Foreword

April 2012 spells the end of the national Housing Revenue Account subsidy system and the introduction of a new council housing finance system: The Housing Revenue Account **"self-financing"** system introduced under the Localism Act 2011.

The introduction of the new system of self-financing for council housing places great emphasis on the need for long-term planning for the management, maintenance and investment in the housing service and housing stock.

The Council is responsible for the management of some 7,923 council homes in the city and management of the council housing asset is "big business":

- The Government's valuation of the business at April 2012 is £66m.
- The market value (vacant possession value) of the council housing stock was estimated at around £494m at 31 March 2012
- Housing rental income is currently £25.7m pa (2012/13)
- We are currently spending £7.7m pa on day to day repairs; and

Over the next 5 years we will need to invest some £62m in replacing component parts (bathrooms, kitchens, roofs, doors etc) to ensure the stock meets the Decent Homes Standard and complies with other legislative requirements under the Housing Acts and Landlord & Tenant Act.

No organisation would manage such a big business without developing a robust and long term business plan and neither should the Council. Legally the Council cannot operate the Housing Revenue Account in overall deficit and under the new self-financing system there is no "back stop" in the form of annual subsidy determinations from the Government and therefore all the business risk transfers to the Council

It is therefore vital that the Council has a robust long term Business Plan for the management of its Council housing assets and the delivery of housing services. Some 8,000 households (and a significantly higher proportion of the resident population) depend on the services the Council provides as a landlord and most of the Council's tenants are on relatively low incomes.

This Housing Revenue Account Business Plan sets out the strategy for delivering housing services under the new self-financing system for the 30 year period 2012 to 2042. The Business Plan has been prepared by a team of officers from the housing & finance teams in the Council's Directorate of Housing & Community Services and Directorate of Resources and is fundamental to the success under self-financing and achievement of the Council's Strategic Plan priority of Improving the Council's housing landlord service.

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Jargon Buster

ARCH	Association of Retained Council Housing
ALMO	Arms Length Management Company
APSE	Association of Public Service Excellence
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance & Accountancy
CLG	Communities and Local Government
CMS	City Maintenance Service
CRI	Consolidated Rate of Interest
DRF	Direct Revenue Financing
EIP	Equal Instalments of Principal
HIP	Housing Investment Programme
HMT	Her Majesty's Treasury
HRA	Housing Revenue Account
HRAS	Housing Revenue Account Subsidy System
LOBO	Lender Option Borrower Option
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
MTFS	Medium Term Financial Strategy
PSBR	Public Sector Borrowing Requirement
PWLB	Public Works Loan Board
RPI	Retail Price Index
RTB	Right to Buy
VFM	Value For Money

1. Aims and objectives

The Council's Strategic Plan (2012-2017) sets out what we aspire to achieve for the city, both working with partners and as the only democratically elected body with a sole focus on the city:

"A city with strong sense of history committed to sustainable growth and social justice"

To support this, the Housing Strategy sets out as its main aim that:

"All Lincoln residents can access a decent, suitable home which they can afford in a community where they want to live with the support they need to live independently."

To achieve our vision a number of key priorities have been developed for this Housing Business Plan following consultation with our customers, which will contribute to both the Councils Strategic Plan and the Housing Strategy.

To improve tenant involvement and empowerment and provide tenants with a range of opportunities to influence how we meet national standards by:

- keeping all customers informed and ensuring that information is comprehensive, customer friendly, in plain language and timely
- effectively using tenant feedback to improve service delivery and meet customer needs
- providing sufficient financial support to make sure that tenant involvement is effective and encouraged
- embedding and ensuring compliance with the national regulatory framework of 'local offers' that gives tenants more say and involvement in decisions that affect council housing

To improve the Council's Housing Landlord Function.

- developing and implementing service improvement plans which demonstrate continuous improvement
- co-ordinating and effectively monitoring different methods and areas of involvement so that tenants can be involved in delivering high standards of service
- Offering greater support to tenants who are victims of anti-social behaviour as well as enforcement against perpetrators. By introducing the nationally recognised 'Respect Charter', we will set minimum standards for how we will deal with anti-social behaviour
- increasing the number of Estate Inspections each year to ensure that the quality of the local environment is maintained for tenants and issues are identified and resolved quickly
- improving our performance by seeking best practice by other Registered Providers through benchmarking our services
- supporting those most affected by the recession to manage their finances by working with other

social landlord partners and the voluntary sector

To deliver the Decent Homes Programme and improve the quality of all Council properties

Bringing council properties up to the Decent Homes standard by 31st December 2010 cost £56 million over a five year period. Our tenants, during consultation, identified further home improvements as one of their over-riding priorities. Key actions that will ensure this objective is achieved, through the continuation of the programme, will include:

- keeping the stock condition survey information up to date through an annual review which will help provide a clearly defined standard of property, that can be developed beyond the Decent Home Standard
- reviewing the process for procuring and managing the Decent Homes Programme to ensure it delivers value for money
- improving the security of communal areas in flat blocks through the installation of new security doors to improve the security and safety of tenants with the aim of reducing incidents of anti-social behaviour

To provide an effective responsive repairs service:

78% of our tenants told us that they were satisfied with the repair and maintenance service following our 2010 survey. The service has undergone a major systems review of the way it works and now operates through the principle of completing a repair and doing it:

- at a fixed appointment agreed with customer
- as quickly as possible
- correctly: *'right first time"*
- efficiently

Throughout 2011-2012 the satisfaction level has increased to an average of over 95%. The key actions that we will carry out to ensure that this continues include:

- developing a service improvement plan which demonstrates continuous improvement
- piloting a one year handy person service to offer a quick effective repair service, providing support for older, disabled and vulnerable people to maintain independent living
- reviewing the potential to establish a minor works team, if current arrangements don't achieve the efficiencies required
- exploring the potential for greater material supplier integration following the development of a new tender
- achieving top quartile performance indicator targets for repairs and maintenance
- implementing latest technology for onsite operations to increase efficiencies

To deliver services fairly and recognise equality of opportunity and choice

The City Council is committed to providing information and services fairly and without discrimination to meet everyone's needs. It recognises a broad range of people with differing characteristics such as age, disability, gender, marriage & civil partnerships, pregnancy & maternity, race, religion & belief, sex, sexual orientation. We will:

- Comply with the Council's Equality & Diversity Policy
- Ensure that all tenants are able to participate at a level that suits them while recognising the needs of particular groups and people with particular characteristics
- introduce a 'sub regional' choice based lettings system in collaboration with North Kesteven and West Lindsey District Councils to allow people in neighbouring areas (and vice versa) to bid for a wider range of council property
- undertake Equality Impact Assessments in line with our Equality & Diversity Policy

Equality and access is one of the Council's core values and we will endeavour to meet the needs of vulnerable groups, support people to help themselves and tackle discrimination in all aspects, both as a major employer and service provider.

2. Background to Self-Financing

2.1 The National Picture

The provision of social housing in England has changed substantially in the last 20 years however the financing arrangements for local authority housing have remained largely unaltered in this time.

The Housing Revenue Account (HRA) subsidy system has operated in its present form since 1989. HRA's are ring-fenced to ensure that rents are not used to fund non-housing activity and that in turn General Fund revenues are not used to fund the management and maintenance of council housing.

Central Government has used a system of grant allocations and subsidies to re-distribute rental income between local authorities, and to the Treasury. Annual "Subsidy Determinations" are calculated by determining each Landlord's expected rental income and operating costs. HRA's operating with a notional surplus of income are required to pay negative subsidy to Central Government, and this money is re-distributed between landlords with operating costs in excess of the rental income (i.e. they receive subsidy). This system has proved highly controversial.

This system has been criticised for being unsustainable in the future. In recent years, the subsidy system nationally has been making a net surplus, with this surplus forecast to increase to £894m by 2022/23. The system also fails to support local, long-term planning as even small changes in the calculation formulas mean that Subsidy Determinations were volatile year on year militating against long term planning.

In order to allow all authorities to start on an equal footing, the existing national housing debt is being redistributed between all local authorities. April 1st 2012 sees the abolition of this subsidy system and introduces *'self- financing'* for council housing. This represents one of the most radical reforms of public housing policy for many years and the effects will be far reaching for local authorities like Lincoln.

Self-financing is intended to put all local authority landlords in a position where they can support their own stock from their own income. In order to bring about this change, there will be a re-adjustment of each local authority's housing debt. This will give each local authority a level of debt it can support, based on a valuation of its council housing stock. Where the valuation is higher, (as in City of Lincoln Council's case), than the debt supported by the Housing Revenue Account subsidy, the local authority will be required to pay Government the difference through a one off settlement.

2.2 Background

Pressure to reform the HRA Subsidy system has been building up for more than a decade and started in **1989** with the Local Government and Housing Act which 'ring-fenced' the housing subsidy system and HRA. The act set out the acceptable debits and credits to the HRA.

In **1999** the Government announced that it intended to introduce resource accounting into the HRA and that, as part of this process, Rent Rebates would be removed from the HRA. The *2003 Local Government Act* achieved this. It removed Rent Rebates from the HRA and provided for them to be met by Rent Rebate subsidy payable under the *Social Security Administration Act 1992.* However, the 2003 Act also made provision for housing authorities with an assumed surplus on their HRA's to pay these surpluses to central Government.

August 2002 - The idea of providing incentives to improve performance within the Housing Revenue Account arena was raised in a Government consultation paper on 2 August 2002: *The blues skies debate: the way forward for housing capital finance*.

In the paper, the Government committed to explore options for local authorities to: 'retain the benefits of future rent increases, neither receive subsidy nor pay over surpluses and to undergo a debt restructuring... As this would involve considerably greater freedom (and risks), it might only be available to high performing councils as a form of earned autonomy.'

2006 – Following its inaugural meeting in April 2006 the Association of Retained Council Housing (ARCH) was launched at the CIH conference in Harrogate. ARCH was to play a pivotal role in lobbying the Government for changes in the HRA subsidy system. The City of Lincoln Council was a founder member of the Association which now has over 60 local authority members.

June 2006 – The idea of reform was taken forward as part of a review of the long term viability of Arms Length Management Organisations commissioned by the Government which ran from October 2004 and which reported in June 2006 leading to a review of the long term viability of Arms Length Management Organisations by the government.

The outcome of the report was published in June 2006 and as one of a range of commitments to increase the flexibility of local authorities in facilitating the long term sustainability of neighbourhoods and communities, it set up a project to look at the costs and benefits of allowing some excellent councils and ALMO's the freedom to operate outside the HRA subsidy system. Six local authorities, some of whom had retained their management in-house and some, who had established ALMO's, took part in an exercise to work with the government to examine those proposals further.

March 2008 – Government published a report setting out the findings of the project. It summarised the evidence from model 30 year business plans prepared by the local authorities and ALMOs about the viability of 'self-financing'. It also addressed legal, accounting and other issues which would have to be resolved in order to implement self-financing.

On the back of this project the Communities & Local Government Department and HM Treasury launched a review of Council Housing Finance and included consideration of the options for the future of the HRA subsidy system including rents policy to inform the next spending review.

The outcomes from the review were worked into the consultation document that followed.

July 2009 – CLG launched a consultation on the preferred option for housing finance reform informed by the council housing finance review.

March 2010 - CLG published the above document. This consultation ran until 6 July and set out detailed proposals for reforming council housing finance and sought the views on implementing a new system.

Feb 2011 – CLG published "Implementing self-financing for council housing". This set out the methodology, financial parameters and timetable for the self financing reforms. The policy document is accompanied by:

- A local authority financial model which applies the settlement methodology to the data to provide indicative figures for each local authority
- Modeling business plans for council landlords: local authority financial model user guide - a user guide to accompany this model; and
- Local authority financial model: report on model inputs, assumptions and outputs - a report on the model inputs.

July 2011 – CLG published a policy document 'Self financing - planning the transition'. The purpose of the document was to:

- provide local authorities with the detailed information they need to prepare for and achieve a successful transition to self-financing
- Provide an update on the wider policy and accounting context within which self-financing will operate.

November 2011 – CLG publish 'The Housing Revenue Account Self-financing Determinations' and included the calculation of the self-financing valuation and settlement payments that are required to implement self financing of Council housing. It shows the level of debt that each authority would need to take on as well as the forecast borrowing cap.

February 2012 – CLG publish the final "Self-financing Determinations" including the final details of the self-financing settlement for each local authority.

3. What is Self Financing?

3.1 The Principle

Under self-financing, each local authority keeps the money raised locally from rents and uses it to run their stock. Individual landlord businesses have been valued by calculating how much the service is worth over 30 years, based on the rental income it can generate in that time and the cost during that time of managing and maintaining the stock.

The ebb and flow of income, as a result of projected right to buy sales, and of demolitions proposed up to 31 March 2015, are accounted for in the valuations. The valuation assumes that the authority collects 100% of rent owed by tenants, and that properties are empty 2% of the time. Standard accounting principles have been applied to these figures, in order to arrive at a capital sum which is the present-day value of the HRA.

The valuation method uses a more generous method for calculating management, maintenance and major repairs costs than that used in the HRA subsidy system, and includes additional funding for aids and adaptations, as all adaptations to council properties are funded by the HRA. Overall funding for management and maintenance, aids and adaptations, and major repairs is 14% higher under the self-financing system.

Council's have only been 'asked' to take on extra debt if their council housing will generate sufficient income to meet it after costs are met. The debt should not directly impact on services to tenants.

Council's will also be given a limit to how much more money they can borrow (known as a borrowing cap) to retain government control over how much council's borrow (known as the Public Sector Borrowing Requirement or PSBR).

Under self-financing, there will be a sustainable funding model for council housing because:

- councils will have enough money from rental income to be able to service their borrowing requirements to pay for ongoing investment to maintain the Decent Homes Standard
- because of certainty of funding councils will be able to plan ahead for works and procure them efficiently
- Councils will be better able to plan longer term for the management of their assets.

3.2 Benefits for tenants

The benefits of self financing for tenants include:

- providing the opportunity for business planning to be guided by local priorities, rather than central government rules,
- councils having more money over time to spend on council houses,
- councils publishing annual, transparent information on charges and costs,
- autonomy on utilising the proceeds of future rental income; and
- Providing tenants with the information they need to hold their landlord to account.

3.3 Things that will not change

Many things will not change under the self-financing system including:

- Tenants rights, such as 'right to repair' and 'right to buy'
- Tenants' landlords will not change. Self-financing does not change the council's position as a housing provider in any way.
- The level of rent tenants pay will continue to be a decision for the council although in practice it is determined through the governments 'Social Rent Policy'
- Government will still take 75% of the net receipt of properties sold under the Right to Buy (RTB).
- The Council will still keep 25% of the RTB receipt and 100% of receipts from other sales provided it is re-invested into the existing housing stock.

Old HRA

- Looks after itself – it is self contained, cannot go into deficit, with funding determined by central government
- Annual subsidy determinations provide constraints on spending and borrowing
- No need for active debt management strategy as government covers debt costs
- Inflation and interest rate risk absorbed by government
- Asset management strategy dependent on limited capital resources provided by central government
- No real scope for real strategic planning as reliance on annual government subsidy payments

Significant shift in responsibility and resources to local authorities

New HRA

- End of central government funding of housing investment – long term asset management risk is the sole responsibility of councils
- Councils entirely responsible for their own debt management strategy including level, cost and profile of debt.
- Need for proactive debt management, particularly in the early years
- Councils need to develop a new strategic financial framework for the HRA
- Significant financial investment capacity, but councils need to operate within centrally determined borrowing requirements

4. Treasury Management

This section looks at the treasury management implications of the self-financing HRA and considers how effective treasury management can contribute to resourcing the HRA Business Plan. It is a significant new area of planning for the housing service and crucial to resource availability over the 30 years. It also represents one of the key areas of risk transfer in self-financing.

4.1 HRA debt pre self-financing

The abolition of the housing subsidy system on 1 April 2012 required the Council to take on additional borrowing to fund the settlement payment. This meant that the existing debt and the associated borrowing costs needed to be split between the HRA and the General Fund from the 1st April 2012.

Before April 1st all external borrowing was managed as a single pool with one consolidated rate of interest (CRI). All borrowing decisions affect the CRI and therefore, impacted equally upon both the HRA and General Fund, regardless of whether the borrowing could be considered to be specifically in respect of one fund or the other.

One of the aims of self-financing was to split the debt into separate pools, each with its own associated interest rate. Any further borrowing decisions can then be considered separately for each fund.

The underlying principles upon which splitting of loans at the outset of HRA self-financing should be based are as follows:

- No detriment to the General Fund
- Broadly equitable between the HRA and General Fund
- Future charges to the HRA in relation to borrowing are not influenced by General Fund decisions, giving a greater degree of independence, certainty and control.

Accounting guidance provides options on how existing loans can be treated but the Council is responsible for the decision on which approach to adopt. Having considered the options a team of finance and housing officers recommended the preferred option of the two pool approach to splitting the debt.

	HRA £'000	General Fund £'000	Total £'000
Capital Financing Requirement			
Projected CFR at 01.04.2012	33,660	23,094	56,754
Less : leases & other credit arrangements	(478)	(1,040)	(1,518)
Residual CFR (long term loans only)	**33,182**	**22,054**	**55,236**
Existing debt			
PWLB loans	22,284	11,578	33,862
Market loans	10,529	5,471	16,000
3% Stock	369	192	561
Total opening debt pool	**33,182**	**17,241**	**50,423**
Interest charges on borrowing			
Interest charges on opening debt	1,489	773	2,262
Interest rate on opening debt	4.49%	4.49%	4.49%

The Council's Capital Financing position prior to 'Self-Financing'

4.2 Funding the Settlement Debt

The Council previously paid into the national HRA housing subsidy system, and in order to stop payments from 1st April 2012 the Council was required to pay the Government £24.931m (a copy of the invoice from Central Government is provided at Appendix 'A'). The settlement day was 28th March 2012 and the Public Works Loan Board (PWLB) provided a special arrangement in respect of borrowing specifically for the housing settlement payment. This allowed local authorities to borrow at preferential rates which equated to a discount of approximately 0.85% on normal PWLB rates.

The Council considered a number of options for funding the settlement payment, comprising various combinations of PWLB borrowing and "internal" borrowing (i.e. using internal resources as described in section 4.3).

The options considered were as follows:

- Option 1 : PWLB borrowing of £19 million plus internal borrowing of £5.931 million (using only HRA balances available)
- Option 2 : PWLB borrowing of £14 million plus internal borrowing of £10.931 million (using both HRA and GF balances available)
- Option 3 : PWLB borrowing of £24.931 million

The Council decision was to fund the settlement payment by borrowing the full amount from the PWLB at the preferential rates available on 28th March 2012. This was the preferred option for the following reasons:

- offers the lowest cost option over the life of the business plan
- provides stable and predictable costs to the HRA
- minimizes the risk to the HRA in respect of re-borrowing
- Retains internal resources available for new borrowing requirements e.g. to fund new build schemes.

The settlement payment comprised a portfolio of individual loans which total £24.931m rather than one loan of this amount. In deciding the amounts and maturities of the individual loans, the following issues were considered:

- The maturity profile of the existing debt – to ensure that refinancing risk is kept to a minimum there should not be an excessive amount of debt maturing in any one year.
- Matching the new loans maturities to the availability of spare resources within the HRA so that debt may be repaid in the future if this is required.
- Establishing an appropriate balance between long-term (50 years) loans and medium-term (15 – 25 years) loans to fix interest rates whilst still allowing for repayment of debt as loans mature.

Capital Financing Position	CFR £'000	External borrowing £'000	Interest charges £'000	Average Interest rate
Pre settlement	33,660	33,182	1,489	4.49%
Settlement payment	24,931	24,931	863	3.46%
At 1 April 2012	**58,591**	**58,113**	**2,352**	**4.05%**

4.3 Funding the Business Plan

Within the HRA Business Plan, there are three separate borrowing needs:

- To fund the settlement payment
- To fund future capital investment within the Business Plan, and
- Financing of the existing debt funded either internally or as a result of splitting the debt pool.

The debt of the self- financing HRA remains the debt of the Council and all treasury management decisions remain the responsibility of the Council's S151 officer (the Director of Resources). Decisions on debt, funding and cash flow investment are those of the Council and must be conducted within the limits set by the Council's approved Treasury Management Strategy. This sets out the level of risk that the Council is to operate within.

It should be noted that in managing debt and funding the HRA business plan there is no mandatory requirement to set aside a Minimum Revenue Provision (MRP) for repayment of debt; however since the HRA is subject to a borrowing limit (the "debt cap" – see below), the Council may wish to repay debt when it is able to do so to increase the borrowing headroom available. This may then be used to fund further investment in new and existing stock.

The Borrowing Cap

Powers to put a limit on an authority's indebtedness i.e. "the borrowing cap" are included in the Localism Act 2011. This limiting of authorities' borrowing is set to continue, at least until the next Comprehensive Spending Review.

The cap restricts the ability of the Council to take on additional borrowing under the Prudential Code, even if the borrowing is affordable by the HRA.

The debt cap for City of Lincoln Council has been set at £66.017 million, which will give rise to an initial "borrowing headroom" in the Business Plan of approximately £7.4 million at 1 April 2012.

Borrowing options

The HRA may have future borrowing requirements over the course of the 30 year Business Plan. To meet those requirements, the HRA may borrow externally from a number of sources or may borrow internally from the General Fund at an agreed rate of interest for the use of those funds. These options are examined in more detail below.

External borrowing

The main sources of external borrowing are as follows.

- Public Works Loan Board (PWLB) – Historically, the PWLB has been the main source of local authority loans providing approximately 80% of all loans. The PWLB provides both fixed and variable interest rate loans over maturities ranging from 1 to 50 years with a number of repayment structures to meet a variety of needs.
- Market Loans – These have been a valuable source of borrowing in the past. However, the credit crunch has severely restricted the current availability of loans from banks and where available, the interest rates

offered are generally unattractive. One of the most common loan structures used by local authorities was the LOBO (Lender Option Borrower Option) in which the bank can vary interest rates at specified intervals and the borrower has the option to repay the loan. This may present too great a risk in the early years of the HRA Business Plan where resources are constrained and affordability is a primary consideration.

Internal Borrowing

The HRA can "borrow" funds from the General Fund and pay an agreed rate of interest for the use of those funds. The interest charged to the HRA should be calculated as a fair rate based upon the rate received on investments and the rate paid for external borrowing. Whilst this may deliver savings on interest payments initially, it does expose the Council to further risks. For example, the General Fund may require the funds at short notice and the HRA would then not be able to choose the moment to replace the funds, and thus may not obtain the best deal on interest rates.

4.4 Key Treasury Management Risks to the HRA

The move to a self-financing HRA is a major change for the financing of housing services. The self-financing HRA will now more closely resemble the finances of housing associations, with similar associated risks. The settlement, which releases the HRA from the housing subsidy system, transferred risks from central government to the City Council.

Within the area of treasury management, the transfer of the housing debt increases the exposure of the HRA to a number of risks, which are considered below. Risk management is an overriding factor in the treasury management operations of the HRA.

Interest Rate Risk

Whilst the existing portfolio of loans, inherited as a result of the debt-splitting exercise, is all at fixed rates there are a number of market LOBO loans within the total. Should the lenders wish to increase interest rates at one of the option dates, the Council will have the decision of either accepting the new interest rate or repaying the loan and refinancing the debt. This will expose the Council to interest rate risk and must be managed accordingly. The PWLB debt to support the settlement payment will be at fixed interest rates, however the maturity profile of the debt being taken on will need careful consideration to minimise the interest rate risk in the future.

Maturity or Refinancing Risk

Loans that are attributed to the HRA from the 1st April 2012 will reflect the existing debt profile of the Council. The maturity profile may not precisely match the requirements of the self-financing HRA. The Council will therefore need to consider the residual profile in conjunction with that of any new borrowing taken on. Any existing loans maturing in the short term may need to be replaced and this will expose the HRA to risk as a result of uncertainty regarding future interest rates.

4.5 Balances and Investments

Every local authority must set its own HRA budget (i.e. plan future years' spending and income). A key requirement, set down in law, is that the outgoings in the year must not exceed income, unless there is an HRA reserve to cover the deficit.

The HRA must also ensure that there are sufficient balances held (i.e. surplus money available) in order to cope with unforeseen circumstances. The level of these balances will be at the Council's discretion but will be decided in consultation with external auditors.

The Council has a very proactive approach to managing risk and there are effective arrangements for financial control already in place and these are set out in the Council's Medium Term Financial Strategy (MTFS). That said there is always a risk that the Council will become liable for expenditure that it has not budgeted for, the impact of which must be mitigated by holding reserves.

The conclusion of the Council's risk assessment is that it is deemed prudent that HRA reserves are maintained at a minimum of £1m over the period of the 5 year MTFS and at the beginning of 2012/13 it is expected that the Council will hold general balances on the Housing Revenue Account of £1,181,568.

Forecast balances at the beginning of 2012/13 are therefore above the prudent minimum for the HRA, but not excessively. Although over the period of the MTFS the level of balances fluctuates as a result of the varying contributions required to support capital expenditure, ultimately all revenue surpluses generated over the 5-year period are required to support the Housing Investment Programme, the result of which is an estimated balance of £1,005,888 at the end of 2016-17 as detailed in the table below.

2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**
£000	**£000**	**£000**	**£000**	**£000**
1,288	1,641	1,285	1,049	1,006

The HRA forecast year-end general balances in the 2012-2017 MTFS

5. Resources

5.1 What is the HRA

The Housing Revenue Account (HRA) is a "ring-fenced" account held by the Council. It contains all the spending and income related to the dwellings owned by the council, acting as landlord. Local authority housing consists mainly of:

- General Needs housing – houses, flats, bungalows, maisonettes
- Sheltered Accommodation – usually schemes for elderly or vulnerable people, often with communal facilities
- Shared Ownership – an increasingly more common approach whereby buyers own a proportion of the property and pay rent on the remainder.(N.B. The City Council does not hold any Shared Ownership properties)

5.2 Where does the money come from?

In addition to the housing stock outlined above, the HRA also accounts for spending and income relating to other facilities such as garages and shops.

However, the format of the HRA is laid down by the government. It must contain spending and income items relating to the landlord function. The HRA is therefore split between 'income' and 'spending' as outlined below.

Income

Rental Income: The main source of income for the HRA is the rents paid to the local authority by tenants. Local authority rents are now decided by a formula set under the Government's Social Rent Policy which sets a target rent for individual dwellings, although there are limits to the increases allowed in any one year. The Social Rent Policy (also known as Rent Convergence) was introduced in April 2002.

The "target rent" for each property is calculated on a prescribed formula. Actual rents then increase or decrease, over a ten year implementation period, from the current rent for each property to reach "convergence" with its target rent.

Over successive years the Government has amended the rent restructuring formula in a bid to control the level of rent increase and dampen the impact of the formula by deferring the point at which convergence is achieved. The current target date for 'convergence' to occur is April 2015.

The government's aim is to ensure that similar properties in the same area will have a similar rent no matter if the dwelling is owned by the City Council or another registered housing provider.

The calculation is based on:

- Capital values (30%)
- Regional income factor and size of dwelling (number of bedrooms) (70%).

The HRA accounts for the expected rental income due in the year, but there is provision for bad debts (i.e. rent not received in the year due to non payment).

There is also an adjustment to reflect empty properties which become available for re-let and do not provide rent during the re-let period.

Charges for Services and Facilities - The HRA also receives some income called Service Charges. This is money received for services and facilities provided that are not already covered by the rent. Examples of such charges are community alarm systems, cleaning communal areas in sheltered schemes, and specific grounds maintenance work.

The HRA also receives income on properties where the leasehold has been sold under the Right to Buy (i.e. flats). If work is carried out to the communal area of a block of flats the costs will be borne by the HRA as the freehold of the property remains with the HRA. However, money can be claimed back off leaseholders living in the block of flats.

Spending

Management Costs - A large proportion of the money local authorities spend is paid in salaries to its staff. As well as salaries there are a number of other management costs that the authority must account for, for example:

- Office accommodation costs
- Information technology
- Tenant participation
- Sheltered accommodation

Management costs can be categorised as either general management or special management. General management will cover costs associated with the landlord services of the HRA, and so will include spending on policy initiatives, rent collection, and managing tenancies.

Special management covers the costs of services provided to tenants that are usually shared, such as spending on managing sheltered schemes, grounds maintenance, communal lighting and caretaking.

Maintenance Costs - the HRA includes the costs of responsive repairs to the housing stock including:

- Responsive work (day-to-day repairs)
- Voids (work on empty properties)
- Cyclical maintenance (rolling programmes of work).

These costs are defined as revenue expenditure and so will be held within the HRA. In addition to this revenue expenditure on maintenance there will also be a programme of capital expenditure (The Housing Investment Programme - HIP).

The HRA accounts for day-to-day expenditure whereas the capital account will deal with purchasing or improving assets. However, there may be surplus money available within the HRA to part-finance capital expenditure. In this case money would be transferred to the capital account from the HRA. This is known as direct revenue financing (DRF).

Capital Charges - Local authority housing departments will have borrowed money, through loans, in the past to fund the building and improving of their council houses and flats. Interest payments on this borrowing must be paid for out of the HRA.

Local authorities previously managed their overall borrowing debt for the council as a whole. This means that they will not know precisely their HRA borrowings but this debt has had to be split under self financing to ensure that we are able to calculate an assessment of our HRA borrowing levels.

5.3 Income Strategy

Rents

The government's policy of rent convergence is due to continue under the new self-financing regime, with the current target date for convergence set at April 2015.

Changes to annual rents are based on the Retail Prices Index (RPI) for September, plus 0.5% and an incremental contribution to close the gap between average local authority rents and housing association rents. RPI stood at 5.6% for September 2011, which is a 20 year high for that measure.

The Council has limited flexibility to vary rents. However, this would reduce the amount of income if they were set lower than Government Guidelines. The Government's self financing valuation model assumes that we will adhere to this policy, and this means there would be a significant impact on the business plan of not following it. If the Council were to set rents higher than the Guideline then it would be penalised through the system the Government uses to reimburse councils for housing benefit payments as the level of grant would be capped.

The Council has therefore set the rents, for 2012-13 in line with the latest rent restructuring formulae which has resulted in an overall increase of 6.74%. The average rent from April 2012 will be £63.49 per week.

This Business Plan is based on rents being set in future in accordance with the Governments rent formula.

Releasing Resources

The initial financial modelling of the impact of the move to self financing shows that the outcome for the Council is a positive one in the longer term, but that in the short to medium term there are minimal resources available to make further improvements and investment.

In order to release any further resource to make improvements and investment, in line with tenants' needs and priorities, the Council will seek to drive out efficiencies in its operating costs and look to sustain/maximise its income streams. The areas of activity that the Council will continue to pursue include;

- **Lean Systems Interventions** – The completion and review of interventions within the responsive repairs services, housing voids and housing allocations, all of which have already, or are expected to, deliver both an improved level of service and provide cost savings to the HRA. Further work will be carried out to streamline processes even further through a restructuring of service provision.

- **Income Generation** – Development of a comprehensive Income

Generation Strategy for the HRA to review the opportunities available, including:
- charges to commercial operators,
- garage rental and charges
- service charges for areas of the service that are not enjoyed by all tenants, such as the 'garden' service and the caretaking service, and
- The use of energy efficiency schemes.

- **Cost Reduction –** Finding additional savings/efficiencies in running costs from other areas of the service, including:
  - the impact of savings from support services,
  - the development of a clear Repairs Policy,
  - the exploration of commissioning and procurement opportunities, either in collaboration with other local authorities or independently, and
  - The continued modernisation of the City Maintenance Service to drive out efficiencies and improve the value for money received.

5.4 Resourcing the Housing Investment Programme (HIP)

The resources necessary to fund the Council's HIP under the self-financing system will be provided by the following:

Major Repairs Reserve (MRR) - MRR will be the main source of capital funding. The MRR may be used to fund capital expenditure and to repay existing debt. Depreciation will be a "real" charge on the HRA and will be paid into the MRR to fund capital expenditure. If this is insufficient to meet the funding needs of the programme, then additional transfers (DRF) from revenue will be required. The total support to the capital programme from the MRR over the short-term (5-year) period is £60m, of which £38.8m is in relation to depreciation charges and the remaining £21.2m is a contribution from revenue surpluses.

Capital Receipts - the government intends to retain the current arrangement for pooling of HRA capital receipts. Under the national pooling regime implemented from 1 April 2004, the Council may retain 25% of receipts from Right-to-Buy sales and 50% of other receipts, unless they can be excluded as capital allowances, which includes any amount to be spent on the provision of affordable housing or regeneration. To this extent the definition of these two areas is critical to effective capital planning.

The proceeds of property sales under the Right-to-Buy scheme have been a source of regular capital receipts in the past but in the current economic climate, the number of sales has been significantly reduced. The projected level of Right-to-Buy sales has been assumed to be 5 per year from 2012/13 to 2016/17; however, this is a difficult area to predict accurately as it is affected by external factors, such as interest rates, property prices and Right to Buy policy.

Prudential Borrowing – borrowing is allowed against a Prudential Code if the Council can demonstrate it is affordable, sustainable and prudent. However the Government will limit the amount of debt that can be supported from the HRA in each local authority and is based on the self financing debt settlement which, for the City Council, is £66.016m. This is an important point and means the Council cannot breach the borrowing limit.

5.5 The Financial position for Lincoln

For City of Lincoln Council the self-financing valuation and borrowing cap has been set at £66.016m. As the Council's notional debt, pre Self-Financing, is £41.085m, the self-financing settlement (the payment to government) is therefore £24.931m. Compared to the £30m that would have been handed over to the Government in negative housing subsidy over the next ten years. This can only been seen as a good deal.

Although the notional debt shown above is £41m the actual debt within the HRA, prior to self-financing is £34m which means that the HRA has the potential to borrow up to a further £7.4m. This sum is known as the 'borrowing headroom' and will be the initial starting point following the self-financing settlement transactions at the end of March 2012.

The Business Plan assumes that all debt remains, in full, throughout the 30 year period. Provided that there are sufficient resources to service the debt, the Council may wish to use any surplus funds for extra investment in its current stock and/or new stock.

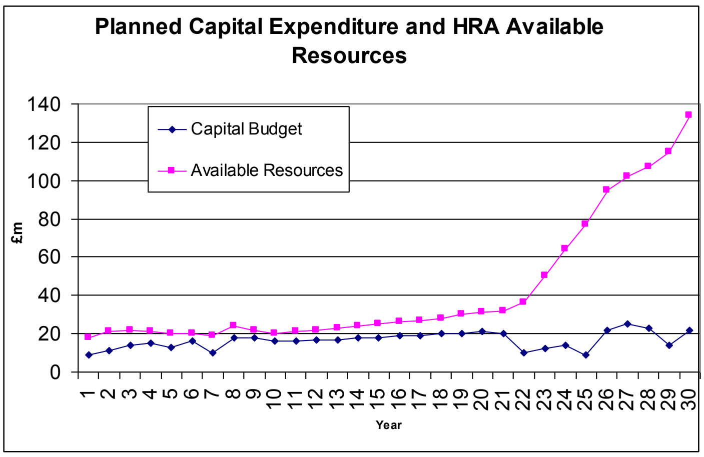
5.6 The HRA Forecast

Based on the HRA Business Plan, and preceding spending pressures and resource assumptions, Appendix 'B' shows the latest approved 5 year MTFS, for the HRA.

The Council was well prepared for developing a 30 year Business Plan having undertaken a robust and accurate stock condition survey to establish the spending needs of the housing stock over the 30 year period and the undertaking of detailed financial modelling. This initial work has shown that self-financing will be a positive one for the Council, with a balanced HRA over the 30 year period. Resources will, therefore, be available to meet the needs of maintaining its existing housing stock. Appendix 'E' shows the 30 year plan, summarised into 5 year blocks.

However, the first ten years of the plan will see the majority of revenue resources fully committed to support the capital investment required in the existing stock, with limited ability, initially, to invest in new schemes such as

- regeneration and redevelopment
- new build or acquiring properties or,
- Improvements in service delivery for existing and future tenants.



During the final 10 years of the business planning period resources available for investment are anticipated to be significantly higher than capital expenditure needs. In the final year there is forecast to be £134m available resources, from which £22m of capital expenditure is programmed to be financed, leaving £112m of resources as yet unallocated over the Business Plan period.

However the business plan also assumes that there will be £64m outstanding external borrowing in the final year and does not take into account funding of any decisions that may be taken during the period of the Business Plan on use of these unallocated resources to fund additional works to meet tenants or the Council's aspirations.

In order to release resources in the short to medium term to undertake further improvements and/or investment in the housing stock/housing service and/or new council house building it will be imperative for the Council to continue to

- Drive out efficiencies in its operating costs,
- Look to maximise the income streams available to the HRA, and
- Ensure that it has a robust asset management plan in place for its housing stock.

Projected Capital Resources -
Resources required to fund the Housing Investment Programme 2012/13 – 2016/17 are estimated to be approximately £61.7m.

Appendix 'C' shows the Council's 5 year HIP (MTFS), and summarises the current spending requirements and resourcing assumptions.

6. Value for Money

6.1 Background

The drive for value for money (VfM) and efficiency relates to both sound financial management and improving services. Financial resources are finite and there will always be more to do than resources allow, but we must operate within the confines of the Housing Revenue Account (HRA) and ensure a balanced budget.

Efficiency is often considered as “cost cutting” or “making savings”, whilst in reality it is about the use of resources, clear decision making and improving the outcomes for tenants and leaseholders.

Put simply VfM is about obtaining the maximum benefit with the resources available. Decisions about VfM are a daily reality in all our lives. We are constantly choosing which items or services to buy, and judging the right balance for us between quality and cost.

This means that VfM not only measures the cost of goods and services but also takes account of the mix of cost with quality, resource use, fitness for purpose and timeliness to judge whether or not, together, they constitute good value.

6.2 Service Standards

Like all Social Landlords (or Registered Providers as we are now referred to) we are required under the Regulatory Framework for Social Housing in England 2010 to produce an Annual Report to our tenants. The purpose of the report is two-fold:

i. To set out how we perform against a set of National Service Standards and what we aim to do during the following year.
ii. To agree with tenants a set of local offers that we would monitor and report against annually.

Previous copies of the Annual Report to Tenants can be found on our website -www.lincoln.gov.uk

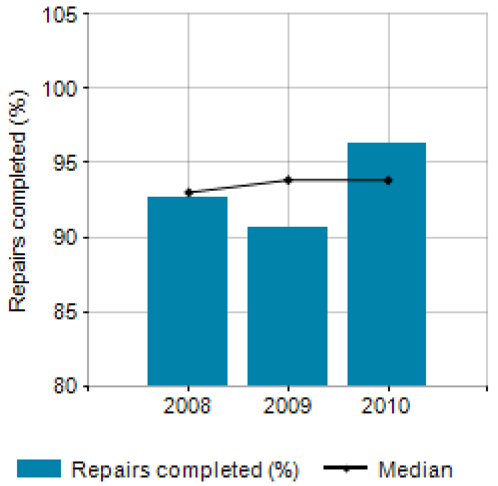
The Council is now regulated by a Housing Regulator (The Homes & Communities Agency [from April 2012]) and is required to comply with a set of Regulatory Standards.

These Standards set out what is expected of Registered Providers. The Standards were revised through a new Regulatory Framework that came into force from April 2012.

6.3 Repairs Policy

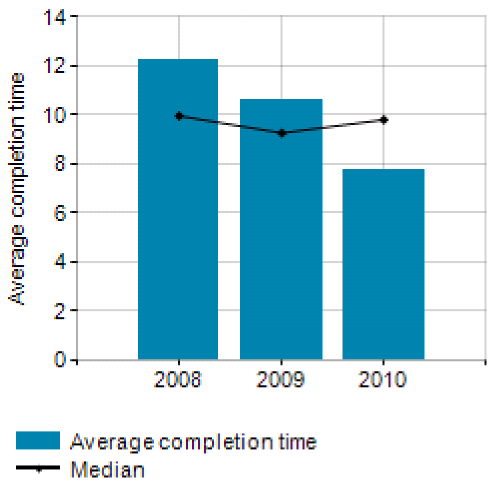
The reactive repairs service is delivered by the in-house City Maintenance Services (CMS). The service budget for 2011-2012 was £5.16m and for 2012/13 the budget will be £5.04m.

During 2010-11 the service responded to 25,181 repair requests and the demands on the service continued at a similar level throughout the 2011-12 year with



approximately 24,500 responsive repairs being carried out. During that period our performance in completing repairs within target timescales improved to 96.52%, by December 2011, against a target of 98%.

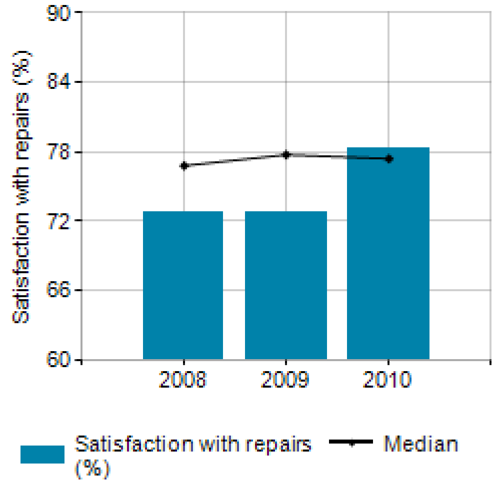
Similarly the average time to complete all responsive repairs continued to reduce.



In the summer of 2011, the service was subject to an in depth review which sought to remove unnecessary processes from the activities in delivering a reactive repair on time, to quality and wherever possible on the first visit'.

The review sought to empower repairs operatives to effectively seek out if there were any further repairs that they might undertake whilst within the home.

Satisfaction with the repairs service in previous years had been disappointing as shown in the graph below.

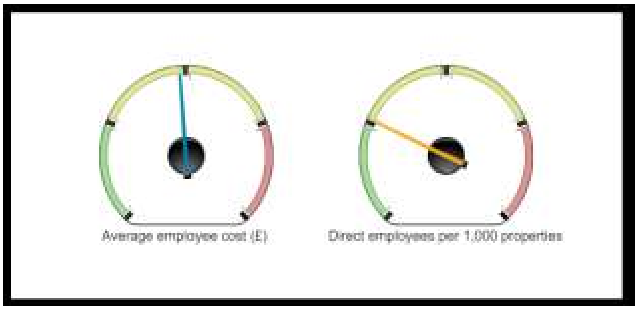


As a consequence of the increased certainty of meeting an appointment, and the time taken to react to the initial repair request the customer satisfaction rating rose significantly. By December 2011, satisfaction levels had increased to 97.35%, a good indicator that the service was developing in the right direction.

At the same time we checked with tenants to establish if appointments were kept and found out that 92% of appointments were met.

Throughout 2012-13 we intend to improve the reactive repairs service further and look to increase our rate of repairs completed 'right first time' to a level alongside best performing service providers, nationally. At the same time we will review our value for money by comparing our costs with others through various benchmarking and best practice groups both regionally and nationally.

In terms of cost, when compared to other housing providers, it shows CMS to be in the second quartile in terms of average employee cost and the number of repairs operatives we deploy on reactive repairs work, as illustrated below.



We have now joined a long standing successful midlands based best practise group (allied to the national performance improvement group administered by 'Housemark'). We have also increased our activity on the national stage through enhanced ties with the Association of Public Service Excellence (APSE) and their performance networks and service award scheme. We have taken a prominent role in assisting the Chartered Institute of Housing in the design of the National Repairs Charter which was launched at their annual conference in Manchester in June 2012.

The efficiencies achieved through the service review will enable us to maximise the amount of repair work carried out by CMS, particularly the empty property works, thereby reducing the reliance on sub contractors. The latter element we hope to deliver through investment in new state of the art handheld technology and by enhancing our materials procurement arrangements. The contract for the supply of building materials will be re tendered during the summer of 2012 and we will insist that our supply partners bring advances in their field to further benefit our own operatives.

We plan to invest in our front line management team and enable them to individually assess the best practise in the field of property maintenance and forge new linkages with colleagues in top performing organisations. Furthermore we will continue to invest in our group of apprentices to ensure we are able to sustain the skilled labour resource required to deliver reactive maintenance services to our properties into the future.

During 2012-13 we look to make further investment in our information technology system to minimise the number of interactions and data entry actions between systems.

The Investment Team will proactively interrogate our property database to identify those properties where the cost of responsive repairs is above the norm for equivalent properties to investigate the reasons behind the use and identify alternative and more cost effective solutions.

6.4 Empty Property Management

Similarly during 2011, we conducted a holistic review of the arrangements for re-letting properties on vacation by the previous tenant. The findings of that exercise sought to reduce the average time taken to repair a home and make it available to let in accordance with the ‘re-letting standard’ agreed with the tenants.

We intend to take this further to identify those aspects of property maintenance which customers deem a priority and where possible the findings will be incorporated into our operating procedures.

We are keen to learn from those tenants taking up new tenancies and see their views as important in shaping the way we provide this service. We have also considered the way ‘best practice housing providers’ undertake this work in developing and enhancing our own new-tenant experiences.

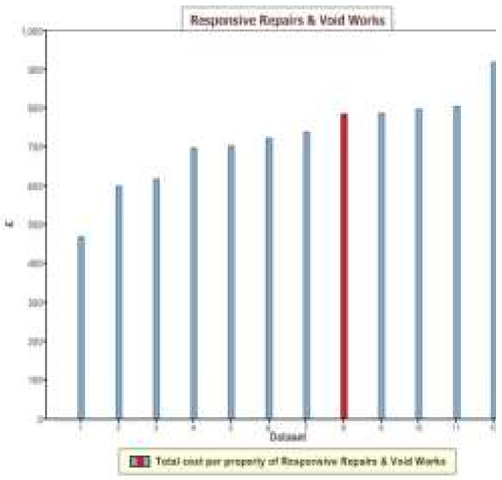
Throughout the coming year we will be inviting those customers to share their experiences with us, identifying areas for improvement and help future new tenants and minimise the stress associated with moving in to a new home.

The service has, however, been improving following a LEAN System review which has seen the average time to re let a home reduce from 42 days (Apr 2010) to 35 days in January 2012.

Again, through the engagement with the sectors best practitioners we have been able to make further efficiencies in the process time and seek to reduce the overall average re let time from one tenant moving out, to another taking up occupancy in their new home to 20 days, during 2012-13. When that level of performance is achieved it would place the City Council into the top 25% of all similar providers.

The average cost of repairing a house for re let is currently £1,463 and has reduced from £2,246 in 2010/11. We aim to reduce that further in 2012/13 and will achieve this though eliminating further waste and duplication in processes. We also aim to increase the number of operatives in the Empty Property Repairs Team and will be seeking to improve the number of properties re-let immediately at the end of our within a few days of the end of the 28 day notice period required of the outgoing tenant.

The illustration below shows how we currently perform against other similar housing providers for the average cost per property of responsive repairs (including empty property repairs). Lincoln is shown in red.



In these difficult times we are mindful to recover the maximum amounts owed to the City Council by outgoing tenants in those cases where in vacating a home they have failed to leave the property in the condition required under their Tenancy Agreement. During the past year we have identified that outgoing tenant damage to homes is in the order of £123k. This issue is not confined to Lincoln and we will be seeking to reduce the impact of that expenditure by improving our procedures through the use of photographs in recording the state of every vacated home before and after our relet operations.

6.5 Energy Strategy

The Lincoln Home Energy Strategy is being reviewed and will also form part of the tenant consultation planned for the Autumn of 2012. A new delivery plan will be developed and incorporated into this Business Plan's delivery plans monitoring arrangements.

Three pilot schemes were completed during 2011/12 to install Photovoltaic Panels to supply energy to the common rooms at three Supported Housing Schemes.

The five new properties currently being built (see section 7.3 below) will have high-spec insulation, windows and doors, and will be built to Code 4 of the Code for Sustainable Homes, lowering the carbon footprint of the houses and reducing utility bills for tenants. Solar PV panels on the roofs will provide electricity for the properties, and state of the art heating systems will heat them.

7. Asset Management

7.1 Refurbishment Standards

The services of Kier Construction were procured in 2005 to deliver the work to meet the Government's Decent Homes Standard. The original contract was of five years duration, however it was decided to extend the arrangement for a further year as the number of tenants initially deciding not to have the improvement work completed was high (898 homes- 14% of the total stock identified for improvement).

The current analysis of the Council's council housing stock of just under 8,000 homes is set out in Appendix 'G'. Work to ensure that all properties (except where tenants decided not to have work completed) met the Decent Homes Standard was completed by 31 March 2011. However, the stock will be in need of similar work ongoing work and investment to maintain properties to the Decent Homes Standard in the future as elements of the building fabric reach their economic lifespan and require replacement.

As part of the plans for HRA self financing, the Council assessed the nature and scale of required investment in large scale maintenance programmes of work to maintain the housing stock to the Decent Homes Standard over the next 30 years. That level of investment will require updated contractual arrangements to be in place to appoint contractors to deliver the programme and will necessitate the authority to identify and deliver further economies of scale to gain maximum effect for the sum invested. Work will take place during 2012 to develop a new contract to be let for the delivery of the major improvement and refurbishment works. It is our intention to involve our customers throughout the procurement process, replicating the original work undertaken in conjunction with tenants in selecting the successful bidder to undertake the Decent Homes Contract.

We will seek to achieve maximum value for money by reference to best practice of other housing providers both locally and nationally. We will undertake these comparisons in conjunction with the nationally recognised APSE and HouseMark benchmarking services and locally by utilising the services of Procurement Lincolnshire to advice on procurement of these major contracts.

During 2011/12 the Investment team was shown through the Housemark benchmarking club to be a high performing but relatively high cost service. During 2012/13 we will undertake a value added review of this service area to identify areas of efficiency gains.

Condition of Stock

Previously, the Investment Team relied on external providers to undertake a stock condition survey. The team, over recent years, have maintained the stock survey levels on a rolling programme to ensure that we have accurate and up to date information on the condition of the housing stock. The team have updated that data in the short-term to reconfirm the cost projections within the 30 year Asset Management Plan.

The HRA Business Plan illustrates a schedule of intended work packages for completion by our contractor partners and in-house teams.

An indicative list of the amount and type of investment work required over the first 5 years of this Plan is set out in “Appendix D”. This document will be regularly updated by the Investment Team and employed during consultation with customers as the work identified within the plan is delivered.

The exact number of dwellings included in the programme may change slightly as we encounter new and emerging maintenance challenges on our properties and we will publish revisions of the programme on our website.

The programme of works identified in Appendix ‘D’ is supported by resources set out the 5yr HIP MTFS at Appendix ‘C’, together with the full 30 year programme as detailed at Appendix ‘F’.

We intend to increase the frequency by which we revisit the stock condition data held on our stock condition survey records and increase our surveying activities to enhance the quality of the information held. By targeting all future surveys towards those property types where the original data was obtained via “archetype” surveys we intend to continually refine the information held and enhance the quality of information on the 30 year Asset Management.

Whilst the stock portfolio contains approximately 3.5% “non traditional” or “system built” dwellings the majority of work to rectify the building fabric failings within them has been successfully concluded. Of the traditional built stock the majority is of a high quality as a result of the Decent Homes work programme undertaken to date to replace old and failing components such a kitchens, bathrooms, heating systems, windows etc

The levels of investment required for planned maintenance in the immediate future are as follows:

Year	2012-13	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000	£000
Total projected spend	8,684	10,715	13,539	15,345	13,478
Of which is to continue to meet the Decent Homes standard	6,165	9,333	12,232	13,999	12,105

Projected Decent Homes works within the 2012-2017 MTFS

7.2 Regeneration and Redevelopment

The Council will look at areas of the housing stock that may be in need of either regeneration or redevelopment over the life of the Business Plan. This will include properties whose useful life may not exceed 30-years and which have high maintenance costs or which may not provide suitable accommodation in 10, 20 or 30 years time (e.g. bedsit accommodation with shared bathing facilities and properties that are of non-traditional construction).

The additional financial resources that will accrue over the lifetime of this Business Plan through self-financing will allow the Council to look at opportunities for redevelopment and replacement of older housing with more modern, energy efficient homes including an assessment of whether there is any scope to redevelop and regenerate neighbourhoods through selective demolition.

Whilst this work to support long term asset management will commence early in the Plan period it must be stressed that the majority of the financial resources for the first ten years of the plan will be fully committed to support the capital investment required to maintain the Decent Homes Standard in the existing stock.

7.3 New Build

The city is in desperate need for more affordable homes and the Council has aspirations to build more council housing as resources permit. As a demonstration to this commitment work has already started on a small development of five new homes in Wellington Street that will be ready for occupation by December 2012.

Artist's impression of the 5 new houses in Wellington Street

As indicated in chapter 5.5 above the ability to borrow gives the Council the ability to commence a small council house building programme for the first time since the early 1990's. A number of additional infill sites have been identified, some of which have already had planning approval and these will be brought forward for development starting in 2013/2014.

Using this borrowing opportunity and topping up with other available funding such as s106 and New Homes Bonus we propose to develop a small scale programme of around £750k per annum. This will allow us to build 6 or 7 properties a year, depending on the sites.

7.4 Disposal Strategy

The City Council has a policy of retaining its housing stock. The only exceptions to this is where individual 'non traditional' properties become vacant and are in need of considerable investment. Disposal will only be considered following a review to evaluate the investment required against the market value of any such properties before and after the proposed investment.

The HRA has some land-holdings in small pockets that when parceled together would form a sizeable redevelopment package. Officers are looking at these areas of land with a view to them being used for sites for affordable housing or potential sale with the proceeds being made available for the supply of affordable housing.

Council tenants will still have the Right to Buy their home and there will be a continuation of the current scheme whereby 75% of the proceeds of from RTB sales are pooled (returned to Central Government) and 25% retained locally to support the Housing Investment Programme.

The Government have more recently introduced opportunities for local councils to retain some elements of any additional capital receipts that may be received under the Government's "Re-invigorated Right to Buy Initiative" and the Council will look to maximize the benefits that this may give in retaining capital receipts for investment locally in replacing homes sold under the Right to Buy to sitting tenants.

7.5 Acquisition Strategy

The freedoms of self financing and any additional capital receipts retained under the Government's new Right to Buy initiative will enable the Council to consider in the longer term the option of purchasing:

- empty homes in the private sector
- properties that could form part of a redevelopment scheme, or
- former council homes sold under the RTB

The Council has yet to determine a policy on this option that is now available to it.

8. Tenant Scrutiny

8.1 The Regulatory Framework

Revised consumer and economic regulatory standards for Registered Providers of social housing were introduced in April 2010. The Localism Act changed the Housing Regulator's role and a number of the existing National Housing Standards were revised to reflect these changes.

From April 2012, the role of the regulator will change to focus on protecting consumers. This will mean that the regulator will continue to set national standards but will only intervene under its consumer regulatory role where it can be demonstrated that failures against these standards are having, or likely to have, a serious detrimental impact on tenants.

The Regulatory Framework under which the Council's Landlord Services now operate is based on the principle of co-regulation which means that:

• Responsibility for service delivery lies with landlords, not the regulatory system nor the regulator
• Landlords are accountable to their tenants for service delivery in compliance with National Housing standards and tenants should be able to hold their landlords to account and to shape service delivery. To do this tenants need adequate information and effective influencing structures
• Landlords should make honest and robust self assessments of their own performance: this can include drawing on external validation (e.g. peer review or benchmarking)
• While the Regulator has a role in setting clear outcome focused standards, these should be enhanced by more specific local offers agreed between landlords and their tenants
• There should be a clearer role for tenants in scrutinising performance
• With regard to service standards, the Regulator's intervention activities will be focused only where there is a serious detriment (or a risk of such) to tenants

8.2 Governance and Tenant Empowerment

Governance is the act of governing. It relates to decisions that define expectations, grant power, or verify performance. It consists of either a separate process or part of management or leadership processes. Governance therefore remains with the democratically elected body of the Council through local Councilors.

Since 1995 a Tenant Advisory Panel had operated as the major driver to tenant involvement allowing tenant representatives to meet with officers and councillors on a regular basis to discuss housing services.

In 2010 /11 we changed the way this operated to give more say to tenants in decision-making. The change resulted in the development of a new Lincoln Tenants Panel to scrutinise service quality, performance, communication and look at issues surrounding diversity and equality. The structure was set up to respond to the 2010 Regulatory Framework and is set out in the Council's Tenant Involvement Strategy 2010-2013. A number of service specific focus groups and special interest groups exist to support the process.

We recognise that ttenant scrutiny is an approach rather than a process and our approach will be tailored to reflect our local conditions, relationships with other tenant involvement activities; and the scrutiny activities to be undertaken. In addition, we recognise the resources needed to increase the capability and capacity to undertake tenant scrutiny activities.

Tenant scrutiny is based on the specific principle that the priorities and views of tenants should be at the heart of our organisation's framework for directing, monitoring, assessing and modifying our housing landlord services and activities.

It is independent from the governance arrangements but for it to operate effectively it must integrate with the strategic and performance management framework of the Council. Representatives on the Lincoln Tenant Panel therefore currently sit alongside councillors on the Housing Scrutiny Committee.

HRA self-financing has brought about a need to further review the arrangements and tenant representatives are currently reviewing the options for the future role of the Lincoln Tenants Panel and are looking at models around:

- Involvement and decision making
- Shaping services
- Monitoring & scrutiny, and
- Involvement and complaints

This work will be ongoing throughout 2012-2013 but in the meantime the current arrangements will stay in place.

8.3 Communication and Consultation

HRA self financing has been the single most important issue for local authority housing since the stock option appraisals carried out in 2005/6. The Lincoln Tenants Panel have been informed and consulted on proposals for self-financing and on the development of this Business Plan.

The Council has also undertaken preliminary consultations with tenants as a whole via a tenant survey to seek their views on priorities for investment in housing.

1062 responses were received representing 13.4% of all tenants. 46% of respondents lived in a house or bungalow and 54% in a flat or maisonette with shared access or communal entrances.

Tenants were asked to consider how any extra resources available under HRA self-financing should be spent and for each additional pound that might be spent, tenants indicated the following priorities:

	Amount
Improving services	£ 0.21
Investing in more home and estate improvements	£ 0.29
Building new council Houses	£ 0.34
Improving the estate environment	£ 0.16
Total	£1.00

Tenants were also asked what they thought should be included in a revised Lincoln Home Standard, with the following results:

Element of work	Number of tenants in agreement	% of tenants in agreement
Mains wired smoke alarms and carbon monoxide detectors in all our homes	761	70.40
Double glazing	747	69.10
Modern kitchens and bathrooms to all homes	730	67.53
Energy efficient heating system	724	66.98
Internal plaster in a reasonable condition	711	65.77
Homes should have adequate and modern boundaries fences walls and hedges	671	62.07
Robust boundary fencing to vulnerable areas	626	57.91
Cladding and insulation of non traditional homes	614	56.80
Open spaces to be maintained to a high standard	611	56.52
Door entry systems to communal flat doors	602	55.69
External security lighting to 3 storey blocks of flats	575	53.19
Communal areas to flats to be decorated to a high standard	542	50.14

Tenants living in blocks of flats with communal entrances were asked about security measures with the following issues being seen as the most important to them.

Security measure	Number of tenants in agreement	Percentage of tenants in agreement
Tough glass	352	75.86
Secure frames	336	72.41
Intercom	335	72.20
Multi point locking	306	65.95
Remote door switch	289	62.28
Trade buttons	282	60.78
Magnetic release	278	59.91
Metal skinned doors	250	53.88
Security chain	159	34.27
Spy hole	147	31.68

8.4 Risk Management

HRA self financing will bring some benefits and some additional risks. Council housing will remain a major local public service and central government will have an ongoing interest in ensuring it is managed well and tenant's interests are protected.

The Council adopts a corporate approach to risk management and financial risk management is integrated into the Council's overall management and decision-making processes. The risks associated with the HRA Business Plan are captured and reported separately within this document at Appendix 'H'.

A number of key high-level risks have been identified which could have a positive impact that may yield additional resources, but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and will be continually reviewed as the Business Plan develops. The key risks are:

- The increased overall financial risk to the HRA as a result of the move from the Housing Revenue Account Subsidy System to self financing, e.g. inflation, interest rates etc.
- The need to ensure efficient delivery of housing repairs
- The ability to release further revenue resources for investment and improvements
- The impacts of the Government's welfare reforms.
- The achievement of capital receipts targets (including Right to Buy sales).
- Future building costs
- Achieving value for money in procurement and delivery of the Housing Investment Programme

The council will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to tenants and members via the Lincoln Tenant Panel, the Council's Executive and Performance Scrutiny Committees.

The Invoice from Central Government re Lincoln's Self-Financing Debt Settlement payment

Communities and Local Government

Page: 1 of 1

INVOICE: Instructions for payment of this invoice can be found overleaf.

To: CITY OF LINCOLN COUNCIL
FAO BANKING TEAM
CITY HALL
BEAUMONT FEE
LINCOLN
LN1 1DB

Cost Centre:
Date printed: 02.03.2012
In the event of a query, please contact:-
LOGASNET SUPPORT: Tel - 0303 44 42444

Company Code:	1000
Invoice No:	5000191675
Customer No:	100635
Invoice date: (Tax Point)	01.03.2012
Our VAT No:	GB888848043
Your VAT No:	GB129379636
Payment Due:	28.03.2012

Description, Quantity & Unit price	Amount(£) Exclusive of VAT	VAT% RATE	(£) VAT Net
Monies due to or from the organisation in respect of Council Housing Self-Financing settlement payment	24,931,000.00	0.00	0.00

Total exclusive of VAT	24,931,000.00
Total VAT charged	0.00
Amount Due £	24,931,000.00

PAYMENT DUE	28.03.2012	Company Code:	1000
Amount Due £	24,931,000.00	Invoice Number:	5000191675
Customer Name	CITY OF LINCOLN COUNCIL	Customer No:	100635

This invoice was prepared for Department for Communities and Local Government by:
Finance Shared Services Division, Hempstead House, 2 Selden Hill, HEMEL HEMPSTEAD, Herts, HP2 4XN

Housing Revenue Account Summary 2012/13 - 2016/17 (MTFS)

	2012/13 Original £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Income					
Gross Rental Income					
- Dwellings rents	(25,714,310)	(26,802,720)	(27,899,720)	(29,144,880)	(30,078,460)
- Non-Dwelling rents	(465,180)	(482,960)	(501,050)	(521,290)	(537,630)
Supporting People Grant	(340,000)	(340,000)	-	-	-
Charges for Services & Facilities	(443,300)	(456,440)	(469,970)	(483,900)	(498,250)
Contributions	(25,560)	(26,330)	(27,120)	(27,930)	(28,770)
Total Income	**(26,988,350)**	**(28,108,450)**	**(28,897,860)**	**(30,178,000)**	**(31,143,110)**
Expenditure					
Repairs Account	7,728,450	7,960,300	8,193,940	8,434,420	8,597,680
Supervision & Management	5,509,650	5,533,170	5,669,520	5,741,910	5,853,510
Rents, Rates and Other Premises	10,890	12,290	12,670	13,010	13,500
Subsidy Limitation Transfer	281,790	186,730	90,690	-	-
Insurance Claims Contingency	188,410	697,830	207,730	218,120	729,030
Depreciation of Fixed Assets	7,260,050	7,488,450	7,802,700	7,969,950	8,172,430
Debt Management Exps	45,360	62,530	67,520	63,970	64,870
Increase in Bad Debt Provisions	221,160	445,140	463,130	483,550	498,860
Total Expenditure	**21,245,760**	**22,386,440**	**22,507,900**	**22,924,930**	**23,929,880**
Net cost of service	**(5,742,590)**	**(5,722,010)**	**(6,389,960)**	**(7,253,070)**	**(7,213,230)**
Loan Charges Interest	2,539,890	2,520,250	2,499,480	2,494,850	2,489,530
Investment Interest	(53,490)	(90,810)	(149,020)	(168,520)	(182,790)
Mortgages Interest	(830)	(630)	(430)	(230)	(230)
Surplus on HRA for the year	**(3,257,020)**	**(3,293,200)**	**(4,039,930)**	**(4,926,970)**	**(4,906,720)**
Premiums Payable	225,380	18,390	400	400	30
Discounts Receivable	(8,950)	(7,980)	(920)	-	-
IFRS technical adjust.	21,880	33,090	(33,820)	38,220	-
DRF used for Financing	2,806,550	3,291,880	4,344,530	5,038,420	5,384,880
Contribs to/(from) Reserves:					
- Insurance Reserve	111,590	(397,830)	92,270	81,880	(429,030)
- PI Survey	(6,000)	3,000	(6,000)	3,000	(6,000)
- Repairs Account	130	(200)	(490)	410	410
(Surplus)/deficit in year	**(106,440)**	**(352,850)**	**356,040**	**235,360**	**43,570**
Balance b/f at 1 April	**(1,181,568)**	**(1,288,008)**	**(1,640,858)**	**(1,284,818)**	**(1,049,458)**
Balance c/f at 31 March	**(1,288,008)**	**(1,640,858)**	**(1,284,818)**	**(1,049,458)**	**(1,005,888)**

Housing Investment Programme 2012/13 – 2016/17 (MTFS)

	2012/13 Original £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Decent Homes	6,164,760	9,332,970	12,231,520	13,999,170	12,104,950
Extensive Repairs	262,130	169,200	58,090	59,830	61,030
Health and Safety	1,159,090	676,800	697,110	718,020	732,380
Contingent Major Repairs/Works	109,510	112,800	116,180	119,670	122,060
Energy Efficiency Works	138,510	0	0	0	0
Computer Fund	126,670	134,290	138,320	142,470	145,310
New build developments	417,860	0	0	0	0
Unallocated	305,960	288,710	297,370	306,300	312,430
Total HIP Programme	**8,684,490**	**10,714,770**	**13,538,590**	**15,345,460**	**13,478,160**
Depreciation	(7,332,290)	(7,552,260)	(7,778,830)	(8,012,190)	(8,172,430)
Other transfers into Major Repairs Reserve	(2,806,550)	(3,291,880)	(4,344,530)	(5,038,420)	(5,384,880)
Grants and contributions	(31,540)	0	0	0	0
Mortgage Principal repayments	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
RTB's (25%) - 5 per year	(80,500)	(82,110)	(83,750)	(85,430)	(87,140)
Resources Received in year	**(10,253,380)**	**(10,928,750)**	**(12,209,610)**	**(13,138,540)**	**(13,646,950)**
Grants & Contributions	(138,510)	0	0	0	0
Major Repairs Reserve	(2,965,080)	(5,293,020)	(5,972,750)	(4,643,770)	(2,436,850)
Capital Receipts	(2,122,350)	(1,501,810)	(1,036,060)	(1,036,060)	(1,036,060)
Resources b/f @ 1st April	**(5,225,940)**	**(6,794,830)**	**(7,008,810)**	**(5,679,830)**	**(3,472,910)**
Total Available Resources	**(15,479,320)**	**(17,723,580)**	**(19,218,420)**	**(18,818,370)**	**(17,119,870)**
Resources c/f @ 31st March	**(6,794,830)**	**(7,008,810)**	**(5,679,830)**	**(3,472,910)**	**(3,641,710)**

Investment Programme Explained

The table below details the number of properties by estate that are programmed to receive elemental improvement works during the next 5 years. Each colour identifies a specific work activity as shown in the colour key at the bottom of the page.

Area	2012/13	2013/14	2014/15	2015/16	2016/17
A	23 5 10 46 17 16 2 3 28 6 109	12 19 32 24 6 54 2 24 75	47 27 29 56 9 44 6 4 41 75	107 26 260 109 41 38 1 2 70 110	25 2 28 89 3 19 2 28 371
B	35 19 24 12 39 130 5 22 176	56 61 15 45 30 75 129 7 33 299	42 29 38 83 4 36 5 13 21 3 377	66 11 29 88 16 64 3 23 48 1 246	23 150 18 115 2 64 13 24 813
C	7 1 6 4 17 13 14 13 34	2 8 7 3 1 3 21 18	1 2 5 13 4 8 1 24 15	12 1 10 22 2 12 1 6 83 1 23	2 7 2 25 1 1 1 5 3 129
D	18 1 13 11 15 1 1 34 56 49	14 16 22 12 7 4 20 19	12 1 3 98 4 29 5 41 1 8	71 58 69 5 4 3 230 8	4 24 4 27 2 1 11 1 141
E	21 2 21 24 24 6 13 10 83	16 13 27 16 20 2 7 5 15 92	37 34 24 24 14 10 4 43 46	59 11 21 51 19 13 1 5 60 1 59	9 7 7 101 4 3 3 18 181
F	24 4 5 18 35 139 94	72 8 33 33 41 8 30 210	18 2 37 13 28 7 29 1 170	49 10 57 16 48 4 76 47 1 108	22 1 6 62 3 9 6 56 267
G	8 1 16 1 9 2 1 4 9 22	15 8 10 12 8 17 1 1 16 53	14 2 7 2 2 1 2 13 45	12 2 9 7 13 1 2 16 1 10	4 11 3 23 11 1 18 100
H	22 1 23 12 29 1 33 24 171	27 163 74 50 26 39 24 14 40 1 257	28 1 28 67 12 10 3 4 28 221	49 2 36 91 32 58 6 22 163 1 261	17 53 13 60 2 33 1 6 33 568
J	4 11 2 7 2 37 4 32	13 5 6 13 3 10 1 4 17 48	8 3 16 11 8 17 3 13 1 45	38 1 27 12 13 22 5 22 67	4 23 19 29 2 18 1 4 5 160
K	23 3 7 39 34 2 37 3 83	18 14 12 17 3 51 1 2 28 79	23 4 5 35 3 17 1 59 61	129 1 7 45 14 42 2 149 98	21 3 80 79 2 5 3 1 100 293

	Estate	Dwelling Nos
A	Ermine East	931
B	St Giles	1150
C	Newport/Burton Road	307
D	City Centre/ West End	844
E	Stamp/Tower	734
F	Birchwood	993
G	Hartsholme	385
H	Moorland	1226
J	Bracebridge/Manse	404
K	Ermine West	953

Colour Key Code

- Bathroom
- Walls
- Chimneys
- Windows
- Electrics
- Doors
- Heating
- Insulation
- Kitchens
- Landscaping & Boundaries
- Roof Structure and Covering

Housing Revenue Account 2012-2042 (30 yrs in 5yr blocks)

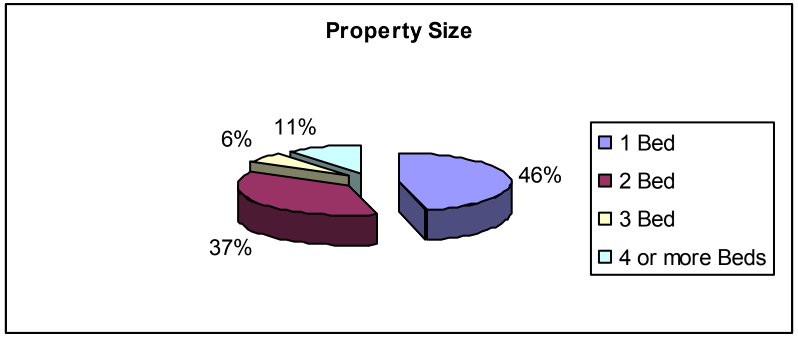
	2012/13 to 2016/17 £'000	2017/18 to 2021/22 £'000	2022/23 to 2026/27 £'000	2027/28 to 2031/32 £'000	2032/33 to 2036/37 £'000	2037/38 to 2041/42 £'000	30 yr Summary Totals £'000
Income							
Dwellings rents	(139,640)	(161,456)	(181,121)	(202,952)	(227,394)	(254,755)	(1,167,318)
Non-Dwelling rents	(2,508)	(2,940)	(3,408)	(3,951)	(4,580)	(5,310)	(22,697)
Services & Facilities Charges	(2,352)	(2,725)	(3,159)	(3,662)	(4,245)	(4,921)	(21,064)
Grants & Contributions	(816)	(157)	(182)	(211)	(245)	(284)	(1,895)
	(145,316)	**(167,278)**	**(187,870)**	**(210,776)**	**(236,464)**	**(265,270)**	**(1,212,974)**
Expenditure							
Repairs Account Expenditure	40,915	45,789	50,694	56,073	62,044	68,676	324,191
Supervision & Management	28,216	31,043	34,154	37,559	41,296	44,831	217,099
Subsidy Limitation Transfer	559	0	0	0	0	0	559
Insurance Claims Contingency	2,041	1,829	2,696	3,165	3,263	4,526	17,520
Depreciation of Fixed Assets	38,848	43,380	47,895	52,880	58,384	64,461	305,848
Debt Management Expenses	304	344	380	420	463	512	2,423
Bad Debt Provision Increase	2,112	2,678	3,004	3,366	3,771	4,225	19,156
	112,995	**125,063**	**138,823**	**153,463**	**169,221**	**187,231**	**886,796**
Net Cost of Service	**(32,321)**	**(42,215)**	**(49,047)**	**(57,313)**	**(67,243)**	**(78,039)**	**(326,178)**
Loan/Investment Interest	11,897	11,019	11,141	10,581	6,647	(4,093)	47,192
Surplus on HRA	**(20,424)**	**(31,196)**	**(37,906)**	**(46,732)**	**(60,596)**	**(82,132)**	**(278,986)**
Adjusts on Statement of Movement on HRA Bal							
Debt Premiums/Discounts	227	0	0	0	0	0	227
DRF Financing (via MRR)	20,866	30,864	36,292	44,369	60,166	80,176	272,733
Capital Accounting adjusts	60	0	0	0	0	0	60
Contribs to/(from) Reserves:	(553)	(332)	(708)	(768)	(275)	(729)	(3,365)
(Surplus)/Deficit in year	176	(664)	(2,322)	(3,131)	(705)	(2,685)	(9,331)
Balance b/f at 1 April	(1,182)	(1,006)	(1,670)	(3,992)	(7,123)	(7,828)	(1,182)
Balance c/f at 31 March	**(1,006)**	**(1,670)**	**(3,992)**	**(7,123)**	**(7,828)**	**(10,513)**	**(10,513)**
Adjusts post 2012-17 MTFS approval:							
Reduction on assumed level of S-F debt to £24.931m and lower average borrowing rate, of 3.46% (MTFS only):							
* Loan Charges Interest	(688)	0	0	0	0	0	(688)
Proposed New Build programme of 7 dwellings p.a. for 7 yrs wef 2013/14:							
* Dwelling Rents	(200)	(1,069)	(1,450)	(1,641)	(1,857)	(2,101)	(8,318)
* Repairs Account Expenditure	45	237	318	355	397	443	1,795
* Loan Charges Interest	180	870	1,050	1,050	1,050	1,050	5,250
Investment Interest	(15)	2	(3)	(10)	(17)	(25)	(68)
	(678)	**40**	**(85)**	**(246)**	**(427)**	**(633)**	**(2,029)**
Compounded adjustments	**(678)**	**(638)**	**(724)**	**(970)**	**(1,397)**	**(2,029)**	**(2,029)**
Revised Balances c/f at 31 March	**(1,684)**	**(2,308)**	**(4,716)**	**(8,093)**	**(9,225)**	**(12,542)**	**(12,542)**
y/e balance on HRA Earmarked Reserves:	**(897)**	**(894)**	**(882)**	**(879)**	**(867)**	**(864)**	**(864)**

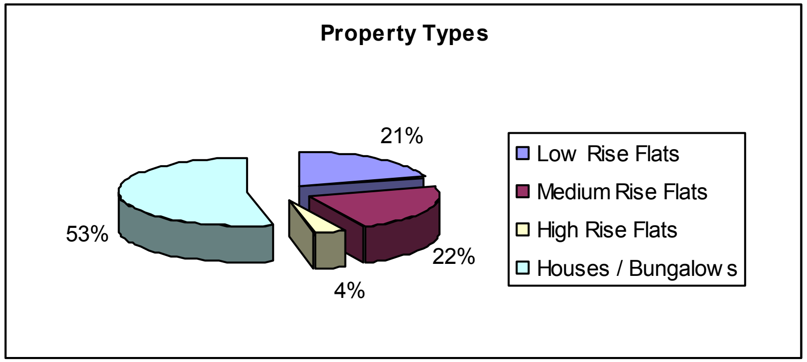
Housing Investment Programme 2012-2042 (30 yrs in 5yr blocks)

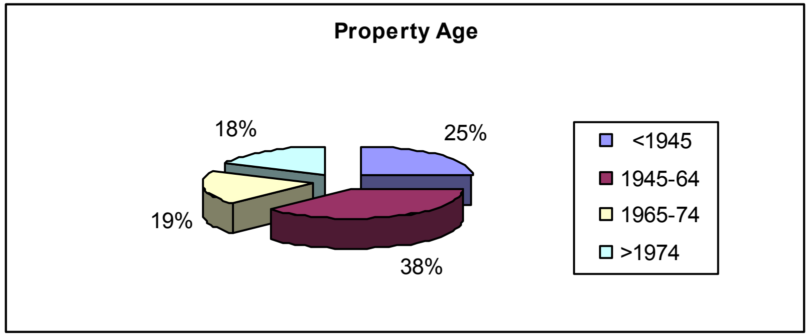
	2012/13 to 2016/17 £'000	2017/18 to 2021/22 £'000	2022/23 to 2026/27 £'000	2027/28 to 2031/32 £'000	2032/33 to 2036/37 £'000	2037/38 to 2041/42 £'000	30 yr Summary Totals £'000
Programme to be funded	**61,761**	**77,696**	**85,659**	**98,875**	**64,227**	**105,413**	**493,631**
Resources b/f							
Grants & Contributions	(139)	-	-	-	-	-	(139)
Major Repairs Reserve	(2,965)	(2,606)	(61)	(61)	(61)	(56,179)	(2,965)
Capital Receipts	(2,122)	(1,036)	(1,036)	(1,036)	(1,036)	(1,036)	(2,122)
	(5,226)	(3,642)	(1,097)	(1,097)	(1,097)	(57,215)	(5,226)
Received in year							
Grants & Contributions	(31)	-	-	-	-	-	(31)
Depreciation (from HRA Model)	(38,848)	(43,380)	(47,895)	(52,880)	(58,384)	(64,461)	(305,848)
Transfer into Major Repairs Reserve	(20,867)	(30,864)	(36,291)	(44,369)	(60,166)	(80,176)	(272,733)
Mortgage Principal Repayments	(13)	-	-	-	-	-	(13)
RTB's (25%) – 5 per year	(418)	(907)	(1,473)	(1,626)	(1,795)	(1,982)	(8,201)
	(60,177)	(75,151)	(85,659)	(98,875)	(120,345)	(146,619)	(586,826)
Used in financing							
Grants & Contributions	170	-	-	-	-	-	170
Mortgage Principal Repayments	13	-	-	-	-	-	13
Major Repairs Reserve	60,074	76,789	84,186	97,249	62,432	103,431	484,161
Capital receipts	1,504	907	1,473	1,626	1,795	1,982	9,287
	61,761	77,696	85,659	98,875	64,227	105,413	493,631
Adjusts post MTFS approval:							
Proposed New Build programme of 7 dwellings p.a. for 7 yrs wef 2013/14;							
* Cost of build	3,000	2,250	-	-	-	-	5,250
* Financed by new external borrowing	(3,000)	(2,250)	-	-	-	-	(5,250)
Resources c/f	(3,642)	(1,097)	(1,097)	(1,097)	(57,215)	(98,421)	(98,421)

Analysis of Dwellings, by Size, Type and Age, at 31 March 2012

Type of Property	Age of Property				
	<1945	1945-64	1965-74	>1974	TOTAL
Low Rise Flats					
1 bed	44	663	379	361	1,447
2 Beds	6	98	35	43	182
3 beds	0	0	13	1	14
Total	**50**	**761**	**427**	**405**	**1,643**
Medium Rise Flats					
1 bed	2	298	464	383	1,147
2 Beds	0	252	165	194	611
3 beds	0	15	4	2	21
Total	**2**	**565**	**633**	**579**	**1,779**
High Rise Flats					
1 bed	0	58	138	0	196
2 Beds	0	30	74	0	104
Total	**0**	**88**	**212**	**0**	**300**
Houses & Bungalows					
1 bed	159	146	32	9	346
2 Beds	765	838	107	237	1,947
3 beds	871	605	79	225	1,780
4 or more Beds	101	22	0	5	128
Total	**1,896**	**1,611**	**218**	**476**	**4,201**
Grand Total	**1,948**	**3,025**	**1,490**	**1,460**	**7,923**







BUDGET RISK ASSESSMENT – REVENUE (Extract from the MTFS & not in priority order)

No.	Budget Item	Risk	Impact Score (Annual)	Likelihood Score	Containment
3.	Pay Awards	Settlements exceed the percentage increase provided for.	III	D	• Produce regular budget monitoring reports – report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Set a prudent but realistic estimate in line with Government announcements • Monitor significant changes in economic indicators
4.	Establishment Budget of 99%	Actual establishment exceeds 99%	III	D	• Produce regular budget monitoring reports – report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee
5.	Employer Pension fund Contribution Rates	Increase in employer contribution rates following triennial valuation in 2013	III	D	• Monitor the position through discussions with Lincolnshire County Council and Lincolnshire Finance Officers • Monitor significant changes in economic indicators • Report any changes to Members as soon as officers become aware • Stabilisation Approach adopted
8.	Borrowing Costs	Reduction in cash flow results in deficits and/or rising interest rates	II	C	• Monitor the average interest rate being achieved against the budget target • Hold regular Treasury Management meetings • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Actively monitoring the cash flow on a daily basis • Actively monitor the cost effectiveness of issuing internal balances instead of taking external borrowing • Treasury Management consultancy support in respect of additional debt re HRA has been sought

No.	Budget Item	Risk	Impact Score (Annual)	Likelihood Score	Containment
10.	Housing Benefits/ Subsidy	Increase in payments that do not attract 100% subsidy i.e. overpayments and local authority errors Failure to comply with complex legislative requirements Lack of audit trail to substantiate grant claim	III	B	• Regular monitoring of claims being processed • Undertake staff training and sample accuracy checks • Ensure system back ups are carried out and historic information is recoverable • Implementation of new systems, processes and structures following Lean Systems Intervention
12.	Loss of Rental Income as a direct consequence of GIP Asset Sales Target	Loss of rental is in excess of budget	III	D	• Continual monitoring of actual loss against budget provision • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee and Asset Management Group • Development of Asset Review Group and disposal programme • Report to Asset Management Group prior to agreed disposal
13.	Bad Debt Provision	The Council's existing Bad Debt provision proves insufficient to meet any increase in the value of debts written off	II	B	• Follow established debt recovery and write off procedures • Monitor age debt profile of debts against bad debt provision • Allowance of bad debts increased in respect of Housing Rents
19.	Inflation	That inflation is higher than the forecast rates assumed	III	B	• Set prudent but realistic projections based on analysis of economic commentators and Bank of England predictions • Monthly monitoring of RPI index changes • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee

No.	Budget Item	Risk	Impact Score (Annual)	Likelihood Score	Containment
23.	Housing Rents and Property Voids	More Council House disposals than anticipated Void properties exceeding the 1.1% allowance included in the budget Government's revisions to rent restructuring policy that have a detrimental effect on the Council's budget	II	B	• Produce regular budget monitoring reports • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • DHCS ongoing monitoring is a performance indicator and has consistently been at, or below 1% in recent years
24.	HRA Repairs and Maintenance Costs	Assumed reductions in repairs and maintenance costs as a result of significant investment in the Council Housing Stock do not materialise	II	C	• Council housing capital investment is carried out • Produce regular budget monitoring reports and HRA revenue and capital budgets reported and monitored together • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Lean systems intervention undertaken to identify efficiencies in the repairs service • Officer working group reviewing financial management arrangements in the HRA and CMS
25.	City Maintenance Services (CMS)	The CMS does not continue to modernise and achieve efficiencies.	II	C	• Review options to achieve efficiency savings e.g. procurement of new systems, implementation of new working practices and systems following Lean Systems Interventions • Produce regular budget monitoring reports • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Officer working group reviewing financial management arrangements in the HRA and CMS