funding for all clients at the average rate irrespective of need
Ditchburn Place (Sheltered)	15		10,170	
Ditton Court	26		17,630	
Greystoke Court	24		16,280	
Lichfield / Neville Road	171		73,870	
Mansel Court	25		16,960	
Rawlyn Court	26		17,630	
School Court	29		19,670	
Stanton House	33		22,380	
Talbot House	21		14,240	
Walpole Road	48		20,740	
Whitefriars	20		13,560	
Community Alarms	47	4.41	9,950	9,950
Ditchburn Place (Extra Care)	36	Block Gross Contract – Expires 25/1/2014.	45,740	45,740
Ditchburn Place Supported	21	Block Gross Contract	40,630	0
No. 39 Ditchburn Place	3	73.58	10,600	0
Burmaside House	4	59.31	11,390	0
Total Maximum Support Income (Gross of Voids)			**678,430**	**407,390**

The financial pressure that exists across all County Council services is expected to result in a significantly lower level of funding for support services from April 2012. In determining the investment priorities for the Housing Revenue Account over the medium to long term, consideration will need to be given to the extent to which the Housing Revenue Account wishes to provide enhanced housing management services to plug the gap that the reduction in support services will create.

Section 4
Housing Services

Housing Management

Housing Management is undertaken by City Homes, the landlord function of the Housing Service. Area North and South offices, overseen by two Area Managers, deal with rent arrears and collection, tenancy management, lettings, resident involvement and low-level tenant ASB functions for 6,653 general needs properties. City Homes works closely with the Customer Service Centre, Estates and Facilities, housing needs and homelessness, the city-wide ASB team and Housing Strategy to deliver a comprehensive, joined-up service for tenants at all stages of their tenancy. The most pressing issues for City Homes' teams include:

- Ensuring rent-collection levels continue to be high in the face of challenging welfare reforms and socio-economic pressures
- Keeping arrears levels to a minimum, including former tenant arrears
- Ensuring tenants have the necessary support and advice to help them pay their rent, maintain their tenancy
- Ensuring anti-social behaviour is dealt with
- Offering tenants and leaseholders opportunities to get involved in the housing service and have their say on the issues that affect them as tenants.

City Homes has received the Customer Service Excellence accreditation for the last three years, previously holding the Charter Mark accreditation for excellence in the provision of customer service since 1999.

Customer Services

The Customer Service Centre was introduced in 2008 as a one-stop shop for accessing Council services. Key front-line services were moved across gradually until the Centre was fully integrated by June 2010. The Customer Service Centre has robust policies and procedures in place, fully-trained staff, access to self-service facilities, an easily accessible location (extended opening times, full disabled access etc), challenging performance targets and clear service delivery standards.

The Centre's relationship with the range of housing services is strong. Regular meetings are held between senior members of staff to discuss performance, data-gathering possibilities and the streamlining of specific areas of service. The Customer Service Centre is in the unique position of being able to collate robust, centralised files of data and information on current and future clients, and Housing is keen to take advantage of this data.

The Customer Service Centre team assists customers with general queries regarding housing, such as:

- Providing fully supported assistance with Homelink lettings-applications, from assessing eligibility to registering, banding enquiries and bidding
- Handling rent enquiries, establishing the customer's query, confirming the amount of rent payable, and taking debit or credit card rent-payments
- Liaising with Housing/Council Tax benefit teams to establish the reason for changes in rental liability, and liaising with City Homes housing officers where required
- Advising on how to register for a mutual exchange of homes.

For repairs and maintenance of Council homes, the current services provided by the Customer Service Centre include:

- Establishing the type and urgency of the customer's repair request
- Requesting the repair via the Orchard electronic system
- Agreeing appointment dates with the customer
- Agreeing specific response times where the repair is an emergency
- Arranging for the appropriate tradesperson to attend within prescribed time limits.

Leasehold Services

The leasehold service currently supports the administration of:

- The 1072 leases of flats sold under the Right to Buy
- The Right to Buy process
- 89 Shared Ownership properties.

A main function of the leasehold team is to ensure that the Council recovers any service charges that it reasonably incurs as the Freeholder, and that services provided are of an appropriate standard. The leasehold team also administer or deal with:

- Section 20 Consultation for major planned works, in order to comply with the requirement of relevant legislation
- Pre-sales enquiries in relation to re-sales
- Breaches of lease conditions, including recovery of service charge arrears
- Leaseholder alterations.

The Right to Buy

Right to Buy sales in Cambridge remain relatively low, with just 17 in 2010/2011, culminating from 43 applications. The recent announcement by Government (October 2011) to re-energise the Right To Buy process could have a significant impact on the Council, including increased workload, loss of rental income if there was a large take-up, an impact in capital receipts and the potential for council new build (dependent upon the outcome of the consultation process).

Shared Ownership

The Council have 89 Shared Ownership properties, the majority of which were sold on a 50% share. The leasehold team administer the waiting list and deal with re-sales.

Sheltered Housing

The Housing Revenue Account owns and manages a number of sheltered housing schemes, which provide accommodation suited to older people. Schemes provide varying levels of support to enable residents to live independently in their Council home.

Over the last 6 years, a significant programme of investment in the Council's sheltered housing stock has been carried out. The strategic investment decisions have included selling or transferring a number of schemes to other registered providers. This has enabled an appropriate level of investment in the schemes retained, to ensure that they meet modern standards and tenant's expectations.

The schemes retained are a mixture of:

Category I schemes, which are clusters of accommodation with their own off-street front doors:
Greystoke Court
Lichfield / Neville Road
Walpole Road

Category II schemes, where tenants' homes have their own front doors onto an internal corridor, with some communal facilities:
Brandon Court
Ditchburn Place (Sheltered)
Ditton Court
Mansel Court
Rawlyn Court
School Court
Stanton House
Talbot House
Whitefriars

Staff of the Independent Living Service provide support, landlord-related services and premises-services to sheltered scheme residents on a peripatetic basis. This service has changed significantly over the last 15 years. Residents saw a reduction in service, changing from having a designated live-in warden and deputy warden at each scheme, to the current service where one peripatetic Independent Living Facilitator might be providing services across two, or even three, sheltered schemes.

Ditchburn Place Extra Care

In addition to sheltered housing, the Council has retained a 36-unit extra-care housing scheme at Ditchburn Place. Unusually for a local authority landlord, the City Council is contracted by

the County Council to deliver the care and support in the scheme in addition to being the landlord.
Although the City Council has a contract to provide care and support to January 2014, the contract is managed closely and reviewed regularly to monitor both the financial implications and the risks associated with delivering this service, as it is not a core function for the authority.

At some point during the life of the current care and support contract, it will also be necessary to consider the options for the future of the extra care accommodation itself at Ditchburn Place, as significant investment is required in order to bring the scheme up to modern standards and to meet the expectations of prospective residents.

Temporary Housing

As part of its statutory duty and responsibility to reduce homelessness, Cambridge City Council owns and manages 60 units of temporary accommodation. The Temporary Housing staff team manage the provision of temporary accommodation to vulnerable people who have become homeless due to problems with alcohol and substance abuse, mental ill health, domestic abuse or relationship breakdown. The work of the team also includes supporting clients in moving on to permanent accommodation.

Supported Housing

Until recently, the Housing Service provided a Floating Support Service to about 83 residents in accommodation-based supported housing and in general needs housing. The Council was unsuccessful in securing a place on the framework for Floating Support services in the city, so all floating support staff were recently transferred to a new provider. Historically, the majority of residents supported by this service have been Council tenants, but the expectation is that future referrals may be more complex. Concerns are high that wider demand for this type of support will lead to the support needs of some Council residents going unmet. This is expected to put increasing pressure on the Council's housing management function.

The Housing Revenue Account also manages 28 units of accommodation-based supported housing, all of which are situated on the Ditchburn Place site. The support needs of these residents are currently met by an in-house team based at Ditchburn Place, operating as part of the Independent Living Service. However, the basis upon which the County Council has tendered the contract for this support from April 2012 has led to the decision not to tender for the continuation of this service. (The tender, for a county-wide accommodation-based mental health support service, required experience that does not currently exist within the team and posed too many risks for the Council.)

Consideration will need to be given to whether the Housing Revenue Account wishes to retain 28 units of supported housing in the longer term, or to utilise the accommodation for alternative purposes.

Estate Services

Estate Services are based at City Homes, and work with partner agencies to oversee grounds maintenance, street cleaning, garage maintenance, caretaking and cleaning of communal areas on each Council estate. As well as addressing environmental issues such as the introduction of new recycling points throughout the estates, fly tipping and other environmental nuisance, the service has recently introduced the role of Green Inspectors. These are resident volunteers trained to provide performance reports on key areas of service, providing management with critical data for making service improvements and taking forward new initiatives. The team also encourages general tenant feedback via a standards group, street forums, a Tenant Initiative Scheme and resident involvement with the service planning for estates, including where priorities should be focussed in the coming years.

Garages

The Housing Service manages 1,865 garages and lettable parking spaces using the department's Housing Management Information System. The majority of the garages are Housing Revenue Account owned (except for 17 garages and 6 parking spaces in Bermuda Road and Hooper Street, owned by, and managed for, the General Fund). Just over 50% of the garages are let to Council tenants, with the remainder let predominantly as private garage tenancies to the city's other residents and regular visitors. A small number of garages are utilised as storage for housing management purposes.

The garage stock in many areas of the city is in poor condition, and requires significant investment if it is to be retained as a lettable asset into the future. Void levels in Council garages are high, with a 19% void loss realised for 2010/11. There is a small waiting list for garages: the number of people waiting is far less than the number of garages available, but with many would-be garage tenants requiring a specific geographical location.

Due to difficulties letting garages in some areas of the city, work has been undertaken to investigate the development potential of particular sites, with a number of sites now featuring on the 3-year affordable housing investment programme.

Miscellaneous Leases

The housing service lease a small number of properties to voluntary and not-for profit organisations that provide accommodation and support to vulnerable groups within the city. The organisations house clients such as those with mental health issues, care workers active within the community, over-seas nurses, school site staff, a pastor undertaking community work and women and children fleeing domestic violence.

The decision to lease these properties to other organisations involved a number of factors each time, such as:

- The fact that the requesting organisation would be housing vulnerable clients who may otherwise have come to the City Council for housing
- The ‘stand alone’, non-estate or low-demand location of certain properties, making them less viable as general needs accommodation
- The guaranteed rental income for this low-demand property

A review of the service in 2007 saw councillors agree to continue the service where viable and with due consideration of each property, albeit with stricter control over the duration and terms of a new ‘standardised’ lease.

Commercial Property Portfolio

In addition to owning and managing a significant dwelling stock, the Housing Revenue Account also owns a small commercial property portfolio, consisting of shops and land utilised for non-housing purposes.

The majority of shops in the Housing Revenue Account are situated on housing estates, were built as part of creating the affordable housing and associated infrastructure and have tenanted social housing built above them.

The portfolio currently includes 24 shops and a clinic. The shops are located in Akeman Street, Anstey Way, Barnwell Road, Campkin Road, Carlton Way, Hazelwood Close and Wulfstan Way. The shops are let on commercial leases, generating commercial market rental streams of approximately £243,000 per annum.

The remainder of the commercial property portfolio consists of land used for non-housing purposes generating a revenue stream of approximately £31,000 per annum, and payment in respect of a lease to the Hundred Houses Society for the land on which some of their first 100 houses were built. The latter provides an ongoing rental stream of approximately £68,000 per annum, which is directly linked to the rental income for the properties on the site. Hundred Houses are pursuing the desire to terminate the existing lease arrangements, taking ownership of the land by mutual agreement with the City Council, in return for a one-off capital sum or the transfer of some housing stock into Housing Revenue Account ownership. The proposals need to be fully explored in the light of any potential impact on the Housing Business Plan.

Anti-Social Behaviour

Anti-social behaviour is dealt with in partnership between City Homes and a specialist ASB team that is part of a City-wide Safer Communities Team. The team deals with medium and higher level ASB affecting Council properties, and ASB of all kinds across the city, including problems in public spaces or involving private-sector housing.

The Racial Harassment and Community Cohesion Officer is also part of the Safer Communities Team, offering a confidential service that provides support and assistance, as well as advice and action on racial harassment. The team works closely with the police and other Council departments to gather information and take appropriate and speedy action to put an end to harassment. The team also works extensively with black and minority ethnic groups in the City to build relationships and encourage their active participation in decisions that affect their lives.

Repairs and Maintenance

Repairs and Maintenance expenditure can be summarised in two main categories. The investment broadly consists of repairs of a reactive nature (responsive and void repairs) and planned expenditure (decent homes, cyclical maintenance and planned works, both revenue and capital funded).

As part of a corporate re-structure, and to ensure efficiencies could be maximised, it was agreed in 2010 to merge Building Services (part of the Council's Direct Labour Organisation) with Technical Services (the Housing Revenue Account's surveying and repairs client role) into a single Estates and Facilities Service, while externally tendering the planned elements of the investment programme. The remaining functions are currently undergoing a major restructure to ensure effective operation as a single service.

In 2010/11, the number of jobs booked was as follows:

Job type	Number
Emergency	3,808
Non-emergency	15,535
Void works	1,371
Total	**20,714**

The decision to retain the reactive element of the repairs service as an in-house function followed a soft-market testing exercise of the repairs & void service, resulting in the development of an improvement plan which is now underway and scheduled to be completed by 2013. A Repairs Improvement Plan Scrutiny Panel will monitor progress and achievements against the relevant tasks and actions. This group will also be responsible for recommending that the service is either retained in house or is subject to future out-sourcing via a tender. Key activities planned for the team include close work with other areas of the housing service to ensure a joined-up approach to working with tenants, regular contact with the Customer Service Centre on issues surrounding customer satisfaction, repairs booking and IT integration, improving performance and benchmarking results and working with tenants as part of co-regulation, where a resident inspector project, responsible for void work regulation is already underway.

Apollo and Kier Services have been awarded contracts for planned maintenance and work in partnership with the Estates & Facilities Service to ensure the housing stock is maintained at the Decent Homes standard, following achievement of 100% Decent Homes in 2010/11.

The Estates & Facilities team also oversee cyclical maintenance within blocks, including leaseholder section 20 works, and disabled adaptations. They ensure that programmed works are completed on time, on budget and to a high standard. Housing stock condition is monitored in-house, as well as works around energy efficiency and renewable energy, fire-safety, asbestos removal and refurbishment of the sheltered housing schemes. Performance and benchmarking information plays an important role within all these services.

Support Services

Information Technology

The Housing Service relies very heavily on a number of business-critical IT systems, with the Integrated Housing Management Information System being one of the key applications.

A recent review of this system resulted in the upgrade of the system with the existing supplier, for a period of 5 years from April 2011, when the upgrade took place.

There are a number of other key systems, which work along-side or integrate with this application, and review of a number of these is required, in an attempt to make best use of the IT functionality currently available to support a housing business.

Funding has been made available in the first year of the business plan, to allow for review and potential replacement of the OPENContractor direct labour management and job costing system and the Codeman asset management information system. As part of the review, consideration will also be given to the introduction of a mobile working solution, which would be expected to deliver significant future advantages in terms of financial efficiencies and capacity building for the repairs service.

Section 5
Governance and Resident Involvement

Local Authority Governance

The Housing Management Board (HMB) acts as the main governing body and discussion forum for the day-to-day operation of the housing service. It comprises 9 councillors (5 from the ruling group and 4 from other parties) and 6 residents. The 6 residents (five tenants and a leaseholder) are elected by all residents, currently every four years, to serve a four-year term. The elections are run by the Electoral Reform Society and are well contested. The response rate at the last election in 2008 was 22.5%. The composition of the HMB is such that if opposition councillors and residents unite they could out-vote the ruling party. This represents a powerful and independent role for residents and is possibly unique across the country.

Under the current constitutional arrangements, Housing Management Board scrutinise all of the operational decisions affecting the Housing Revenue Account, while the Community Services Scrutiny Committee scrutinise strategic housing decisions and consider the Housing Capital Investment Plan.

The Executive Councillor for Housing, representing housing on both HMB and Community Services, is in some cases individually empowered to make decisions in respect of housing related matters, or alternatively to recommend decisions to Council.

In light of the operation of the Housing Revenue Account within a self-financing environment, the constitutional arrangements in respect of housing related matters will be reviewed, with any proposed changes presented to both Civic Affairs and Council for consideration and decision.

Tenant Representation

The Housing Management Board includes 5 tenants and a leaseholder, elected by all tenants and leaseholders citywide, with equal voting rights alongside councillors. They debate and vote on all the strategic or policy decisions involved in managing landlord and related services. Below them, residents' Housing Regulation Panel is a co-regulation group, inspecting and challenging the performance of any service-areas that show poor performance. Under the co-regulation regime introduced by the Localism Bill, these two residents' groups together have formal powers to get services improved. Feeding into them, a wide range of more specialised residents' groups monitor and assist specific service-areas, from repairs and environment to sheltered schemes and publications.

In terms of tenant monitoring, the Housing Regulation Panel (HRP) monitors service delivery and the performance of the housing service. It is properly constituted: its members have been trained and it has formal powers to seek evidence and hold officers and councillors to account. The HRP has carried out independent surveys of council services and the council has adopted its recommendations. Resident Green Inspectors also check work carried out on estates, and the council also uses Mystery Shoppers. A Residents' Asset Management Group (RTLG), inspects work done on homes and assists with the Decent Homes programme. The National Audit Office has commended the depth of the resident representatives' involvement in the Decent Homes programme.

Between them, the elected residents of the Housing Management Board and the residents of the Housing Regulation Panel play a key role in holding the landlord service to account. HRP has a comprehensive constitution and robust powers to investigate services, to question councillors and officers and to make recommendations for service improvements. The HRP can also commission advice from independent consultants.

Resident Involvement

The resident involvement service is delivered by two staff that work with residents and officers to ensure that resident involvement work is effective within the Council. This is to be enhanced following a recent external review of tenant involvement.

In all, active resident representatives working with the resident involvement service give over 3000 hours of hands-on participation to the housing service each year. Over 30 areas of the housing-service are directly influenced and shaped by residents' input.

The resident involvement service offers a menu of involvement methods. This includes a system for residents' co-regulation, support to residents' groups and associations, area meetings in the north and south of the city, estate walkabouts, a citywide forum for leaseholders, neighbourhood days, a Tenants' Initiative Scheme that offers up to £7,000 for environmental projects, and local offers developed in partnership with residents.

An independent review of the service in September 2011 found that *"Cambridge City Council's resident involvement is robust, effective, and represents excellent value for money, achieving remarkable results given that it is spending below the lowest quartile… In terms of the quality of the service, its value for money and the range of involvement options on offer Cambridge, it sits within the top quartile of landlords and has been rightly praised by regulators and bodies such as the Audit Commission and the CIH."*

Together, staff and residents from the service regularly give training and positive practice presentations for other providers and national agencies. To keep the Council's resident involvement at the forefront of positive practice, increased funding is being made available from 2012, a Residents' Forum will be launched, a new member of staff will be recruited, and their and the current resident involvement team's work will have a high degree of guidance from residents. As the independent review explained: *"This already happens in practice, since the team works on a partnership basis with residents, but it may be sensible to formalise the arrangement so that residents know exactly the services they can expect to receive. In the spirit of co-regulation, the principle should be that a significant proportion of the team's work should be resident-led."* This reflects the fact that under resident's co-regulation, residents' involvement is intended to be a driving force for improvement across all housing services.

Consultation and Communication

The Council also offers a wide range of communications with tenants and leaseholders. As well as a yearlong intensive calendar of face-to-face meetings with resident representatives, Open Door magazine is co-edited with tenants and leaseholders and is distributed quarterly to all tenants and leaseholders. This magazine includes a Freepost feedback survey so that improvement can be built in. The Annual Report for Tenants and Leaseholders is also co-edited with tenants and leaseholders and includes a feedback survey. The Council website includes a Your Home, Your Say feature, links to Facebook pages, and residents' videos on *YouTube* and on the Council's website. The *Count Me In* campaign has successfully involved Black and Minority Ethnic residents, and an annual calendar of resident-led learning events includes Residents' Exchange Day, Residents' Garden Competition and other celebrations.

Section 6
Capital and Asset Management

Asset Management

An Asset Management Strategy, detailing the anticipated investment need across the Housing Revenue Account asset base has been produced alongside the Housing Revenue Account Business Plan.

In a self-financing environment, understanding the asset base and the associated future investment required in order to maintain the asset base in a desirable, and therefore lettable, condition, is key to ensuring the financial viability of the housing business plan.

Where historically the financial disincentives inherent in the National Housing Revenue Account Subsidy system have undermined pro-active asset management decisions, the introduction of self-financing brings forth a new era.

The ability to retain all rental streams at a local level to service the debt taken on, actively encourages the development of new affordable housing by local authorities for the first time in many decades.

It is also more likely that the Housing Revenue Account may consider strategic disposal of assets, for example where an asset negatively contributes to the business plan, utilising any capital receipt to re-invest in affordable housing.

Stock Condition

Prior to the introduction of the Decent Homes Programme in 2004 and to demonstrate the authority's ability to retain its housing stock, an independent specialist (Savills) were procured to undertake a 10% stock condition survey of the housing stock, projecting the investment need over a 30-year period.

Since 2004, surveyors employed within the housing service have gathered survey data on the majority of the residual 90% of the housing stock, enabling the service to refine broad investment projections into more detailed investment plans.

In preparation for the implementation of self-financing from April 2012, the authority invited Savills back to undertake a stock condition validation exercise in April 2011. The purpose of the validation exercise was to obtain confirmation that the data gathered internally has been collected on a consistent basis with the original 10% sample, and to provide an expert view on the assumptions being made in the stock condition database. This exercise provided full assurance as to the data held while recommending a couple of changes in the assumptions being made in the database, helping to further refine investment planning.

One of the areas where data gathering and recording is weak is in respect of the communal areas of both sheltered and flatted accommodation, where an allowance has been made in the financial planning, in anticipation of a more detailed investment profile in the future.

The recommendation of Savills in this respect is to include an uplift of £75.00 per property per annum to ensure provision of sufficient resources to maintain communal areas (lifts, door entry systems, balconies, landings, balustrades, communal floor coverings and communal rooms) to a safe, decent and desirable standard.

Decent Homes

The housing service reported achievement of decency in the housing stock as at 1st April 2011, with over 99.5% of the stock achieving the desired standard. There were 37 properties that were considered to be non-decent (in addition to the 613 refusals), with another 305 anticipated to become non-decent during 2011/12.

It is anticipated, and incorporated as part of the Asset Management Strategy, that any properties either non-decent at 1st April each year, or become non-decent during the year, will be included in the decent homes programme, to be addressed in year.

Stock Investment

The Asset Management Plan addresses the investment need in Housing Revenue assets in detail, but a summary of the anticipated investment need is included in Appendices H and I to the Business Plan. Appendix H provides a detailed breakdown of investment in years 1 to 5 of the Business Plan, while Appendix I provides a summary of the anticipated investment need over the full 30 years of the current plan.

Determining priorities for investment will continue to be a difficult task, with ongoing conflicts in the desire to improve existing housing stock, deliver new affordable housing and invest in the services that are provided to tenants on an ongoing basis.

New Build Affordable Housing

As one of the few local authorities successful in securing Homes & Communities Grant funding for new build affordable housing in 2009, 7 additional units of housing have now been built, let and are now being managed as part of our Housing Revenue Account housing stock.

On the back of this success, the Council bid as part of a later round of grant applications, and was successful in securing provisional grant of £2,587,500 towards the development of 146 new affordable homes in the city, all of which form part of the 3-year affordable housing programme.

The first of the schemes to be undertaken is for the re-development of the Seymour Court / Seymour Street site, which will see the existing 51 units of void sheltered accommodation being demolished to make way for a mix of market and affordable housing, with the Housing Revenue Account realising 21 units of affordable housing, funded via a mix of grant, cross subsidy from the market housing and an element of prudential borrowing.

Also included in the base business model is the assumption that the authority is able to deliver the affordable housing on the Clay Farm site in years 4 or 5 of the business plan, subject to scheme viability.

Section 7

Rent Arrears, Voids, Rent Policy and Rent Setting

Rent Arrears and Bad Debt Provision

Historically rent collection performance locally has been consistently good, with over 98% of the value of current tenant arrears brought forward and rent raised, collected in year.

Rent arrears in total is a combination of current and former tenant debt, with the latter being more difficult to pursue and recover, demonstrated by an increase in the level of former tenant arrears in recent years.

A pro-active approach to pursuing current tenant debt is key to keeping former tenant debt, and therefore the cost of rent written off, to a minimum. The timescale within which former tenant debt is pursued is crucial if the organisation is to have a realistic chance of recovering the sums due.

The year-end position in respect of current tenant debt is 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
31/3/2011	£582,400	1.88%
31/3/2010	£625,433	2.05%
31/3/2009	£595,366	2.01%
31/3/2008	£622,446	2.27%
31/3/2007	£693,541	2.54%
31/3/2006	£749,604	2.84%

The year-end position in respect of former tenant debt is shown in the table below:

Financial Year End	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2011	£746,852
31/3/2010	£642,521
31/3/2009	£633,797
31/3/2008	£601,117
31/3/2007	£506,091
31/3/2006	£435,275

Despite improved performance in the collection of current tenant debt in recent years, the trend in recent months however, has been an increase in the level. This trend is anticipated to worsen, particularly in light of the changes proposed under the Welfare Benefit Reforms from April 2013, when housing benefit will no longer be payable directly to the landlord.

It is imperative that the Council take positive action to minimise any increase in rent arrears, thus reducing the financial burden on the Housing Revenue Account that an increase in bad debt will bring.

The Housing Revenue Account maintains a provision for bad and doubtful debt, with the value of the provision reviewed annually, taking into consideration both the age and value of outstanding debt at the time. The impact of external factors on the Council's ability to recover sums due also needs to be considered as part of determining an appropriate level of provision.

A judgement needs to be made, in light of the forthcoming changes, whether further investment in additional staffing to pro-actively recover rent due may be a better option financially than writing off any unrecoverable debt that may otherwise ensue.

Void Levels

With the exception of temporary and sheltered housing and properties identified for re-development, the level of void properties in the housing stock is relatively low compared with other areas of the country. The number of properties vacated and re-let in any year is between 600 and 750, including mutual exchanges and transfers.

The value of rent not collected as a direct result of void dwellings in 2010/11 was £423,103, representing a void loss of 1.46%.

Local void levels have been higher in the last 8 years due to a combination of the sheltered housing refurbishment programme, which has seen one scheme at a time being intentionally vacated to allow disposal or refurbishment of the scheme to meet current standards and local tenant aspirations and the early stages of a programme to re-develop other housing stock in the city.

Financial Year End	No. of General Year End Voids	No. of Sheltered Refurbishment Year End Voids	No. of Re-Development / Disposal Year End Voids	Total Year End Voids
31/3/2011	38	37	16	91
31/3/2010	54	37	42	133
31/3/2009	73	40	40	153
31/3/2008	44	66	51	161
31/3/2007	71	51	45	167
31/3/2006	68	26	33	127

On an ongoing basis, excluding the known impact on void levels of the sheltered housing refurbishment programme and of any proposed re-developments, an assumption of 1% voids in general housing is currently considered to be appropriate, subject to continuation of improved performance in void re-let times.

Rent Restructuring

Rent restructuring was introduced in April 2002, with the key aim of converging rents across all social housing providers, whether local authority landlord or other registered provider.

The programme was originally anticipated to span a ten-year period, with target rents calculated based on property prices from January 1999. Since the outset, a national review of the system saw further changes imposed from April 2006, resulting in an increase in target rents for Local Authority housing stock with far fewer properties nationally expected to reach convergence by 2011/12; the end of the initial period.

Government-prescribed limits on average rents increases of 5% were imposed for 2006/07 and 2007/08, whilst April 2008 saw an extension of 5 years in the original 10-year convergence period, taking intended convergence to 2016/17.

The rent increase from April 2009 was retrospectively reduced, following re-issue of the 2009/10 HRA Subsidy Determination, resulting in a reduced average increase of 3.26% and a delay in the intended rent convergence date to 2023/24. In April 2010, an average rent increase of 1.75% was applied to the Council's Housing Stock, with the intended date of convergence brought forward to 2012/13.

In April 2011, the Housing Revenue Account Subsidy Determination again moved the intended rent convergence date, this time to 2015/16. The rate of inflation at September 2010 however, still drove a significantly high increase in guideline, and therefore actual, rent, with an average in actual rent for 2011/12 of 7.45%.

Throughout these changes individual annual rent rises have continued to be limited to a figure of inflation plus half a percent plus £2 per week.

As target rents are calculated using a formula, which considers both property prices and average manual earnings, both weighted for the geographical location of the housing stock, target rents for Cambridge City Council were considerably higher than the levels being charged at the outset of the regime.

Even now, ten years into the process and at the end of the initial transition period, the constraints that have been applied by Government, mean only the 7 new build properties are currently at target rent, until 2015/16, when 27% will have reached target rent levels.

The table below indicates the proportion of the housing stock that will be at target rent levels at April of each year, if the existing rent restructuring rules continue to apply and no changes are made to rent setting policy locally.

Financial Year	Percentage of Housing Stock at Target Rent Levels
2011/12	<1%
2012/13	<1%
2013/14	<1%
2014/15	<1%
2015/16	27%
2016/17	48%
2017/18	63%
2018/19	74%
2019/20	82%
2020/21	86%
2021/22	90%
2022/23	92%
2023/24	95%
2024/25	96%

Rent Policy

The local rent setting policy, updated for self-financing and to be effective from January 2012, is attached at Appendix C.

There is some discretion in how rents are set at a local level, with options to use an element of flexibility in the calculation of target rents (5% for general stock housing and 10% for sheltered housing) and to move all void properties directly to target rent prior to re-let.

Historically, neither of the above has been applied locally (in part due to the potential negative impact through the subsidy mechanism), but in terms of the impact on the business model, consideration should clearly be given to whether or not Cambridge City Council should introduce either option for the future.

Any decision to move void properties directly to target rent needs to be taken in full recognition of the potential impact of rent rebate subsidy limitation, where an increase in average actual rent above the limit rent set would result in payment of the difference across to the General Fund, impacting the sums received from the Department for Work and Pensions (DWP) in respect of housing benefit.

At the start of 2011/12, the target rent for the housing stock was £90.91, the limit rent was £85.14 and the actual transitional rent being charged was £80.98. Approximately 8.5% of the housing stock becomes void at some point in any one year (although some of these voids are transfers, mutual exchanges and repeat voids), indicating that a decision to move void properties directly to target would not negatively impact upon rent rebate subsidy limitation and therefore the business plan. Once the date of intended rent convergence is arrived at, currently 2015/16, the level of limit rent will equal that of the target rent, thus removing the possibility of entering rent rebate subsidy limitation unless rents are set at above target levels.

Where the Council builds new affordable housing using grant from the Home and Communities Agency, the new homes will need be let at an affordable rent as introduced by the Localism Act.

Rent Setting

Rent levels are set in January of each year, with the Executive Councillor for Housing having delegated authority to make this decision, following pre-scrutiny by Housing Management Board.

Although there has always been some discretion in the level of rents to be set a local level, the financial disincentives that are inherent in the national Housing Revenue Account Subsidy system mean that Cambridge City Council has had little alternative but to follow Government guidelines.

The decision about the level of rent increase to approve is always set in the context of the wider budget setting process, taking account of the financial projections for the Housing Revenue Account over the longer term.

Any decision to increase rents at a lower rate than assumed in the debt settlement, and therefore the business plan, would have a negative impact on the business model, with a 1% lower increase in rent in a fully committed business model, representing the need to deliver savings of approximately £300,000 at 2011/12 rent levels (£1.00 represents approximately £380,000).

To illustrate the impact of a decision to deviate from the Government assumptions for setting rents under the rent restructuring regime, a decision not to converge rents (i.e. never to apply the £2.00 limit to close the gap between target and actual rents) would result in an inability to pay off the debt during the life of the base business plan. It is estimated that it would be year 35 before sufficient resource would be available to redeem the loans, and all of the additional investment identified later in the document as part of an aspirational business model would not be possible.

A decision in a single year, for example in 2013/14, not to apply the £2.00 increase in rent, would not remove the ability to redeem the loans during the life of the plan, but would result in the loss of over £4.3 million in income during the life of the business plan, necessitating either a compensating reduction in expenditure or a decision not to undertake some of the additional investment that would otherwise be possible.

It is clear that the Government expectation is that local authorities will continue to set rents in line with the guidelines. What is not clear at this stage, is the potential impact of deviating from this policy in terms of any potential penalty or possible exclusion from eligibility for grant funding for example.

Service Charges

Service charges are levied for services that are not pure landlord functions, and are provided to some tenants and not others, depending upon the type, nature and location of the property. Charges are set to recover the full estimated cost of providing each service, with some services being eligible for housing benefit depending upon the nature of the service being provided.

Prior to April 2004, many services were provided, but paid for via the rent charged for each property. As a follow on from introducing rent restructuring, the Government also encouraged local authorities to separately identify and charge for services, outside of the rent charged for the occupation of a property.

When separating out any charges, where services have previously been provided, but have been funded through rental income, it has been necessary to implement the service charge whilst reducing the rent charge by the corresponding sum.

The majority of services provided to tenants of Cambridge City Council are now separately identified, with the exception of communal electricity, grounds maintenance and estate services to non-sheltered flatted accommodation, where work is in progress to identify these costs accurately at block level.

Service charges are currently levied for the following services:

- Caretaking (General Housing)
- Communal Cleaning
- Estate Services Champion (General Housing)
- Window Cleaning
- Door Entry
- Passenger Lifts
- Gas Servicing
- Electrical / Mechanical Maintenance (Sheltered / Temporary Housing)
- Grounds Maintenance (Sheltered)
- Premises (Sheltered / Temporary Housing)
- Utilities (Sheltered / Temporary Housing)
- Support (Sheltered / Supported Housing)

Once separated out from rent, service charge increases have been limited to annual rises of inflation (RPI at the pre-ceding September) plus 0.5%.

Section 8
Performance & Value For Money

Performance Indicators

The Council, and the housing service in particular has used performance indicators (PI's) for a number of years as the clearest way of providing customers with information on how services are performing, and as a management tool for improving service delivery and ensuring services are held to account for failings in key service areas.

The Council's performance management structure stems from our Medium Term Objectives – The Strategic Leadership Team (SLT) monitor a basket of key PI's that help to show delivery against the targets set through the MTO's. Underneath this level, each service is responsible for ensuring robust and measurable PI's are set within the Portfolio Plans, and, underneath that, operational plans PI's that are delivered at a more local level. The current suite of Housing Revenue Account-related PI's, some monitored by SLT and all monitored by Housing Management Team, is available at Appendix D of this document.

Performance Management

Housing's performance management system includes key PI's from each area of service that are monitored by Housing Management Team (HMT) each quarter. Halfway through each financial year, Service Managers are asked to present a 'spotlight' report to HMT that outlines progress against PI's, Benchmarking data and key actions from both the portfolio and operational plans. This provides HMT with the opportunity to 'catch-up' with managers and services on a formal basis, a good understanding of any problems or issues arising in service areas and opportunities to challenge any poor performance.

A special Residents Performance monitoring session is held every three months at Housing Regulation Panel that includes members of HMB. This session allows residents and leaseholders to scrutinise performance and raise issues that will be taken back to service managers for consideration or action as appropriate. HRP are keen to work with service managers in understanding issues, challenging performance and target setting.

Value for Money

Housing has a strong approach to VFM, enabled by:

- Procuring services externally and in partnership with others where this is the best option
- Systematically reviewing our services to identify better ways of working and to drive out inefficiencies (including benchmarking with other agencies)
- Taking a rigorous approach to monitoring expenditure and costs
- Maximising external investment
- Involving tenants and other stakeholders in our decision-making processes to ensure we are meeting the needs of our service users and are delivering effective outcomes for the wider community.

There are three main dimensions to our approach to VFM in our housing services:

- Working cohesively with other sections of the Council and within the corporate financial framework expressed through the Medium Term Strategy.
- Looking to embed VFM at the operational level with direct engagement with service users to help prioritise, direct and measure the impact of the use of the resources at our disposal
- Working in partnership with other agencies within the Cambridge sub-region housing market to deliver added value.

Benchmarking

The Housing service has been a member of Housemark for four years. The system provides robust, comparable spend data across each area of Housing Management, leasehold and shared ownership, estate services, major works, cyclical maintenance and repairs and voids and support services (IT, Finance, office premises and central costs) so the Director, Heads of Service, service managers and staff can track, monitor and understand what is spent and

saved on employee costs, non-pay costs and overheads. The output of the benchmarking exercise has been extensively used as a management tool to inform service reviews and service planning.
It is anticipated that the year-end benchmarking report will be presented to Housing Management Board on an annual basis, to compliment the documentation presented in January of each year in respect of portfolio planning and budget setting.

Benchmarking is also undertaken at localised levels, namely with *HQN* for leasehold services, *Re-thinking Construction* for repairs and maintenance, and a Housemark club for Resident Involvement.

Incorporating the benchmark results as part of the spotlight reporting template ensures service managers understand their costs and performance and can utilise the results when planning changes to services or preparing key policies and strategies.

It is expected that the Housing Regulation Panel (HRP) will oversee the monitoring of our annual benchmarking results.

Portfolio Plan

Portfolio Plans for each of the Cabinet Members were introduced in 2010 and replaced the old service planning process. The Portfolio Holder for Housing, in partnership with the Director and Heads of Service, has developed an annual plan that for 2012/13 sets the following priorities:

1. Maximise the delivery of new housing in a range of sizes, types and tenures ensuring that current standards are at least maintained.
2. Make the best use of existing homes.
3. Implement the first year of the HRA Business Plan following the introduction of greater financial freedom for the Council to manage the financing of its housing.
4. Foster good quality housing and housing related advice.
5. Increase energy efficiency of existing homes; promote sustainable design and construction methods; promote high standards of environmental sustainability of new homes and communities, including water management

Inspection

In 2008, an inspection of the Housing Management Service resulted in a *'two-star, excellent'* score from the Audit Commission. In 2010, this inspection process was dissolved. The Localism Act sets out the new framework for social housing regulation, with the current focus for consultation around robust self-assessment, Value for Money and serious detriment, complaints and co-regulation.

Section 9
Treasury Management Strategy

Background

Treasury management activities are defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

" The management of the organisations investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

HRA Self-Financing Borrowing Requirement and Options

A self-financing valuation of the local authority's council housing stock has been made by Government using a discounted cash flow model of the authority's social housing. The model is based on assumptions made by Government about rental income and expenditure required to maintain the council's housing stock over 30 years.

Based on this model, and audited data about the Council's housing stock, a final self-financing determination has been made. For the City Council the determination sets the amount that must be paid to Government on 28 March 2012, together with an upper limit on housing debt that the Council may hold under self-financing.

The final determination, announced in February 2012, follows formal consultation on a draft self-financing determination, which commenced in November 2011.

Based on the final self-financing determination, the Council will be required to fund a payment of £213,572,000 to the Government on 28 March 2012. Significant exploration of the funding options available to the Council was undertaken, with the options investigated including:

- Internal borrowing from the General Fund
- Borrowing from the County Council pension fund
- Borrowing from other local authorities
- Borrowing from the Public Works Loans Board (PWLB)
- Raising funds through bond issuance (either individually or as part of a club)
- Raising funds through private market placement

The work undertaken has also considered the potential benefits of adopting a mix of the above funding options.

Until the Comprehensive Spending Review in October 2010, borrowing from the PWLB was likely to have been the chosen route for many local authorities, with preferential interest rates being offered for a variety of fixed and variable products. An increase of approximately 1% in the rates being offered following Spending Review 2010, forced many local authorities to investigate the market more widely, particularly exploring the potential for bond issuance, which although costly to set up, appeared to offer preferential longer-term borrowing rates. It should be noted that, to be in a position to place bonds in the market place, the Council and any other parties in a bond club, would be required to obtain a formal credit rating from a limited number of rating agencies, such as Moody's, Fitch or Standard & Poors.

In September 2011, the Government announced a reduction in the rate offered by PWLB, in respect of the self-financing settlement transaction only, providing rates comparable to those previously available to local authorities prior to the October 2010 Comprehensive Spending Review. Following this announcement, it is highly likely that after exploring internal and inter-authority borrowing, that borrowing from the PWLB will be the most favourable route.

Given the highly specialised nature of the funding options requiring consideration and the amounts involved, the Council sought to commission specialist support and advice in determining the final funding strategy.

Borrowing Route	Current View
Internal Borrowing	There is some capacity to internally borrow, but the term of the loan is unlikely to be for the duration of the business plan, as the General Fund will need elements of the resource at various stages over the next 30 years. As opposed to utilising the internal resource available at the outset, it may be preferable to borrow the entire self-financing settlement sum externally and considering borrowing internally when the HRA requires use of the additional headroom in the business plan.
Inter-Authority Borrowing	This option is no longer viable within the timeframe and the appetite locally does not appear to exist. The authority could take a short term loan to allow set up of a vehicle to administer such loans, but there has been limited progress in this outside of this organisation. This option has therefore been excluded from further consideration at this stage.
Bond Issuance	The preferential interest rates available from the PWLB rendered this option far less attractive, with significant up front costs and lead in time with little or no anticipated benefit. This option has therefore been excluded from further consideration at this stage.
PWLB Borrowing	The preferential rates available for this single transaction, combined with the borrowing route carrying far less risk than other forms of borrowing, make this route the recommended option after use of any existing internal resource.

If borrowing from the PWLB, there are a variety of borrowing options available to the organisation. Sums can be borrowed for any term of up to 50 years, and there are a number of different types of loan available.

Loan Rate	Description	Current View
Fixed Rate	The interest rate stays static throughout the life of the loan.	The rate being offered by PWLB is lower than available currently and rates are generally lower than they have been for years.
Variable Rate	The interest charged on the loan varies as the interest rate changes.	Carries significant risk in respect of future interest rate rises.

Loan Type	Description	Advantages	Disadvantages	Risks
Maturity	Interest only paid during the life of the loan, with the principal requiring repayment or re-financing at the end of the loan period.	Minimises payments required during the life of the loan, releasing funds for either set-aside for loan repayment at the end of the term or re-investment, therefore providing some flexibility to allow an expanding business model.	Interest payments are higher, as the borrowing rates for this type of loan are the highest of the three available from PWLB. Money is borrowed for the full term and no principal is repaid during the life of the loan.	Resources available during the life of the loan are not invested in income generating schemes / assets or invested appropriately over the longer-term to generate a suitable financial return. If re-financing at the end of the loan period, rates may be significantly higher than at the outset.
Equal Instalment of Principal Loan (EIP)	Interest and principal repaid during the life of the loan, with the principal reducing equally across years, while the interest reduces over time as the loan balance reduces.	Facilitates payback over the term of the business plan. Borrowing rates for this type of loan are the lowest available from PWLB, as the principal sum is reduced quickly.	The annual cost of borrowing is greater in the earlier years of the loan term, making the option unaffordable as a stand-alone option.	The requirement to repay more in the earlier years results in an inability to respond to other financial changes in the business model, ie; inflation rates, unanticipated investment need.
Annuity Loan	Interest and principal repaid during the life of the loan with repayments staying the same throughout. As the loan balance reduces, the value of the principal being paid increases and the interest reduces.	Facilitates payback over the term of the business plan. Rates are lower than for maturity loans.	Repayment of an element of the principal is required from the outset which as a stand-alone option would require additional borrowing / reduction in expenditure in the early years of the business plan to meet the borrowing costs.	Additional borrowing required in the early years is not available internally or can only be secured at greater cost externally, limiting ability to utilise headroom for new build / asset enhancement / service improvements.
Mix of more than one loan type	Combination of multiple loans, either maturity, EIP or annuity	Allows spread of risk and benefit of an element of loans at the lowest interest rate.	Requires greater treasury management, with a mix of a number of loans of differing types.	No additional risks than those highlighted against each loan type.

Considerations in Constructing a Loan Portfolio

The following key factors have been considered:

- Type of Loan
- Source of Borrowing
- Loan Portfolio

Type of Loan

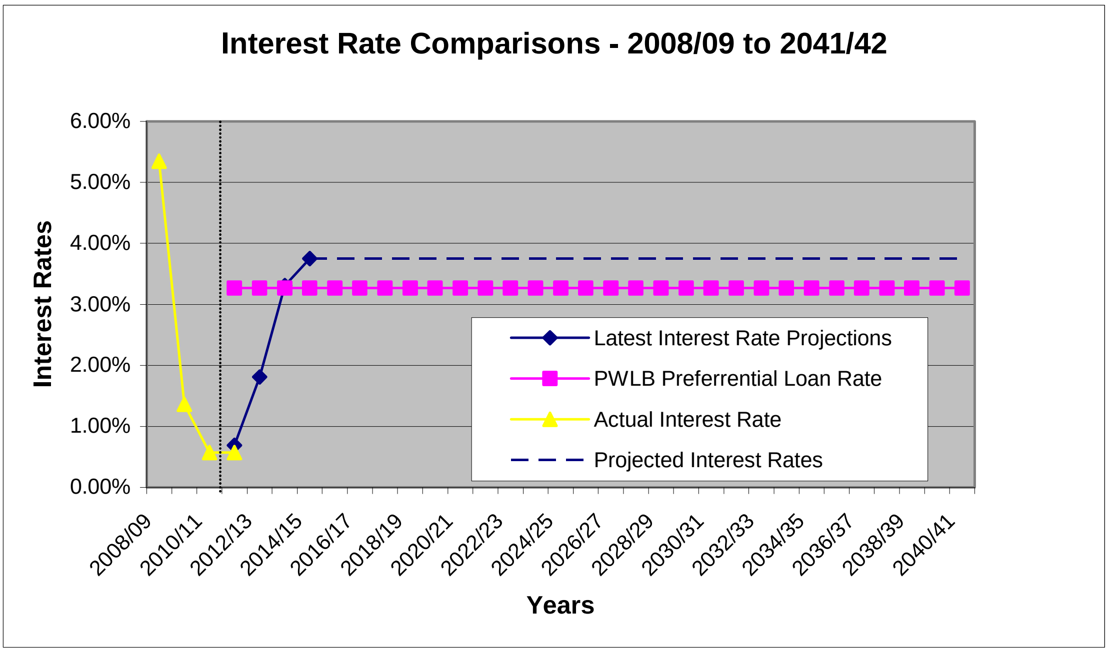
One key consideration in determining the borrowing strategy will be whether to take loan(s) with fixed or variable interest rates, or a combination of the two.

The most important factor in making this decision is where the Council believes current interest rates are in the context of longer term projections, i.e. whether rates over the term of the loan(s) would, on balance, be expected to materially increase or decrease.

Since the 2008 economic downturn interest rates have fallen dramatically and bank base rates have been at a historic low of 0.5% for just under 3 years. Given the continued uncertainty about the degree and timing of economic recovery, forward projections for interest rates are difficult to make with any degree of certainty. However, most market analysts agree that current rates are at or near the bottom of the medium to long-term projections for rates.

The graph below compares the actual average rate of interest earned on balances in the last 3 years, assuming that the current levels continue, with the latest market projections for recovery in interest rates over the next few years.

Over-laying this with a demonstration of the preferential rate at which the HRA can obtain the finance from PWLB, serves to indicate that a fixed term loan would be expected to demonstrate the best financial, and most risk averse option for borrowing in the current economic climate.



Based on the analysis undertaken, it is felt that it would be financially advantageous to the HRA to take out fixed rate loans, as opposed to the variable alternative. In addition to accessing historically low rates, this also gives the advantage of providing greater certainty for financial planning purposes.

The second factor to consider in terms of type of loan is the basis of repayment. As detailed in the table above, there are advantages and disadvantages associated with each loan type available. On balance it is recommended that maturity loans are taken out, as this loan type, although not the cheapest form of borrowing from the PWLB, has the best fit with the financial projections in the more challenging early years of the business plan projections and offers the greatest degree of flexibility, in terms of the potential to release resource during the life of the business plan to facilitate additional investment in service developments.

Source of Borrowing

As noted in the tables above, the Council could look to lend from the General Fund to the HRA, subject to availability. This would have the advantage of retaining the money paid as interest within the Council overall; even if the interest rate charged was the same as available externally and so the HRA had no direct benefit, the General Fund would receive investment income that could exceed the levels available from the market.

An exercise has been undertaken to determine the level of funding that could be made available from the General Fund, and this has identified:

	1/4/2007 £'000	1/4/2008 £'000	1/4/2009 £'000	1/4/2010 £'000	1/4/2011 £'000
Working Capital	**12,098**	**7,308**	**9,196**	**(524)**	**2,800**
General Fund					
General Reserve	12,318	13,616	12,183	9,302	9,850
Asset Renewal Reserve	11,027	11,901	12,457	12,533	12,996
Other Ear-Marked Reserve	4,491	4,287	4,635	4,433	4,322
	27,836	**29,804**	**29,275**	**26,268**	**27,168**
Housing Revenue Account					
General Reserve	6,702	6,591	6,057	5,016	5,689
Asset Renewal Reserve	1,147	1,317	1,407	1,623	1,826
Major Repairs Reserve	0	0	0	0	352
Other Ear-Marked Reserve	327	332	328	334	410
Debt Redemption Premium	(2,829)	(2,284)	(1,739)	(1,193)	(647)
	5,347	**5,956**	**6,053**	**5,932**	**7,630**
Capital					
Capital Contributions Unapplied	3,419	4,261	4,556	6,173	6,076
Usable Capital Receipts	23,192	21,750	13,719	12,155	12,763
	26,611	**26,011**	**18,275**	**18,328**	**18,839**
Deferral of Icelandic Investment Impairments on General Fund Balance	0	0	(2,209)	(2,006)	0
Capital Financing Requirement	1,279	1,279	1,279	0	0
Total Invested	**73,171**	**70,358**	**61,869**	**47,998**	**56,437**
Note: Includes deposits in banks in administration equal to	0	0	6,791	5,570	5,249

As the table above demonstrates, the year-end investment levels, which are historically the point in each year when sums invested are at their lowest, the General Fund holds balances of between £25 and £30 million.

Although it would appear beneficial to the General Fund in the short-term to lend resource to the HRA, rather than to the market, the type of loan (ie; fixed or variable) would also be an important factor. As identified above, the preferred route for the HRA would be to take fixed interest loans, however, for the General Fund, this could result in interest receipts over the medium and longer-term of the loan which would be below those available in the market. This position is exacerbated by the additional 0.8% discount available from the PWLB for the initial transaction.

On this basis, although some resource is available, it is not anticipated that internal borrowing from the General Fund could be recommended as part of the borrowing strategy for the initial self-financing settlement payment.

The proposal not to internally borrow at this point in time, does not preclude the possibility that it may be advantageous to undertake such borrowing at a future point, i.e. when the business plan requires additional borrowing against the headroom available, at which point the standard PWLB rates may compare less favourably against the rates which the General Fund would seek to charge for any internal loan.

In moving to consideration of external funding sources, as indicated in the table above, the Government's announcement of revised PWLB terms specifically for the self-financing settlement payment is particularly significant. The discounted rate available makes this the most attractive form of external finance available to the Council for this purpose, based on the current published discounted PWLB rates. PWLB rates are revised and re-issued on a twice-daily basis, and hence it will be necessary to review this decision in light of prevailing rates at the date of the payment.

As a result it will be necessary to delegate authorisation to the Director of Resources, to confirm or amend this decision in light of the financial impact of any change in the prevailing rates available on the day.

Loan Portfolio

A simplistic approach could be to seek a single loan for the shortest period possible so as to minimise interest charges, whilst ensuring the loan can be repaid at the end of the term. This would have the advantage of simplifying the associated treasury management activity, but would offer limited flexibility and has the significant risk in that the whole amount would need to be re-financed at a single point in time (therefore at whatever rate is prevalent at that point in time) if further investment in social housing is intended.

One approach to reducing the risk would be to take out multiple loans covering a range of maturity periods, so that the risk in terms of rates prevalent at the point of maturity is spread. The greater the number of loans constituting the borrowing strategy, the greater the resulting flexibility and mitigation of risk, however, this also involves increased treasury management activity.

A prudent approach to scheduling multiple loans would be to ensure that the shortest term sought is in line with the projected point at which the base business plan is capable of repaying the entire initial debt, i.e. year 25. The number of further loans could then be arranged for longer periods based on the relative change in interest rates offered compared to the degree of risk mitigation sought.

Based on the PWLB’s current published information, rates do not significantly vary for maturity loans of period from 25 years to a maximum of 50 years. Given this, it is recommended that a portfolio of 20 maturity loans be taken out with periods from 25 to 44 years. Based on each loan being for a similar amount in order to smooth the risk curve, this would result in each loan being for £10,678,600.

In summary, it is recommended that:

- Fixed rate loans are considered as opposed to the variable alternative
- The self-financing settlement is met through external borrowing from PWLB
- The type of loans taken out are maturity loans
- The term of the loans exceed the 25 years within which the base business plan is considered capable of repaying the debt

- A loan portfolio of 20 loans with varying maturity periods, between 25 and 44 years, is taken out to increase flexibility and minimise the risks associated with re-financing

The recommended borrowing strategy involves taking out loans for periods which exceed the point at which the business plan could afford to repay the initial debt. This is felt to be a valid approach in light of the Council's stated intention to seek opportunities to further invest in the level and quality of social housing.

In considering the risks associated with the proposed borrowing strategy, a key factor is the implications of repaying the initial loans at a point earlier than their natural maturity. This may be required for treasury management purposes or to provide greater flexibility within the business plan for future developments.

The external specialist opinion sought from Ernst & Young supports the proposal to borrow long-term from PWLB at the historically low, preferential fixed interest rate offered for the self-financing transaction only.

Premature Repayment of PWLB Debt

All loans held with PWLB, whether Equal Instalments of Principal (EIP), annuity or maturity loan types, can be repaid at an earlier stage than agreed at the time the loans were arranged.

At the point at which an authority determines it is in a position to redeem a loan, PWLB use a discount rate, the rate applicable to premature loan repayment at the point of redemption, to calculate whether the authority should pay a premium, or alternatively receive a discount, for repaying the principal sum early.

The relationship between the rate that the loan was taken out at, and the discount rate applicable at the time of redemption, is key in determining whether a premium is payable or a discount is due. This outcome of this calculation would inform any local decision to redeem a loan early.

The table below demonstrates the potential impact of early redemption at various stages throughout the life of a maturity loan of £10,000,000, assuming an initial loan rate of 3.28% and a loan term of 40 years.

Discount Rate Applicable	Premium Payable / (Discount Receivable) for Loan Redeemed After (X) Years (£)						
	5 Years	10 Tears	15 Years	20 Years	25 Years	30 Years	35 Years
2.5%	1,812,317	1,639,349	1,443,502	1,221,750	970,667	686,373	364,476
3%	604,168	551,324	489,996	418,822	336,222	240,361	129,111
3.27%	(0)	(0)	(0)	(0)	(0)	(0)	(0)
3.5%	(441,957)	(406,604)	(364,553)	(314,537)	(255,044)	(184,282)	(100,113)
4%	(1,349,950)	(1,251,392)	(1,131,250)	(984,797)	(806,272)	(588,652)	(323,373)
4.5%	(2,140,007)	(1,997,686)	(1,819,898)	(1,597,805)	(1,320,365)	(973,786)	(540,839)
5%	(2,829,216)	(2,658,144)	(2,439,159)	(2,158,839)	(1,800,055)	(1,340,668)	(752,677)

As the table indicates, if the discount rate applicable at the point of redemption is equal to the initial loan rate, a break-even point would be achieved with no sums required to change hands. If the discount rate is lower than the loan rate, a premium is payable and if it is higher, a discount is receivable by the authority.

If the view is held that interest rates are currently at the lowest point they are likely to achieve and that the direction of travel over time will be upward, any decision to redeem debt early is most likely to deliver a benefit to the local authority, in the form of receipt of a discount for early redemption.

This view would indicate that borrowing for a longer period at the current low rates offered, provides additional flexibility in terms of not only releasing resource for alternative investment during the life of the business plan, but also by recognising the potential benefit or repaying debt prematurely should balances be available to do so.

Changes to Treasury Management Strategy Statement

In light of the Government requirement for relevant authorities to make a payment to Central for the purposes of HRA self-financing on 28 March 2012, the 2011/12 Treasury Management Strategy Statement has been amended. It was originally anticipated that the payment would be required on 1st April 2012. Following lobbying by local authorities, CLG has agreed to recompense authorities for the additional interest cost associated with the earlier payment.

The revised strategy takes account of the additional borrowing required in addition to the current authorised borrowing limit of £10m for cashflow purposes. As the final determination of the Council's payment to Central Government under the HRA self-financing arrangements was not known at the time, authority was sought to increase the borrowing authority up to a limit of £250m.

The resulting Treasury Management Strategy Statement was as follows:

Borrowing Strategy

In light of the Government requirement for relevant authorities to make a payment to Central Government for the purposes of HRA self-financing on 28 March 2012, there will be a major borrowing requirement of up to £250m arising in 2011/12.

The Council will be obtaining specialist advice to assist in determining the most appropriate funding strategy associated with this payment. A report will be prepared for members detailing the outcome of this work and its conclusions.

Section 10

Business Plan Options, Sensitivities and Resulting Budgets

Base Assumptions

In arriving at the final financial model for the Housing Revenue Account in a self-financing environment, which is included for approval as part of the budget for 2012/13, it has been necessary to make a number of base assumptions.

In all cases, the base 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 in the field of housing finance, lending and borrowing and asset management.

The base financial assumptions included in the financial model are included at Appendix E, and provide the indicative financial position detailed in the graphs below. In addition to a number of financial assumptions, the following key items are included in the base model:

- Investment in the existing housing stock moves from a basic decent homes standard to an investment standard during the first 10 years of the business plan

- The fixed term (two year) additional investment allowing employment of two additional staff in the area offices to tackle rent collection and arrears recovery, included as a budget bid in the 2012/13 budget process, continues on a permanent basis throughout the life of the business plan

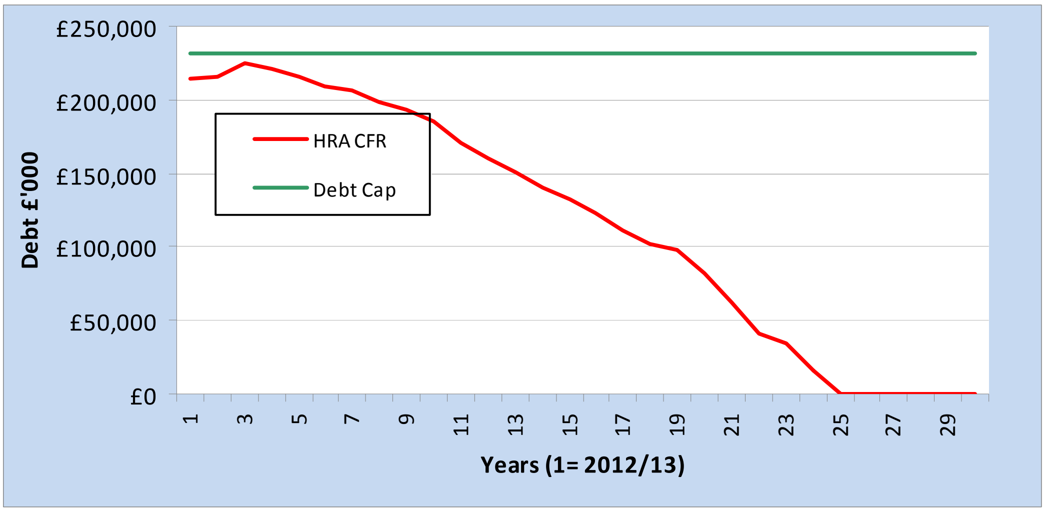
- The 146 units of affordable housing regeneration, re-development and in-fill (including the re-development of Seymour Court), which have already received indicative HCA grant funding are delivered in years 1 to 3 of the business plan

- The potential, subject to scheme viability, for the HRA to deliver the affordable housing on the Clay Farm site generates an additional 104 units of housing in year 4 of the business plan

- A loan portfolio of 20 loans with varying maturity periods, between 25 and 44 years, is taken out to increase flexibility and minimise the risks associated with re-financing

As Graph 1a below demonstrates, subject to the financial assumptions in the business plan, the base model would allow debt to be fully redeemed by year 25, should the authority choose to do this.

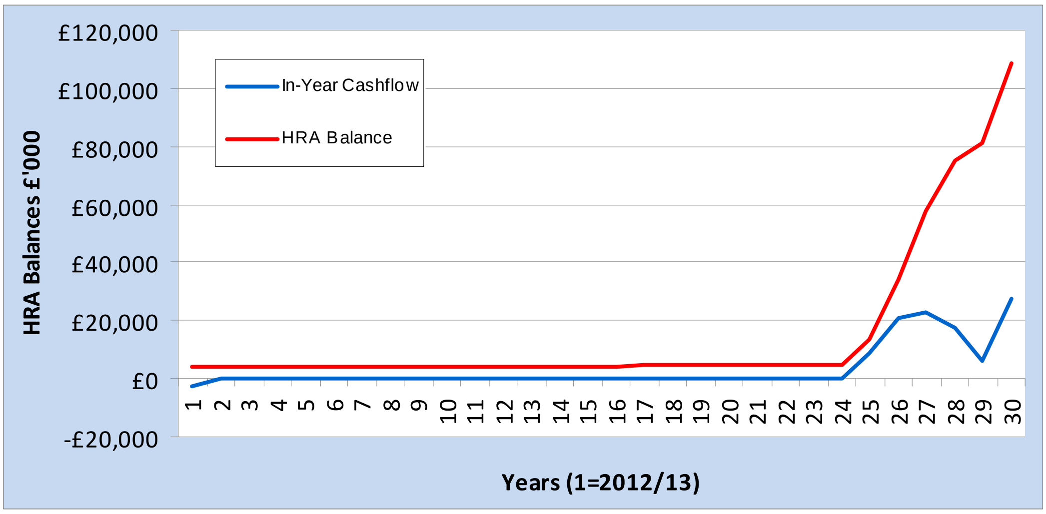
Graph 1a – Base Assumption Model Debt Curve if Debt Repayment is Maximised



The graph above also shows the maximum level of debt that the Housing Revenue Account would be allowed to hold at any point in time. This debt cap figure was confirmed as part of the final HRA self-financing settlement announcement at the level of £230,839,000.

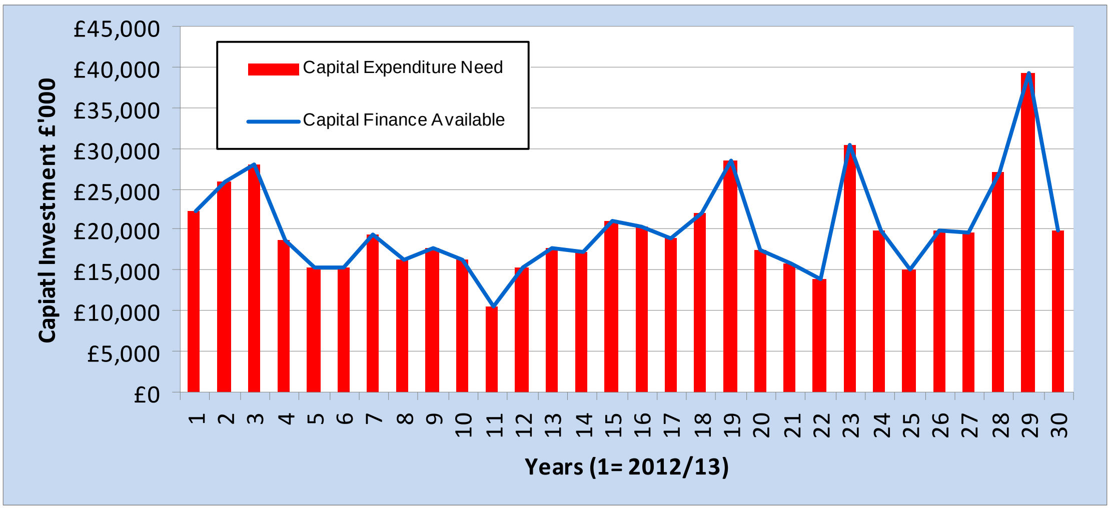
Graph 1b shows the cashflow position for the HRA over 30 years with the base assumptions included.

Graph 1b – Base Assumption Model Cashflow Assumptions



Graph 1c demonstrates the ability to meet the capital investment need currently identified throughout the life of the plan.

Graph 1c – Base Assumption Model Capital Investment Profile



Sensitivities

For every figure used in the base assumption made in the Business Plan, there are an infinite number of alternative values that could have been used. It is impossible to predict everything that may occur which could affect the financial viability of the business model, or even to model all permeations of each of the key sensitivities that have been identified.

To demonstrate the potential financial impact of the identified key sensitivities, the table at Appendix F indicates the change in the HRA's ability to pay off the debt, with the base model being amended for each sensitivity independently. This will identify only the impact of a single assumption change, and not the compound impact of multiple sensitivity changes.

The results identify that the business model is less sensitive to changes in inflation rates, as long as the direction of travel in inflation rates for both expenditure and income follow the same trajectory. It is clear, however, that a small change in the assumptions around just one, i.e. a reduction in rental income received or an increase in a key area of expenditure, quickly has a major impact of the financial viability of the business plan.

Options

The base model that has been included for approval includes the recommendation to take out a portfolio of maturity loans, to provide future flexibility and potential capacity in the business plan.

The stated aims of the housing service, which seeks to achieve a balance of investment in housing assets and services in line with identified local priorities, incorporate:

- Investment in the existing housing stock
- Investment in new affordable housing
- Investment in new initiatives and income generating activities
- Spend on landlord service (i.e. housing management, responsive and void repairs)
- Spend on discretionary services (i.e. support)
- Repayment of housing debt

The graphs below demonstrate an alternative investment scenario to give an indication of the level of flexibility that might be available during the life of the plan. The scenario includes all of the base assumptions as detailed above, such as investing in the existing housing stock at an investment standard, completing the 146 units of new build which have indicative HCA grant funding and delivering the affordable housing on the Clay Farm site (104 units), but also assumes:

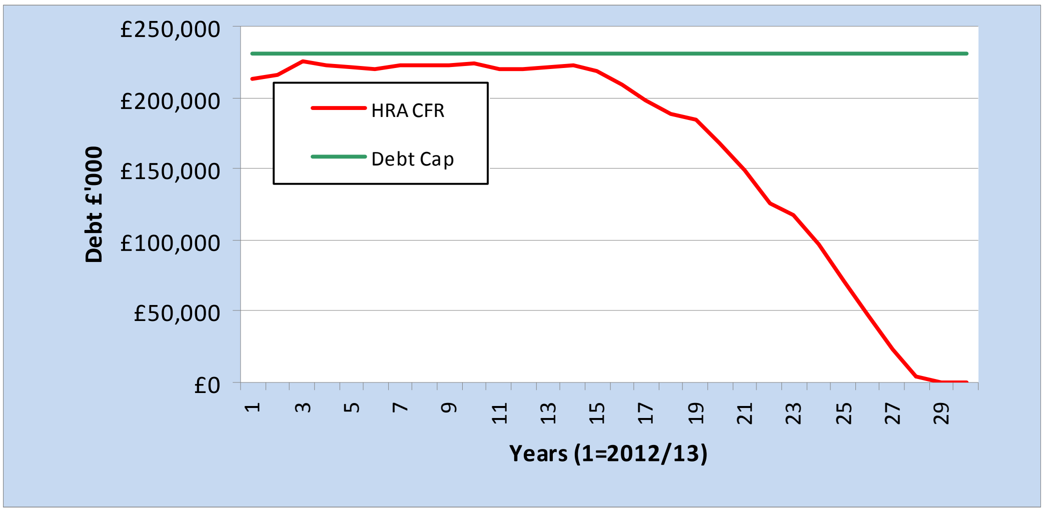
- Delivery of an additional 400 new build, affordable homes between years 6 and 15 of the business plan (Increasing the total new build achievable to 650).

- Ongoing investment of an additional £200,000 in housing services or new initiatives, with the view that this could be added to in future years if any of the initial investment is in income generating activity or reduces future anticipated costs.

- The business plan still has sufficient resource to redeem the initial loan portfolio before the end of the 30-year period.

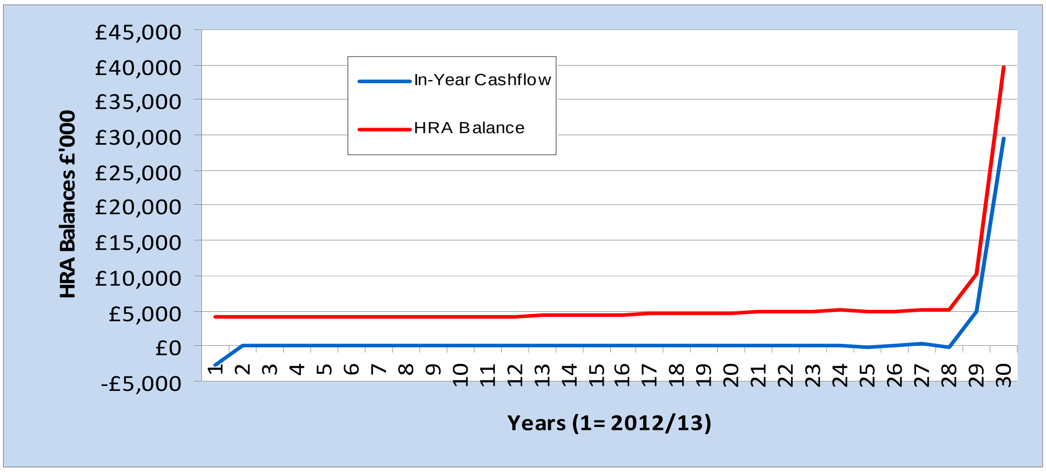
As Graph 2a below demonstrates, with the loan portfolio proposed, there is sufficient resource in the business plan not only to deliver the additional investment identified above, but also to accumulate funds to pay off the outstanding maturity loans by year 29. Alternatively the authority could choose to take out new loans, up to the level of the debt cap in order to provide additional investment in new and existing stock.

Graph 2a – Aspirational Option Model Debt Curve if Debt Repayment is Maximised



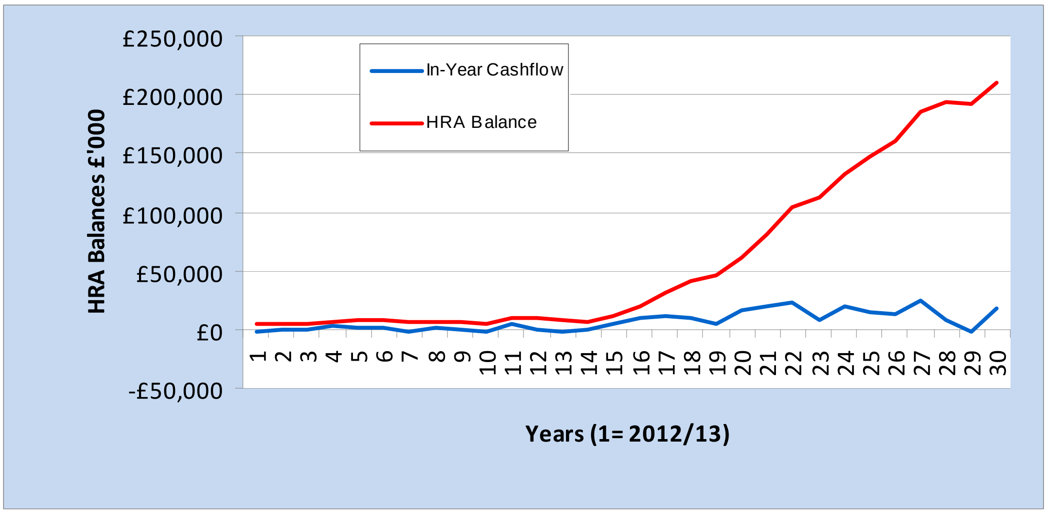
The anticipated cashflow projection, as shown in Graph 2b below indicates that once loans are redeemed, cash balances begin to accumulate again from year 30.

Graph 2b- Aspirational Option Cashflow



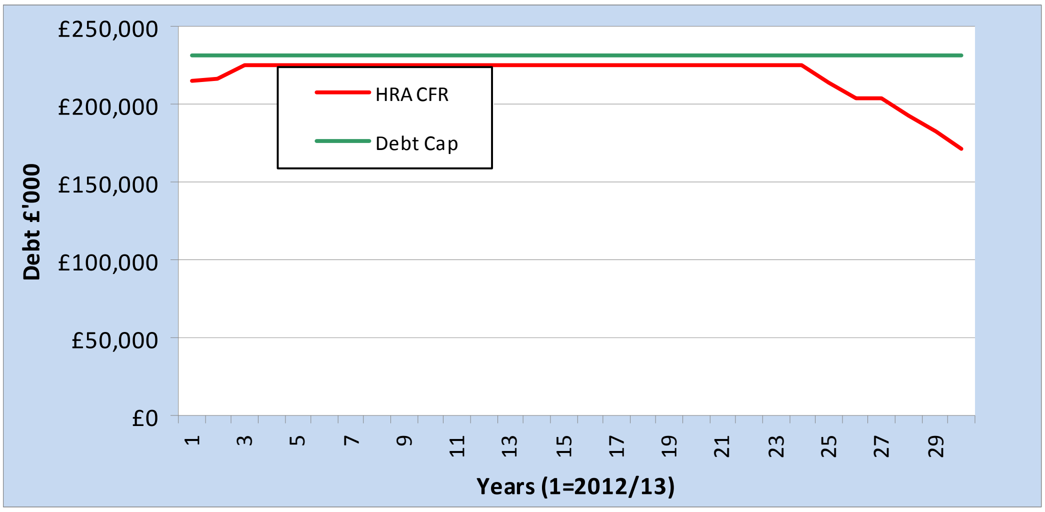
Graph 2c shows the speed at which the surpluses would be expected to accumulate over the 30 year period. This will allow the authority to redeem the loans or alternatively to re-invest in the housing business, if a decision were taken to take out new loans at the point of maturity. By year 29, an estimated £190 million would be available.

Graph 2c – Aspirational Option Model with Cashflow Matched to Loan Profile



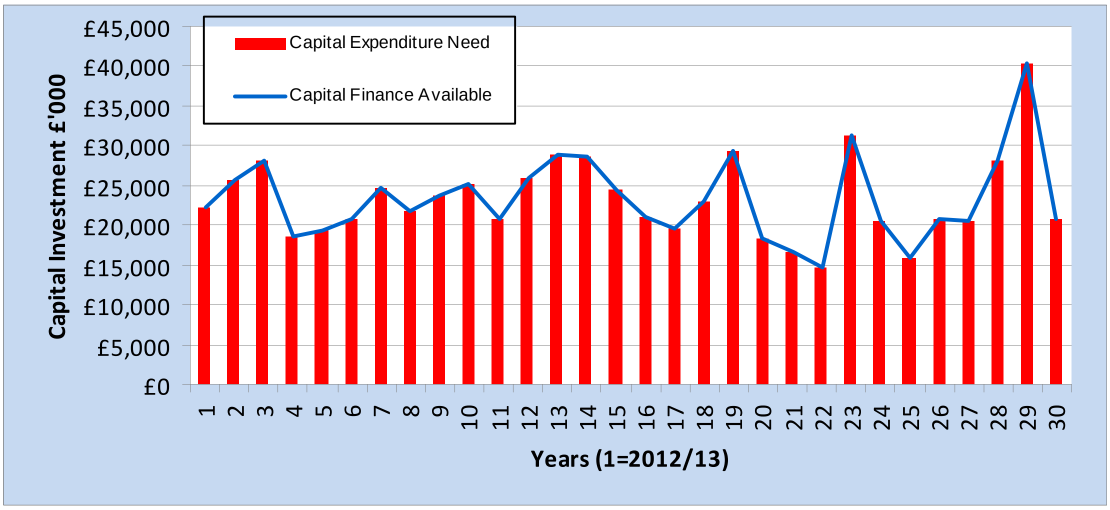
Graph 2d demonstrates the profile of the treasury debt that would be held by the HRA, with approximately £183 million outstanding in year 29. The HRA treasury debt line represents the initial borrowing from PWLB, with the red line showing the total borrowing requirement including further borrowing to fund the aspirational investment outlined above.

Graph 2d - Aspirational Option Model Debt Profile



Graph 2e demonstrates the ability to meet the increased capital investment, including the additional new build affordable housing identified in the option above.

Graph 2e – Aspirational Option Model Capital Investment Profile



Revenue and Capital Budgets

Appendix G summarises the revenue budget position for the HRA for the period between 2012/13 and 2016/17, based upon inclusion of the financial assumptions that form part of the base self-financing business plan.

Appendix H provides detail of the 5-Year Housing Capital investment Plan, while Appendix I summarises the anticipated capital investment over a 30-year period.

Appendix A (Section 2)

Risk Management

Risks for the Housing Revenue Account are evaluated and scored against the following criteria:

Score	Impact	Description
5	Critical	The consequences of this event occurring could cause the failure of a number of services or result in the Council having it's powers removed through Government intervention. The level of financial impact is likely to be over £500,000 in any year.
4	Significant disruption &/or damaging	Significant – the consequence of such an event occurring could cause the failure of the service or bring the Council into serious disrepute. The level of financial impact is likely to be up to £500,000 in any year.
3	Noticeable effect	This type of risk event would have a significant impact on a service's ability to provide its full range of activities. The result of this is that the integrity of the service/Council would be called into question by, for example an inspection service. The level of financial impact is likely to be up to £300,000.
2	Some limited disruption	These types of events can normally be dealt with through the normal day to day management of the service and internal control mechanisms. The level of financial impact is likely to be up to £50,000 in any year.
1	Virtually no impact	These events may be recognized internally but generally have no external impact and can be resolved quickly. The level of financial impact is likely to be under £5,000 in any year.

Score	Likelihood	Description
5	Dead Cert	In this case the event(s) may have already happened in the relatively recent past. Without controls it will happen again and may even occur despite controls. Projected increase in insurance premiums
4	Probable	The event is more likely to happen than not but there remains some possibility it will not. The chance of occurrence may be around 75%+.
3	Strong possibility	There is an even chance that this event may (a probability would be around one in two, (50%).
2	Some possibility	These events are not likely to occur but there remains some possibility it will. (A probability of a one in ten chance of this event occurring (10%)).
1	Little chance	These events will only occur in exceptional circumstances. (A probability of less than one in fifty (2%).

Cambridge City Council – Risk Matrix

Total risk scores, combining the scores for impact with the likelihood of the risk occurring are monitored against the matrix below:

Impact						
	5	5-10 Medium	5-10 Medium	12-15 Significant	16-25 High	16-25 High
	4	1-4 Low	5-10 Medium	12-15 Significant	16-25 High	16-25 High
Impact	3	1-4 Low	5-10 Medium	5-10 Medium	12-15 Significant	12-15 Significant
	2	1-4 Low	1-4 Low	5-10 Medium	5-10 Medium	5-10 Medium
	1	1-4 Low	1-4 Low	1-4 Low	1-4 Low	5-10 Medium
		1	2	3	4	5
				Likelihood		

The new organisational risk categories ensure that risks are captured in such a way that the most appropriate part of the organisation can monitor both the risks and the associated mitigation activity, responding quickly to any increase in score to minimise the potential impact on the business.

Risk Category	Risk Description
Growth	Opportunity to influence the growth agenda to ensure the Council meets its Objectives.
Financial	Failure to effectively manage the Council's assets and finances including budget monitoring, financial priorities, medium/long term planning, fraud prevention.
Health & Safety	Failure to manage health and safety effectively leading to a prosecution under the Corporate Manslaughter Act or other health and safety legislation.
Major Projects	Failure to adequately manage and control major

Risk Category	Risk Description
	CCC projects.
Climate Change	Failure to meet Council's climate change commitments.
Recruitment & Retention	Failure to recruit and retain adequate number of suitable staff leading to key person dependency and loss of capacity building opportunities.
Legislation	Failure to ensure compliance with legislation.
Business Continuity	Failure to adequately plan and manage processes for unforeseen events (Civil Emergency Plan, Business Continuity Plans, IT failure)
Reputation	Damage to Council's reputation through adverse media coverage.
Partnerships	Failure to adequately manage and control partnerships working and joint agency activity and key contractor relationships.
Equalities/Social Exclusion	Failure to manage equalities/social exclusion (including duties for specific vulnerable groups).
Political	Ineffective political leadership, policy development and community leadership; member support.
Officer/Member Relationships	Ineffective officer/member working relationships.
Planning & Leadership	Opportunity to maintain and continue to improve Council efficiency through clear strategic focus, planning and leadership.
Governance *	Inappropriate internal governance.
Procurement & Contract Management	Failure to ensure effective procurement and contract management arrangements.
IT & Technology	Failure to properly manage IT, data and the Council's website.
Change Management	Ineffective management of change, inadequate capacity and knowledge.
Physical Property & Assets	Failure to properly manage property and other assets, to prevent damage, loss or theft.

Appendix B (Section 2)

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. Funding is not identified to meet the costs associated with changes in statutory requirements. HRA Debt Settlement could be re-opened by Government	Effective processes are in place across the Council to ensure that implications are identified and raised. Additional / specific funding enhancements for new services are earmarked for that purpose, to ensure effective implementation The Council has processes in place to manage the demands of local and national housing agendas, including the Vision Statement, MTS and HRA Business Plan
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, to ensure decisions are made in the knowledge of long-term deliverability issues / implications Council has a policy of requiring R&R Funds to be in place to cover all major assets with a finite life, with long-term programmes for key areas The Business Plan and Medium Term Strategy include 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
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 & Revenue Projects Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying capital receipts for strategic disposals only at point of receipt

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 Rent and service charge arrears increase and bad debt rises, as a direct result of the Welfare Benefit Reforms Rent income is under-achieved due to a major incident in the housing stock Changes to the right to buy rules and pooling regulations result in a significantly reduced capital receipt for housing purposes Fees and charges income is adversely affected by the economic downturn The economic downturn reduces the ability to fund capital pressures from the sale of assets	Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis on 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 Increased resources identified for income management Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of incident 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 Sensitivities modelled so potential impacts are understood Specialist consultancy support is used to assist in the modelling of the impact of key changes
Use of resources including Projects and Partnerships	
There is ineffective use of the resources available to the Council Failure to deliver Major Housing / Development Projects, i.e; return on capital, project on time etc.	Council employs robust business planning in key activity areas Council has adopted a standard project management framework Housing Service is required to contribute to Portfolio Planning process, linked directly to resources MTOs are used to prioritise available resources ensuring best match with objectives Performance and contractor management procedures have been updated Organisational development and workforce planning activity is being targeted The Council has been recognised as a high performer under the national Use of Resources assessment, scoring a maximum rating of 4 in 2008

Appendix C (Section 7)

Housing Revenue Account

Rent Setting Policy

1 Introduction

The purpose of this policy is to explain how Cambridge City Council will set rent levels for its properties.

2 Policy Statement

Cambridge City Council's Rent Setting Policy focuses around the following statements of principle:

The Council will set rents in accordance with Government rent restructuring policies and guidance.

Rents are set at a level that ensures that the Council can meet its landlord obligations to tenants, maintaining stock to the Decent Homes Standard, while delivering a financially viable Housing Revenue Account over the longer term.

Rents are set to ensure that the Council moves actual rent levels towards rent restructured target rents in line with the Government's target date for convergence.

3 Policy Objectives

The objectives of the rent setting policy are:

- To identify how Cambridge City Council will set rents for general stock properties
- To identify how Cambridge City Council will set rents for shared ownership properties

- To identify how Cambridge City Council will set rents for garages and parking spaces

- To comply with the Government's rent restructuring policy

- To identify the process for providing statutory notice to tenants of proposed changes in rent levels

4 Background

Rent restructuring was introduced with effect from April 2002, following the Government's policy statement in December 2000 when Ministers published "The Way Forward for Housing".

The Government's aim is to ensure consistency in the calculation of rent across local authorities and Registered Social Landlords (RSLs), ensuring that social rents are more affordable, fairer and less confusing for all tenants.

The rent restructuring policy requires rents to be set based upon formula driven by a combination of relative county earnings and relative property values.

5 Detailed Implementation

In line with the rent restructuring policy, Cambridge City Council calculates a 'target' rent for each individual property based on the Government's 'target' rent formula as set out below:

- 70% based on the average county-level manual earnings compared with the national average manual earnings;

- 30% based on the January 1999 property valuation of an individual property, compared with the national average value of a social housing property;

- An additional 'weighting' based on the number bedrooms in the property.

- A weekly rent cap for properties based upon the number of bedrooms in the property.

Actual rents currently charged below target rents will move towards target rents in accordance with the Government's assumptions for guideline rent convergence.

6 Annual Rent Increases

In line with the Council's tenancy conditions, tenants will be given 4 weeks written notice of any change in rents, which will usually be effective from the annual date for rent increases, being the first Monday in April of each calendar year.

Annual rent increases currently comprise, in line with the guidelines, two elements:

Inflation plus 0.5% across all properties (based on the retail price index (RPI) inflation rate for the preceding September)

Increase (or decrease) in an attempt to ensure rent convergence over the convergence period, under rent restructuring guidelines (limited to a maximum of £2 per week on a 52 week basis)

Rent will be due on each Monday during the rent year (52 or 53 weeks), but will be raised on rent accounts across 48 chargeable weeks for collection purposes.

7 General Needs, Sheltered and Supported Housing

Cambridge City Council does not currently apply the 5% flexibility in formula rents (10% for sheltered / supported housing), but will review this practice on an annual basis, with any change proposed only after consultation.

Rents in respect of routine void properties will continue to be phased towards target rents in line with other properties in the area.

Rents for properties which have undergone a material change, full refurbishment or rebuild, (i.e.; sheltered scheme refurbishment, property extension or conversion) will be set immediately at target rents, reflecting the increased investment and condition of the property.

Rents for all new build properties will be introduced immediately at either target or Homes & Communities Agency approved rent levels, reflecting the initial investment and condition of the property.

8 Shared Ownership Housing

Rents for shared ownership properties will be amended in line with the requirements of the lease.

Target rents will be reduced by 20%, in line with the terms of the shared ownership lease, to reflect the tenant's liability for repairs to the property.

Rents will be increased (or decreased) in line with government guidelines for rent restructuring as far as possible within the terms of the lease, with a maximum increase of inflation (RPI at the preceding September) plus 0.5% plus a proportion of £2 directly relational to the share retained by the Council.

Rents in respect of routine void properties will continue to be phased towards target rents in line with other properties in the area.

Rents for all new build properties will be introduced immediately at target rent levels, reflecting the initial investment and condition of the property.

9 Garages

Rent levels for garages and parking spaces will be reviewed annually as part of the budget process, set according to demand.

VAT will be applied to all private garages, ie; garages or parking spaces let to those who are either not housing tenants of Cambridge City Council or are tenants where the garage is not in the immediate proximity of the tenanted dwelling.

10 Monitoring

The setting of all rents will be monitored and reviewed annually by Housing Management Board, with decisions in respect of rent setting being made by the Executive Councilor for Housing.

11 Review of the Rent Setting Policy

The Rent setting policy will be reviewed by officers at a minimum of every 3 years, with any changes being presented to Housing Management Board for scrutiny and approval by the Executive Councilor for Housing.

Policy Date January 2012

Review Date January 2015

Appendix D (Section 9)

HRA Services Performance Indicators 2011/12 onwards

code	Description	10/11 actual	11/12 target	12/13 target	comments
Existing Homes					
DH1	% non-decent council homes	0%	0%	0%	0% non-decency expected to be maintained from 2010/11 onwards
Repairs & Maintenance					
RM1	% repairs completed within the target time: a) Emergency b) Urgent c) Routine	a) 96.4% b) 82.4% c) 86.5%	a) 99% b) 98% c) 98%	a) 99% b) 98% c) 98%	
RM2	% of responsive repairs where an appointment was made & kept: a) appointments made of those; b) appointment kept	a) 49% b) 94%	a) 80% b) 99%	a) 80% b) 99%	An upgrade of the Orchard system is required to generate 1-hour appointment slots
RM4	% of responsive repairs where the target date has been extended	NA	<7%	<7%	
RM5	Average cost per responsive repair	£111.34			Monitored annually via Housemark Core Benchmarking
RM6	Turnover per Operative	TBA	>£75k	>£75k	
RM7	Number of properties without a valid gas safety certificate	0	0	0	
Void turnaround					
V1	Voids: quality of void at the time of final inspection	TBA			as determined by the tenant inspectors - we are currently reviewing the void inspection process with the tenant inspectors.
V2	Average time taken to re-let local authority housing: a) Repair Time (days) b) TM Time (days) c) overall	a) 16 b) 18 c) 27	c) 35	c) 35	
V3	Average time taken to turn around management voids	NA	TBA	TBA	to address the rent lost through poor longer-term void turnaround time
V4	Average cost per void repair	£2,730	TBA	TBA	Monitored annually via

code	Description	10/11 actual	11/12 target	12/13 target	comments
					Housemark Core Benchmarking
Satisfaction					
ES1	Satisfaction with Estate Services	NA	TBC	TBC	Housemark requirement
RM3	How satisfied was the resident with the completed repair	93%	95%	95%	Based on repair slip returns
CS3	Percentage of respondents fairly satisfied or very satisfied with the way their ASB case was handled	76%	77%	78%	Target based on median Housemark quartile
RI1	STAR: Satisfaction of tenants with the services provided by their landlord a) Overall. b) from BME respondents. c) from non-BME respondents.	a) 82% b) 74% c) 82% (2008)	TBA		STAR tenant satisfaction survey to be completed on 2011/12
RI2	STAR: satisfaction of tenants that their landlord listens to tenant views and acts upon them	NA	New		STAR tenant satisfaction survey to be completed on 2011/12
RI3	STAR: satisfaction of tenants with the VFM of their rent	NA	New		STAR tenant satisfaction survey to be completed on 2011/12
Income Management					
IM1	Proportion of rent collected	98.50%	98.60%	98.70%	Rent collection continues to improve in a climate of economic uncertainty and changes to the benefit system.
IM2	Total tenant arrears as a % of rent due (includes current & former tenant arrears)	4.18%	4%	3.75%	The challenge is to reduce the amount owed by former tenants either by collection or robust write off procedure.
IM3	% of tenants evicted due to rent arrears	0.33%	0.25%	0.25%	The number of evictions remains low and we will continue to strike a balance between support and enforcement.
IM4	% of tenants with some rent to pay, paying their rent with DD	46.60%	50%	55%	Direct debit is the most cost effective way for the Council to collect monies due (inc property and garage rents)
Housing Need					
CBL1	Verify Home-Link applications within 28	46 days	28	28	

code	Description	10/11 actual	11/12 target	12/13 target	comments
	working days of receipt (ave days) (Home-link Service Standard)		days	days	
CBL2	Assess cases referred for medical priority within 28 working days (ave days) (Home-link Service Standard)	44 days	28 days	28 days	
Energy Efficiency					
EE1	Number of renewable energy installations on LA stock	11	16	18	
EE2	Average SAP rating for the whole housing stock: a) CCC	a) 75	TBC	TBC	Now using new software that utilises SAP 2005 methodology (results will reduce in line with the new scale) - targets TBC
EE3	%CCC properties with a SAP rating below 35	a) 100	a) 0	a) 0	
EE4	Green Deal: TBA	TBA	TBA	TBA	The Government's Green Deal is due later in 2011. The outcome of this may have an impact on the data we are required to collect. The PI's above may therefore change
Community integration					
CS1	Number of racial incidents recorded by the authority per *100,000 population.	23	NA	NA	
CS2	Percentage of racial incidents that resulted in further action.	100%	NA	NA	
CS4	Direct cost per case of ASB	£1,372			Produced from Housemark benchmarking data
Service quality					
SS1	Number of Housing complaints responded to within 7 days	96%	100%	100%	The corporate standard is response or acknowledgement within 7 working days.
SS2	Number of Housing letters needing a reply responded to within 7 days	99%	100%	100%	The corporate standard is response or acknowledgement within 7 working days.
SS3	Corporate Answer Rate - Local PI of answering external calls in 12 seconds (%): a) Housing b) City Homes North	a) 86.2 b) 85.5 c) 77.4	87%	87%	The Corporate target is 87%.

code	Description	10/11 actual	11/12 target	12/13 target	comments
	c) City Homes South	(Mar)			
SS4	Busy calls: a) Housing b) City Homes North c) City Homes South	a) 6.7 b) 7.3 c) 9.5 (mar)	<5%	<5%	
SS5	Unanswered calls: a) Housing b) City Homes North c) City Homes South	a) 5.4 b) 3.0 c) 2.1 (mar)	<2%	<2%	
SS6	Customer Service Centre: % of calls resolved at first point of contact: a) Homelink b) Housing Management c) Housing needs & options d) Repairs	a) 86% b) 85% c) 77% d) 94%	80%	80%	This shows calls that did not need to be escalated on to another member of staff

Appendix E (Section 10)

Business Planning Base Assumptions

Key Area	Assumption	Comment
General Inflation	2.5%	General inflation on expenditure and other income - included at 2.5% (Government projection of level of RPI for 2012), from 2013/14 for the life of the plan.
Capital Programme Inflation	4.5%, then 3%	Real increase above RPI of 2% for 5 years as per advice given by Savills, then 0.5% above from 2018/19.
Capital Investment	Investment Standard	Base model assumes an investment standard in the housing stock, compared with a basic decent homes standard, recognising long-term benefits of pro-active rather than re-active investment.
Pay Inflation	4.4%	Assume allowance for increments only in 2012/13 at 1.9%, re-introducing allowance for pay award at 2.5% from 2013/14 onwards.
Employee Turnover	3%	Employee budgets - assume an employee turnover saving of 3.0% of gross pay budget for office-based staff.
Rent Increase Inflation	3%	Rent increases assumed in line with government guidelines of RPI at preceding September plus 0.5%. Assume RPI at 2.5%.
Rent Convergence	2015/16	Convergence with target rent assumed in 2015/16, although limits on individual increases inhibit achieving this locally.
External Borrowing Interest rate	3.17% to 3.29%	Assumes a portfolio of 20 fixed rate maturity loans with PWLB at pre CSR 2010 preferential rates, maturing annually from years 25 to 44.
Internal Borrowing Interest Rate	1.81%, 3.31%, then 3.75%	Assume a rate which matches that anticipated to be receivable from the market for lending. Assume 3.75% from 2014/15.
External Lending Interest Rate	1.81%, 3.31%, then 3.75%	Interest rate – based on latest market projections (on average 1.81% for 2012/13, 3.31% for 2013/14 and 3.75% from 2014/15).
HRA Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, recognising increased risks in HRA Self-Financing environment.
Right to Buy Sales	10 to 17 per annum	In line with assumptions in CLG settlement model, with 10 in 2012/13, increasing over 30 years to 17 per annum.
Right to Buy Receipts	Excluded from the model	Right to buy receipts are excluded from the model pending the outcome of the CLG consultation on changes to the right to buy legislation. Any receipts received would be used to meet existing General Fund Housing commitments and to deliver replacement new build housing.
Void Rates	1.25%, then 1%	Assumes continued higher void rate of 1.25% for 3 years, until sheltered housing refurbishment programme and Seymour Court / Roman Court developments and complete. 1% assumed from 2015/16 onwards.

Key Area	Assumption	Comment
Bad Debts	0.56%, then 1.12%	Based upon historic bad debt provision made in the HRA for 2012/13, increased by 100% to reflect the requirement to collect 100% of rent directly from 2013/14. Assumes an extension of the existing rent payment profile across the entire housing stock.
Rent Collection Transactional Costs	An increase in transactional costs of £100,000 per annum from 2013/14	An increase of £100,000 per annum has been included from 2013/14, recognising the increase in transactional collection costs associated with the requirement to collect 100% of rent directly from tenants, as opposed to receiving approximately 50% via housing benefit as currently happens.
Debt Management Expenses	£151,000 per annum	Assume debt management expenses in line with allowance made in the debt settlement. Cost will be lower if single PWLB loan taken out.
New Build Programme	250 Units	Assumes delivery of the current 3-year affordable housing investment programme of 146 units, where HCA grant funding has been approved and an additional 104 units on the Clay Farm site in year 4/5 of the business plan.
Savings Target	0%	No savings target included in base model, with the assumption that efficiencies will be driven out to allow strategic re-investment in new assets, existing assets and housing services.
Policy Space	0	No policy space included in base model, with assumption that any policy space required would need to be created through the generation of savings.
Service Reviews	Per budget savings proposals	The HRA Business Plan assumes that the outcomes of service reviews will deliver ongoing benefit to the HRA as indicated in the budget process for 2012/13 and beyond.

Appendix F (Section 10)

Business Planning Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Interest Rates	PWLB fixed rate 30 year annuity loan	Assume fixed rate loan over 30 years, with increase of 1% in interest rates from the outset	The ability to repay the debt is extended from year 25 to year 30. Borrowing up to the debt cap would be required by year 3, to meet the capital investment need identified.
General and Rents Inflation	General Inflation using RPI at 2.5% for expenditure and rents base, as per latest government projections	Volatility in the economy could lead to an increase in inflation. 1% increase in general and rents base inflation for the life of the plan	Ability to repay debt brought forward from year 25 to year 22.
Capital Investment Inflation	Capital Investment Inflation at 2% for 5 years and then at 0.5%	A real increase of 2% is allowed for building inflation until 2017/18 in line with existing external procurements. Assume that real inflationary increase of 0.5% is not required from 2018/19 for the remainder of the plan, assuming benefits of long term procurement	Ability to repay debt brought forward from year 25 to year 24.
Rent Increases	Rent increases of RPI plus 0.5% with convergence in 2015/16 as per government guidelines	The government set rent guidelines which are expected to be followed and are built into the model. Local decision could deviate from the prescribed guidelines. Assume 0.5% lower rent increases for existing stock for the life of plan	Inability to repay debt within the life of the plan, but estimated to be extended from year 25 to approximately year 40.
Employer's Pension Contribution	Business Plan includes provision for increases of 0.75% from 2011/12 to 2016/17	Assumptions on life expectancy and negative market effects on the value of assets in the Pension Fund leading to increased employer contribution requirements above the level of provision already made. Assume an additional 1% in pension provision.	£3 million reduction in balances over the life of the plan, with no change in ability to repay the debt in year 25.
Right to Buy Sales (Revenue Impact)	Numbers assumed in line with CLG settlement of 10	Proposals to re-invigorate the RTB scheme cold see sales levels increase. For example, 10 years ago over 100 sales per annum	The ability to repay debt is extended from year 25 to year 27.

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
	rising to 17 per annum	were realised. Assume that the changes, with a proposed increase in maximum discount from £34,000 to £50,000, has the impact of doubling the number of right to buy sales, with the current pooling arrangements still in place	
Investment Income	Business Plan assumes interest on balances increasing to 3.75% by 2014/15	Rates may fail to recover as anticipated, or fall further. Assume ongoing rate of 2% achieved.	£8 million reduction in balances over the life of the plan, with no change in ability to repay the debt in year 25.
Housing Rent Collection and Welfare Benefit Reforms	Budgeted costs based on historic levels of enforcement activity, but an increased level of transactional collection costs.	Economic climate may require an increase in enforcement activity. Welfare Benefit Reforms will result in 100% more rent being required to be collected directly from tenants. Assume, in addition to the increase in transactional costs built into the base, additional staffing costs of £110,000 per annum from 2013/14.	The ability to repay debt is extended from year 25 to year 26.
Rent Restructuring and Rent Setting Policy	Rents increased in line with Rent Restructuring and CCC Rent Policy	An assumption that rents for void properties are moved straight to target rents	Generates an estimated additional £4 million, by delivering short-term financial benefit that could be offset against investment.

Appendix G (Section 10)

HRA Summary Forecast 2012/13 to 2016/17

Description	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Income					
Rental Income (Dwellings)	(32,828)	(34,609)	(36,359)	(38,848)	(40,564)
Rental Income (Other)	(1,023)	(1,049)	(1,075)	(1,102)	(1,130)
Service Charges	(2,309)	(2,361)	(2,414)	(2,468)	(2,523)
Contribution towards Expenditure	(481)	(488)	(497)	(505)	(514)
Other Income	(28)	(31)	(36)	(36)	(36)
Total Income	**(36,669)**	**(38,538)**	**(40,381)**	**(42,959)**	**(44,767)**
Expenditure					
Supervision & Management - General	4,704	4,993	5,172	5,381	5,592
Supervision & Management - Special	2,426	2,665	2,591	2,676	2,765
Repairs & Maintenance	6,763	7,091	7,427	7,913	8,398
HRA Subsidy	0	0	0	0	0
Depreciation – t/f to Major Repairs Res.	9,289	9,4307	9,655	10,017	10,249
Debt Management Expenditure	151	155	159	163	167
Other Expenditure	312	521	545	571	592
Total Expenditure	**23,645**	**24,855**	**25,549**	**26,721**	**27,763**
Net Cost of HRA Services	**(13,024)**	**(13,683)**	**(14,832)**	**(16,238)**	**(17,004)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(110)	(135)	(153)	(153)	(152)
Mortgage Interest Receipts	(1)	0	0	0	0
(Surplus) / Deficit on the HRA for the Year	**(13,135)**	**(13,818)**	**(14,985)**	**(16,391)**	**(17,156)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	6,982	6,985	7,093	7,144	7,057
Debt Redemption Premium	301	0	0	0	0
Housing Set Aside	1,090	0	0	3,156	5,490
Depreciation Adjustment	(1,969)	(1,989)	(2,024)	(2,070)	(2,118)
Direct Revenue Financing of Capital	9,333	8,778	9,918	8,183	6,741
(Surplus) / Deficit for Year	**2,602**	**(44)**	**2**	**22**	**14**
Balance b/f	(4,559)	(1,957)	(2,001)	(1,999)	(1,977)
Total Balance c/f	**(1,957)**	**(2,001)**	**(1,999)**	**(1,977)**	**(1,963)**

Appendix H (Section 10)

Housing Capital Investment Plan (5 Year Detailed Investment Plan)

Description	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend						
Assessment Centre	2,760	37	0	0	0	0
Disabled Facilities Grants	582	550	550	550	550	550
Private Sector Housing Grants and Loans	195	195	195	195	195	195
Long Term Vacants	20	20	20	20	20	20
Total General Fund Housing Capital Spend	**3,557**	**802**	**765**	**765**	**765**	**765**
HRA Capital Spend						
Decent Homes						
Kitchens	665	691	255	618	598	292
Bathrooms	120	196	128	522	525	119
Boilers / Central Heating	1,553	2,024	1,316	618	2,450	1,688
Insulation / Energy Efficiency	58	100	100	100	100	100
External Doors	378	16	28	129	108	63
PVCU Windows	130	3	339	1,002	1,350	912
Wall Structure	0	15	36	621	63	114
Wall Finishes	479	284	196	319	230	115
Wall Insulation	0	100	100	100	100	100
External Painting	0	0	0	0	0	0
Roof Structure	0	307	300	800	300	322
Roof Covering	934	1,130	544	215	210	274
Chimneys	0	51	39	12	2	1
Electrical / Wiring	304	279	83	91	181	317
Smoke Detectors	0	3	5	19	109	9
Sulphate Attacks	125	102	102	102	102	102
Major Voids	59	56	53	51	48	53

Description	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
HHSRS Contingency	140	150	150	100	100	100
Other Health and Safety Works (Balconies)	464	50	50	50	50	50
Other External Works	0	0	0	3	5	0
Rising Damp / Penetrating Damp	20	0	0	0	0	0
Professional Fees	377	377	377	377	377	377
External Professional Fees	0	19	19	19	19	19
Decent Homes Backlog	0	2,131	3,907	2,131	1,065	3,019
Planned Maintenance Contractor Overheads	0	970	975	960	971	978
Total Decent Homes	**5,806**	**9,054**	**9,102**	**8,959**	**9,063**	**9,124**
Other Spend on HRA Stock						
Garages	66	300	300	300	300	300
Asbestos Contingency	200	200	200	200	200	200
Disabled	915	878	878	878	878	878
TIS Schemes	25	21	21	21	21	21
Communal Areas Uplift	0	546	546	546	546	546
Fire Prevention / Fire Safety Works	1,424	300	300	300	300	300
Hard surfacing on HRA Land - Health and Safety Works	270	150	250	250	150	150
Hard surfacing on HRA Land - Recycling	199	100	0	0	0	0
Communal Areas Floor Coverings	207	100	100	0	0	0
Professional Fees	104	104	104	104	104	104
Lifts and Door Entry Systems	13	13	13	13	13	13
Fencing	116	100	100	100	100	100
Cemetery Lodge	0	50	0	0	0	0
Hanover / Princess Laundry	3	0	0	0	0	0
East Road Garages - Lighting Controls	0	4	0	0	0	0
TV Aerials	8	0	0	0	0	0
Planned Maintenance Contractor Overheads	0	344	337	325	313	313
Total Other Spend on HRA stock	**3,550**	**3,210**	**3,149**	**3,037**	**2,925**	**2,925**

Description	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
HRA New Build / Re-Development						
Teversham Drift	115	0	0	0	0	0
Cockerell Road	14	0	0	0	0	0
Harris Road	5	0	0	0	0	0
Church End	319	0	0	0	0	0
Roman Court	165	578	591	41	0	0
Seymour Court	1,153	0	0	0	0	0
3 Year Affordable Housing Programme (Excl. Seymour Court)	0	4,510	10,761	2,859	0	0
Clay Farm	0	0	0	10,046	3,617	0
Total HRA New Build	**1,771**	**5,088**	**11,352**	**12,946**	**3,617**	**0**
Cambridge Standard Works						
Cambridge Standard Works	455	200	200	200	200	200
Total Cambridge Standard Works	**455**	**200**	**200**	**200**	**200**	**200**
Sheltered Housing Capital Investment						
Emergency Alarm Service	96	0	0	0	0	0
Talbot House	5	0	0	0	0	0
Ditchburn Place	634	3,224	0	0	0	0
Brandon Court	3,045	0	0	0	0	0
Total Sheltered Housing Capital Investment	**3,780**	**3,224**	**0**	**0**	**0**	**0**
Other HRA Capital Spend						
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	34	227	0	0	0	0
Low Cost Home Ownership	300	300	300	300	300	300
RFR Buy Back	0	330	330	330	0	0
Commercial Property	68	30	30	30	30	30
Total Other HRA Capital Spend	**402**	**887**	**660**	**660**	**330**	**330**

Description	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Total HRA Capital Spend	**15,764**	**21,663**	**24,463**	**25,802**	**16,135**	**12,579**
Total Housing Capital Spend at Base Year Prices	**19,321**	**22,465**	**25,228**	**26,567**	**16,900**	**13,344**
Inflation Allowance for Future Years	0	0	835	1,709	2,010	2,343
Total Inflated Housing Capital Spend	**19,321**	**22,465**	**26,063**	**28,276**	**18,910**	**15,687**
Housing Capital Resources						
Right to Buy Receipts	-344	0	0	0	0	0
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0	0
Major Repairs Allowance (MRA)	-5,119	0	0	0	0	0
Major Repairs Reserve	0	-7,673	-7,398	-7,529	-7,702	-7,881
Direct Revenue Financing of Capital	-2,972	-9,333	-8,778	-9,918	-8,183	-6,741
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	-349	-3,507	-6,596	-1,826	-2,260	-300
Disabled Facilities Grant	-262	-262	-262	-262	-262	-262
Developer's Contributions (Affordable Housing)	-331	0	0	0	0	0
Prudential Borrowing	-283	0	-2,526	-8,238	0	0
Total Housing Capital Resources	**-9,660**	**-20,775**	**-25,560**	**-27,773**	**-18,407**	**-15,184**
Net (Surplus) / Deficit of Resources	9,661	1,690	503	503	503	503
Capital Balances b/f	-13,794	-5,036	-3,346	-2,843	-2,340	-1,837
Use of / (Contribution to) Balances in Year	9,661	1,690	503	503	503	503
Use of balance previously ear-marked for affordable housing	-903	0	0	0	0	0
Capital Balances c/f	**-5,036**	**-3,346**	**-2,843**	**-2,340**	**-1,837**	**-1,334**

Appendix I (Section 10)

Housing Capital Investment Plan (30 Year Summary Investment Plan)

Description	2012/13 to 2016/17 £'000	2017/18 to 2021/22 £'000	2022/23 to 2026/27 £'000	2027/28 to 2031/32 £'000	2032/33 to 2036/37 £'000	2037/38 to 2041/42 £'000
General Fund Housing Capital Spend						
Assessment Centre	37	0	0	0	0	0
Disabled Facilities Grants	2,750	2,174	1,310	1,310	1,310	1,310
Private Sector Housing Grants and Loans	975	430	0	0	0	0
Long Term Vacants	100	40	0	0	0	0
Total General Fund Housing Capital Spend	**3,862**	**2,644**	**1,310**	**1,310**	**1,310**	**1,310**
HRA Capital Spend						
Decent Homes						
Kitchens	2,454	2,911	6,025	10,458	2,062	2,911
Bathrooms	1,490	1,952	756	1,050	1,619	2,736
Boilers / Central Heating	8,096	13,916	13,698	11,324	13,765	9,206
Insulation / Energy Efficiency	500	500	500	500	500	500
External Doors	344	436	331	766	462	582
PVCU Windows	3,606	6,031	4,020	7,890	388	3,585
Wall Structure	849	639	189	1,797	2,265	1,998
Wall Finishes	1,144	1,438	1,257	1,302	1,164	804
Wall Insulation	500	500	0	0	0	0
External Painting	0	0	0	0	0	0
Roof Structure	2,029	1,514	7	7	0	0
Roof Covering	2,373	3,354	4,451	3,204	2,020	6,370
Chimneys	105	2	5	7	60	127
Electrical / Wiring	951	1,247	848	1,723	2,246	4,028
Smoke Detectors	145	245	548	145	245	548
Sulphate Attacks	510	510	510	102	0	0

Description	2012/13 to 2016/17 £'000	2017/18 to 2021/22 £'000	2022/23 to 2026/27 £'000	2027/28 to 2031/32 £'000	2032/33 to 2036/37 £'000	2037/38 to 2041/42 £'000
Major Voids	261	269	270	270	270	270
HHSRS Contingency	600	500	500	500	500	500
Other Health and Safety Works (Balconies)	250	250	250	250	250	250
Other External Works	8	34	13	32	326	716
Rising Damp / Penetrating Damp	0	0	0	0	0	0
Professional Fees	1,885	1,885	1,885	1,885	1,885	1,885
External Professional Fees	95	95	95	95	95	95
Decent Homes Backlog	12,253	5,505	0	0	0	0
Planned Maintenance Contractor Overheads	4,854	5,248	4,338	5,197	3,615	4,454
Total Decent Homes	**45,302**	**48,981**	**40,496**	**48,504**	**33,737**	**41,565**
Other Spend on HRA Stock						
Garages	1,500	500	500	500	500	500
Asbestos Contingency	1,000	500	500	500	500	500
Disabled	4,390	4,390	4,390	4,390	4,390	4,390
TIS Schemes	105	105	105	105	105	105
Communal Areas Uplift	2,730	2,730	2,730	2,730	2,730	2,730
Fire Prevention / Fire Safety Works	1,500	1,200	0	0	0	0
Hard surfacing on HRA Land - Health and Safety Works	950	750	750	750	750	750
Hard surfacing on HRA Land - Recycling	100	0	0	0	0	0
Communal Areas Floor Coverings	200	0	0	300	200	0
Professional Fees	520	520	520	520	520	520
Lifts and Door Entry Systems	65	65	65	65	65	65
Fencing	500	500	500	500	500	500
Cemetery Lodge	50	0	0	0	0	0
Hanover / Princess Laundry	0	0	0	0	0	0
East Road Garages - Lighting Controls	4	0	0	0	0	0
TV Aerials	0	0	0	0	0	0
Planned Maintenance Contractor	1,632	1,349	1,205	1,241	1,229	1,205

Description	2012/13 to 2016/17	2017/18 to 2021/22	2022/23 to 2026/27	2027/28 to 2031/32	2032/33 to 2036/37	2037/38 to 2041/42
	£'000	£'000	£'000	£'000	£'000	£'000
Overheads						
Total Other Spend on HRA stock	**15,246**	**12,609**	**11,265**	**11,601**	**11,489**	**11,265**
HRA New Build / Re-Development						
Teversham Drift	0	0	0	0	0	0
Cockerell Road	0	0	0	0	0	0
Harris Road	0	0	0	0	0	0
Church End	0	0	0	0	0	0
Roman Court	1,210	0	0	0	0	0
Seymour Court	0	0	0	0	0	0
3 Year Affordable Housing Programme (Excl. Seymour Court)	18,130	0	0	0	0	0
Clay Farm	13,663	0	0	0	0	0
Total HRA New Build	**33,003**	**0**	**0**	**0**	**0**	**0**
Cambridge Standard Works						
Cambridge Standard Works	1,000	1,000	1,000	1,000	1,000	1,000
Total Cambridge Standard Works	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
Sheltered Housing Capital Investment						
Emergency Alarm Service	0	0	0	0	0	0
Talbot House	0	0	0	0	0	0
Ditchburn Place	3,224	0	0	0	0	0
Brandon Court	0	0	0	0	0	0
Total Sheltered Housing Capital Investment	**3,224**	**0**	**0**	**0**	**0**	**0**
Other HRA Capital Spend						
Orchard Upgrade / Open Contractor / Mobile Working / ASB Database	227	0	0	0	0	0
Low Cost Home Ownership	1,500	1,500	1,500	1,500	1,500	1,500

Description	2012/13 to 2016/17 £'000	2017/18 to 2021/22 £'000	2022/23 to 2026/27 £'000	2027/28 to 2031/32 £'000	2032/33 to 2036/37 £'000	2037/38 to 2041/42 £'000
RFR Buy Back	990	0	0	0	0	0
Commercial Property	150	150	150	150	150	150
Total Other HRA Capital Spend	**2,867**	**1,650**	**1,650**	**1,650**	**1,650**	**1,650**
Total HRA Capital Spend	**100,642**	**64,240**	**54,411**	**62,755**	**47,876**	**55,480**
Total Housing Capital Spend at Base Year Prices	**104,504**	**66,884**	**55,721**	**64,065**	**49,186**	**56,790**
Inflation Allowance for Future Years	6,897	19,443	27,654	44,776	47,140	70,516
Total Inflated Housing Capital Spend	**111,401**	**86,327**	**83,375**	**108,841**	**96,326**	**127,306**
Housing Capital Resources						
Right to Buy Receipts	0	0	0	0	0	0
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0	0
Major Repairs Allowance (MRA)	0	0	0	0	0	0
Major Repairs Reserve	-38,183	-53,423	-58,674	-66,988	-72,951	-83,805
Direct Revenue Financing of Capital	-42,953	-28,760	-21,891	-39,043	-20,565	-40,691
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	-14,489	-1,500	-1,500	-1,500	-1,500	-1,500
Disabled Facilities Grant	-1,310	-1,310	-1,310	-1,310	-1,310	-1,310
Developer's Contributions (Affordable Housing)	0	0	0	0	0	0
Prudential Borrowing	-10,764	0	0	0	0	0
Total Housing Capital Resources	**-107,699**	**-84,993**	**-83,375**	**-108,841**	**-96,326**	**-127,306**
Net (Surplus) / Deficit of Resources	3,702	1,334	0	0	0	0
Capital Balances b/f	-5,036	-1,334	0	0	0	0
Use of / (Contribution to) Balances in 5-Year Period	3,702	1,334	0	0	0	0

Description	2012/13 to 2016/17	2017/18 to 2021/22	2022/23 to 2026/27	2027/28 to 2031/32	2032/33 to 2036/37	2037/38 to 2041/42
	£'000	£'000	£'000	£'000	£'000	£'000
Use of balance previously ear-marked for affordable housing	0	0	0	0	0	0
Capital Balances c/f	**-1,334**	**0**	**0**	**0**	**0**	**0**

Appendix J (Section 10)

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

Review of the HRA - Self-Financing for the HRA

The introduction of self-financing for the HRA from April 2012, removes the annual uncertainty that existed as part of the national HRA Subsidy System, but brings with it a number of new uncertainties, including the potential for the debt settlement to be re-opened, a debt cap over which the HRA will not be allowed to borrow and the implications o f managing the cashflow for the HRA in light of the need to service the debt.

Right to Buy Sales

The number of sales remained low in 2010/11. Early indications in 2011/12 suggest that sales are likely to occur at a similar, or possibly slightly lower, level this year. The implications of this for revenue are now significant, as there is no longer the ability to capitalise all of the costs associated with the right to buy service.

Future uncertainty surrounds the right to buy process, with government proposals to re-invigorate the scheme by relaxing the qualifying criteria, increasing the discount limit and the value of discount available to tenants. This is of particularly concern if the outcome is a significant increase in right to buy sales, with the authority having debt associated with the dwellings for 30 years.

Independent Living Service – Ditchburn Place Extra Care

Although provided as an agency activity outside of the HRA, the provision of care and support services in the Extra Care housing at Ditchburn Place are inextricably linked with the provision of landlord services. The current contract with the County Council expires in January 2014, but due to the significant financial risks associated with the delivery of this contract, particularly in light of the County Council's budgetary pressures in this and other areas, our ability to commit to the continued provision of this service is unclear.

Independent Living Service – Sheltered and Supported Housing

Funding for the Independent Living Service is at risk in a number of areas. The level of voids, as a result of the sheltered housing investment strategy, still remains high, producing shortfalls in rent, service charge and support income. This is compounded by reductions in funding from Supporting People, where unit rates are to be reduced to £9.00 per week from April 2012 as part of a proposed year's extension to the contract. It is anticipated that the County Council will re-tender support services in these areas from April 2013. Emergency alarm services provided to owner occupiers are also reducing over time

Service Restructures and Departmental Support Service Review

Housing Revenue Account – Revenue Uncertainties

There are a number of service restructures and a review of the provision of support services across the organisation, many of which have financial implications for the HRA. Although some broad assumptions of the financial impact for the Housing Revenue Account have been made at early stages, the real impact will not be clear until the reviews are complete.

HRA New Build

Following successful completion of 7 units of new build HRA dwellings with the support of HCA grant, a subsequent bid for funding in principal was successful. The opportunity to work with a selected developer partner to redevelop the Seymour Court site is now being actively progressed, with the scheme being one of those successful in securing grant funding. A considerable sum of prudential borrowing will also be required to deliver the anticipated affordable housing. If this, or any development scheme does not proceed, any initial outlay is required to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in.

HRA Commercial Property

Review of the ownership of some commercial property in the Council's portfolio is required to ensure that both rental income and maintenance liabilities are being correctly provided and accounted for.

HRA Review of Area Offices

The review of the future use of housing area offices will be deferred until after the implementation of self-financing, when both the financial position for the HRA and the implications for local authorities of the introduction of universal credit will be clearer. The revenue implications of this review, when undertaken, will be quantified and incorporated as part of a report that will be presented to HMB for decision.

Housing Revenue Account - Capital Uncertainties

Sheltered Housing

The existing Sheltered Housing Modernisation Programme is progressing well, with Brandon Court due for completion early in 2012. There is a need to review the decisions made in respect of the latter stages of the programme, to determine the best use of limited resources in the current financial climate, with options currently being considered for Ditchburn Place and revisited for Roman Court.

Maintenance of Decent Homes

100% of the stock was considered decent at 1st April 2011, however additional properties become non-decent during the year.
Our target is to maintain the Decent Homes standard in our stock on an ongoing basis in line with current Government expectations, and to respond quickly to any changes in the standard.

Expansion of Decent Homes to include Communal Areas

There is an expectation that communal area will be incorporated into the Decent Homes criteria, to include lifts and common parts in flatted accommodation. This change requires both up front investment to survey and ongoing investment to meet and maintain any standards set. The Asset Management Plan includes an uplift of £75 per property per year, to meet the investment needs in un-surveyed communal areas, in line with external expert advice received.

Sulphate Attack

Sulphate attack was identified a number of years ago in a number of council dwellings, resulting in the need to invest £1.87m to eradicate the problem. Following a risk assessment, the approach taken to date has been to address the defect when the property becomes vacant. Currently 12 of the 110 properties affected have been rectified when they became void. Funding of approximately £1.6m is included in the Housing Capital Programme over the next 15 years to continue to fund this risk-based approach. There is the potential for similar sulphate attacks in the structures of a number of other council dwellings, which could result in the need for significant additional investment to undertake these works.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

Council investment in both DFG's and Private Sector Housing Grants and Loans is dependent upon existing capital balances or capital receipts in year. Historic capital balances will to be fully utilised within 10 years (or earlier if the HRA has any need to utilise existing balances to fund in year expenditure), and the availability of receipts on an ongoing basis is currently unclear, putting at risk the desired level of investment.

Right to Buy Sales

The number of sales remained low in 2010/11, with only 17 sales completed. Early indications in 2011/12 suggest that the number of completions will remain at this level or possibly reduce further.
The negative impact of this fall in available capital resources has been built into the Housing Capital Investment Programme.
Proposed changes to the right to buy rules, may result in an impact both in terms of the number of future sales, and whether the Council continues to directly receive any of the financial benefit from the associated capital receipt.

Housing Revenue Account - Capital Uncertainties

Decent Homes – PVCU Windows

Need to consider resources required to replace PVCU windows in HRA stock, where failures in existing installations are emerging, resulting in replacement far sooner than would be anticipated by the Decent Homes Standard.

Asbestos Removal

Potential to change strategy for asbestos removal, to ensure that blocks / streets are tackled as projects as opposed to in isolation while dwellings are void. This approach may bring forward the need for resources previously anticipated to be spent much later in the programme and also incur the additional costs of decant, but would accelerate the programme and reduce the additional revenue costs of repairs in properties with asbestos. This has begun, with flats in Edgecombe being tackled in this way, over a 3-year programme.

Energy Efficiency – Boiler Replacement

Legislative requirements / local desire to increase the energy efficiency of boilers, results in a replacement programme with condensing boilers requiring replacement every 8 years as opposed to every 20.

Eastfield Site

The potential future income stream for the Eastfield site is subject to advancement in discussions with Hundred Houses.