Cambridge City Council

Housing Scrutiny Committee

Date: Tuesday, 21 November 2023

Time: 5.30 pm

Venue: Council Chamber, The Guildhall, Market Square, Cambridge, CB2 3QJ [access the building via Peashill entrance]

Contact: democratic.services@cambridge.gov.uk, tel:01223 457000

Agenda

1	Apologies	
2	Declarations of Interest	
3	Minutes	(Pages 5 - 20)
4	Public Questions	

Part 2: To be taken by the Chair of the Committee

Decisions for the Executive Councillor for Housing and Homelessness

5	Report on Redevelopment Scheme at East Barnwell	(Pages 21 - 44)

Part 1: To be chaired by Vice Chair (Tenant/Leaseholder Representative)

Decisions for the Executive Councillor for Housing and Homelessness

6	Housing Revenue Account (HRA) Medium Term Financial Strategy	(Pages 45 - 140)

Housing Scrutiny Committee Members: Pounds (Chair), Robertson (Vice-Chair), Griffin, Holloway, Lee, Martinelli, Thittala Varkey, Tong and Wade

Alternates: Bennett, Levien, Porrer and Swift

Tenants and Leaseholders: Christabella Amiteye (Tenant Representative), Diane Best (Leaseholder Representative), Mandy Powell-Hardy (Tenant Representative) and Diana Minns (Tenant Representative)

Executive Councillors: Bird (Executive Councillor for Housing and Homelessness) and S. Smith (Executive Councillor for Finance and Resources)

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Further information on public speaking will be supplied once registration and the written question / statement has been received.

Housing Scrutiny Committee Terms of Reference
A. Overview and scrutiny of the strategic and other housing functions for which the Executive Councillor for Housing is responsible, including responsibility for the development of housing strategies and policies, tackling homelessness, the Council's housing responsibilities with regard to the private rented sector, bringing vacant homes back into use, the development of new homes and partnership working with other housing providers.
B. Overview and scrutiny of functions relating to the management of the Council's housing stock.
C. To be the main discussion forum between the Council, its tenants and its leaseholders for all matters relating to the landlord function of Cambridge City Council.
Membership
City Councillors (Such number as shall be decided by the Council from time to time)
Six elected tenants and leaseholders of Cambridge City Council of whom at least five shall be tenants of Cambridge City Council.
Appointment of tenant and leaseholder members
Tenant and leaseholder members shall be co-opted by the Scrutiny Committee following the procedure for election set out in the Overview and Scrutiny Procedure Rules in Part 4E.
Voting
Tenant and leaseholder members are voting members in respect of matters concerning the management of the Council's housing stock (Part 1 of the agenda.) Tenant and leaseholder members may contribute to discussion of other matters (Part 2 of the agenda) but shall not have a vote.
Appointment of Chair
The Chair of the Scrutiny Committee shall be appointed by the Council and be a councillor and shall chair Part 2. The Vice-chair shall be nominated by the elected tenants and leaseholders and shall chair Part

1 if present. If the Chair or Vice-chair is not present, a councillor shall be appointed as the Vice-chair for that meeting.
Other matters relating to elected tenants and leaseholders
These are set out in the Overview and Scrutiny Procedure Rules in Part 4E. They include information about the roles, responsibilities and training of tenant and leaseholder representatives, expenses and allowances, and the circumstances in which they may cease to be members of the Committee.

HOUSING SCRUTINY COMMITTEE 19 September 2023
5.30 - 8.30 pm

Present: Councillors Pounds (Chair), Robertson (Vice-Chair), Griffin, Holloway, Lee, Martinelli, Wade, Bennett and Swift

Executive Councillor Bird

Tenant/Leaseholder Representatives: Diana Minns (Vice Chair), Christabella Amiteye (virtually), Diane Best (virtually) and Mandy Powell-Hardy

Officers present in person:
Assistant Director Development (Places Group): Ben Binns
Head of Housing, David Greening
Assistant Director Assets and Property: Dave Prinsep
Committee Manager: Sarah Steed
Meeting Producer: Boris Herzog

Officers present virtually:
Interim Director, Communities Group: Suzanne Hemingway
Group Manager, Sean Cleary
Housing Maintenance Improvement Manager, Victoria Stimpson
Property Compliance and Risk Manager: Renier Barnard

FOR THE INFORMATION OF THE COUNCIL

23/33/HSC Apologies

Apologies were received from Councillors Tong and Thittala Varkey, Councillors Bennett and Swift attended as alternates.

Tenant Representative Christabella Amiteye and Leaseholder Representative Diane Best attended the meeting virtually via Teams. This meant they could contribute to debate but could not vote on any of the agenda items.

23/34/HSC Declarations of Interest

Name	Item	Interest
Councillor Holloway	23/42/HSC	Personal: Knew people who had been leaseholders at Fanshawe Road.

23/35/HSC Minutes

The minutes of the meeting held on 20 June 2023 were approved as a correct record and signed by the Chair.

23/36/HSC Petition - Protect the residents of Ekin Road estate

Three petitioner representatives spoke about the ‘Protect the residents of Ekin Road’ petition.

The Assistant Director Development (Places Group) said the following in response to the petition and Members’ questions:

i. A consultant’s report (compiled by JLL) detailed various options for estate regeneration at Ekin Road. The report was published on 4 September at 5.30pm.
ii. There were 11 critical success factors included within the JLL report which assessed each regeneration report option if taken forward. Some factors were standard (treasury book standard), and some related to the Council’s corporate policies (for example the Sustainable Housing Design Guide, Housing Strategy). The report was designed to give a broad overview for options for Ekin Road. A similar approach had been taken for Hanover and Princess Court.
iii. The impacts of each regeneration option would be assessed.
iv. There had been 17 reports of condensation related mould at Ekin Road, this comprised 12 flats, 3 houses and 2 bungalows.
v. 72% of households on the Ekin Road estate had engaged with the Council about the regeneration proposals. This was via home visits, email, and phone calls. 15 letters had been sent to estate residents over the last 6–12-month period. 60 tenancy audits had been carried out, mainly in the flats but some had been carried out in the houses and bungalows. There had been 2 drop-in events at local community centres and 4 liaison meetings with residents. Going forward visits were being arranged with residents on a one-to-one basis. There would be a further liaison meeting and survey towards the end of November. Officers were going to try and knock on every door so that each resident could be consulted.
vi. Officers sought to provide residents with information regarding their options if regeneration went ahead and they also signposted residents to Council policies which were all publicly available.

The Executive Councillor for Housing and Homelessness responded:

i. Was aware of concerns which had been raised by residents following the initial consultation event.
ii. The flats at Ekin Road needed to be brought up to a decent standard. No decision had been made regarding regeneration / redevelopment of Ekin Road estate.
iii. Appreciated the impact the regeneration / redevelopment proposals had on residents.
iv. Officers would discuss the needs / requirements for each resident for any option which went ahead.

23/37/HSC Public Questions

Question 1

i. The various options put forward for the redevelopment of the Ekin Road estate was causing a lot of anxiety and concern, especially given the amount of time it was taking to choose a direction.
ii. Preferred an option to redevelop the flats and which also allowed people to keep their homes if they wanted to stay.
iii. The Council and Housing Committee had to do what was best for the wider community and observe the will of the majority of residents on the estate as per the Council's own survey conducted which showed most supported at least partial redevelopment.
iv. The state of the flats was only getting worse, with some residents living in difficult conditions and having to face at least one more winter without being able to afford adequate heating.
v. Urged the Council and Housing Committee to prioritise the well-being of the majority of residents and move forward with the best option to make improvements happen, including partial or full redevelopment.

Question 2

i. Expressed support for option 7 of the Officer's report on Ekin Road - full redevelopment.
ii. Did not believe any of the other options, including option 6, which proposed the retention of the houses to the south and east, were viable as some of those houses were also in poor condition and would inevitably need replacing in the future.
iii. Furthermore, this option would mean the residents in the remaining houses would be condemned to living in a major building site for years.
iv. Ekin Road had a declining reputation and increased anti-social behaviour and required total redevelopment to bring a fresh start to the community.

v. The loudest voices did not necessarily represent the majority and the Council needed to ensure that everyone was given the right to express their opinion privately.

Question 3

i. Moved into Ekin Road with young family 12/1/91, so had been living within the estate for 33 years. Noted other people had lived in the estate for a longer period.
ii. Worked in the homeless sector and their husband worked in Bury St Edmunds, their daughter and son-in-law lived with them. Daughter worked for the NHS and son-in-law worked from home.
iii. Questioned why the council wanted to knock down perfectly good 3 bed houses at Ekin Road when there was a shortage of them.
iv. Asked if redevelopment went ahead whether their family would get a 3-bed house or flat in Cambridge. If they were rehoused outside of Cambridge this would impact their job as they did not drive, and public transport was unreliable.

Assistant Director Development (Places Group) responded:

i. If a redevelopment option was chosen, officers would discuss the needs of the tenant and try to find alternative accommodation to meet those needs.
ii. The council had sought external advice from an independent company to ensure the council had a full overview of all the issues to consider.

Question 4

i. Lived in Ekin Road in a council flat for 12 years.
ii. When they were given their flat it was run down, and it took a lot of time and money to turn the house into a home.
iii. The Council now wanted to take their flat and demolish it; this was heart breaking.
iv. Wasn’t sure they had the stamina to move out and then move back if redevelopment went ahead in 4-5years.
v. Questioned what standard the new flat would be built to.
vi. Had heard people previously living at Fanshawe Road had been moved to Ekin Road as part of the decanting process for redevelopment. This was worrisome.
vii. Living in a new flat may be nice but was unsure whether they would be able to afford it, especially if the rent was increased.
viii. Had found this process stressful.
ix. If a replacement affordable property could not be guaranteed asked that improvements were made to individual properties.

The Executive Councillor responded:

i. Understood that the member of the public had spent money on their flat and that it was their home.
ii. If redevelopment went ahead, a new property would be available. This could be at Ekin Road or could be somewhere else in the city. Financial contributions would also be made towards moving and disruptions costs.
iii. A number of the flats at Ekin Road were in a poor condition and something needed to be done with them.

Assistant Director Development (Places Group) responded:

i. If a retrofit option went ahead this may still require residents to move out of their property whilst works were undertaken but this would depend on the scale of any works undertaken.
ii. It was a balanced decision which option for Ekin Road was progressed.
iii. Also clarified that they were not aware that any residents had been moved into Ekin Road from Fanshawe Road.

Question 5

i. Lived in a council house on Ekin Road with their mum and brother. Their mum had grown up in the local area and their family and local connections were within the area. Had lived in their home for 38 years.
ii. People looked out for each other on Ekin Road. There was a great community of neighbours. They did not want to lose their home. Their mum had spent 38 years making it their special place.
iii. Had experienced traumas and was very concerned if they had to move and potentially change doctors.
iv. Did not want their community to be destroyed.
v. Acknowledged that work needed to be undertaken but did not want the community to be taken away. Felt the Council was working against residents.

The Executive Councillor responded:

i. Acknowledged how the public speaker was feeling and said they did not want to disrupt their community.
ii. Confirmed that no decision regarding Ekin Road had been taken.
iii. Was happy to meet with the member of the public outside of the meeting.

Question 6

i. Lived in their flat with their husband and children. Had lived in their flat for 10 years and had outgrown it and needed a 3-bedroom family home.

Had strong links to the local area and needed local support network to survive.

ii. Could not see how this project would benefit them. A 2-bed flat somewhere else away from their support network was not helpful.
iii. Noted that 3-bed properties on their street had been made available for temporary housing, which did not make sense.
iv. Did not understand the focus on providing flats; it was 3-bed houses which were needed.

Assistant Director Development (Places Group) responded:

i. Needed to understand the member of the public's personal circumstances. Could take this away and discuss with a Housing Officer.
ii. The redevelopment option would include houses but could not commit to numbers at this stage. Was aware that there was a need for 3 and 4 bed housing.
iii. Each person's individual circumstances and needs would be listened to.

23/38/HSC Update on Options Appraisal work At Ekin Road Estate

This item was chaired by Councillor Pounds (Chair).

Matter for Decision

The report brought forward an update on the Options Appraisal work at Ekin Road estate.

Decision of Executive Councillor for Housing and Homelessness

i. Noted the completion of Stage 1 of the options appraisal for Ekin Road.
ii. Noted the proposals for further consultation with residents in the course of Stage 2.
iii. Approved the progress to Stage 2 of the options appraisal on the basis of the criteria and the options set out in the Stage 1 report.
iv. Approved that a revenue budget of £300,000 be identified to support this further Stage 2 options appraisal work.

Reason for the Decision

As set out in the Officer's report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Assistant Director of Development.

The Assistant Director Development (Places Group) said the following in response to Members' questions:

i. The retrofit option was not an easy option as it would depend what works were being carried out as to whether residents would need to move out of their property for a period of time.
ii. A decision also needed to be taken regarding what standard of retrofit would be considered.
iii. The budget set aside in recommendation 4 may or may not be spent. Sufficient budget needed to be set aside so that each option could be taken forward and funded.
iv. It was possible that if a decision was taken to redevelop Ekin Road, residents may be able to be rehoused at East Barnwell, if that redevelopment went ahead on time. This was dependent on a number of factors including planning approval.
v. Noted that the City wanted to achieve 'net zero' and a balance needed to be struck between operational carbon and embodied carbon.

The Committee resolved by 6 votes to 0 with 2 abstentions to endorse the recommendation.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

23/39/HSC Compliance Report

This item was chaired by Diana Minns (Vice-Chair Tenant Representative).

Matter for Decision
The report provided an update on the compliance related activities delivered within the Estates & Facilities Team, including a summary on gas servicing, electrical testing, and fire safety work.

Decision of Executive Councillor for Housing and Homelessness

i. Noted the progress of the compliance related work detailed in the Officer's report.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Property Compliance and Risk Manager.

The Property Compliance and Risk Manager and Housing Maintenance Improvement Manager said the following in response to questions:

i. Noted concerns regarding reinforced autoclaved aerated concrete (RAAC) which was topical in the news at the moment. A desktop review of the council's assets had been undertaken and was not aware that any of the council's properties had been constructed out of this concrete, but further enquiries were being made.
ii. There were approximately 5000 asbestos surveys on record, removal would take place if the scope of any work being undertaken required it.
iii. The Council had only started collecting data on damp condensation and mould (DCM) over the last year. Most reports of DCM tended to arise due to ventilation / overcrowding issues. A working group had been set up with the Environmental Health Team and other professionals who would go into properties to share / report any concerns regarding DCM to the DCM Team to investigate.
iv. Leaseholders had contacted the council regarding DCM and the same information would be provided to them, which was provided to tenants. A survey of the building would be undertaken by the council, but remedial works would be the responsibility of the leaseholder. Noted this was an area where engagement with leaseholders could be improved. Planned to provide more information for example how to undertake a mould wash on the council's website.
v. The Council has produced a leaflet to assist residents with measures to reduce DCM - Reduce condensation and prevent mould in your home - Cambridge City Council.
vi. Once remedial works had been undertaken by the Council for DCM, a follow up process had been added to check with the tenants if their issue had been sorted out and if not further works would be undertaken. Social media channels and a leaflet drop was planned to provide information to residents.
vii. Planned to continue the current DCM programme into the winter months.

The Committee unanimously resolved to endorse the recommendation.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

23/40/HSC Local Government & Social Care Ombudsman Findings - Drop Kerb

This item was chaired by Diana Minns (Vice-Chair Tenant Representative).

Matter for Decision
The report referred to an Ombudsman's report where a finding of a fault in response to a housing related service had been made against the Council.

Decision of Executive Councillor for Housing and Homelessness
i. Noted the information contained within the Officer's report.
ii. Approved the remedial actions outlined and measures established to reduce or eliminate the risk of repeat mistakes in future cases.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations
The Committee received a report from the Group Manager

The Committee unanimously resolved to endorse the recommendation.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

23/41/HSC Update on New Build Council Housing Delivery

This item was chaired by Councillor Pounds (Chair).

Matter for Decision

This was a regular quarterly report detailing progress on the City Council’s new housing development programme.

Decision of Executive Councillor for Housing and Homelessness

i. Noted the continued progress on the delivery of the approved housing programme.

Reason for the Decision

As set out in the Officer’s report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Assistant Director Development (Places Group). It was noted that a correction was required to section 11 of the report; the East Barnwell report would be brought to the November Housing Scrutiny Committee.

The Assistant Director Development (Places Group) said the following in response to Members’ questions:

i. Would check if the redevelopment at St Thomas Road comprised 7 or 8 houses and if the property on the corner was included within the redevelopment.
ii. Reference was made to the risk register in section 10 of the officer’s report and advised that since a final decision had not been approved for Ekin Road there was no scheme against which a risk rating for re-housing residents could be given. Other schemes had already had tenants re-housed elsewhere that was why the risk had been assessed as low.
iii. Officers had written to residents and commercial tenants regarding the East Barnwell community centre. There had been a delay to ensure that due diligence regarding finances had been undertaken. It was hoped that a planning application would be submitted in November.
iv. Officers hoped to be able to provide further information regarding the nursery in the East Barnwell report going which was due to go to the November Housing Scrutiny Committee.

The Committee resolved by 7 votes to 0 to endorse the recommendation.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

23/42/HSC Update Report on Development Scheme at Fanshawe Road

This item was chaired by Councillor Pounds (Chair).

Matter for Decision
The report sought approval to proceed with a mixed tenure scheme at 12-30b Fanshawe Road. This was known as Option B in a report which was taken to Housing Scrutiny Committee on 21 June 2022.

Decision of Executive Councillor for Housing and Homelessness

i. Approved that a mixed tenure scheme be brought forward in line with the design proposals set out in the Officer’s report.
ii. Authorised the Assistant Director for Assets and Property in consultation with the Executive Councillor for housing to approve variations to the scheme including the number of units, tenure, mix of property types and sizes outlined in the Officer’s report.
iii. Authorised the Assistant Director for Assets and Property in consultation with the Executive Councillor to approve the transfer of the land known as 12-30b Fanshawe Road and shown edged red on the attached plan in Appendix 2, to Cambridge Investment Partnership (CIP) for redevelopment. This transfer will be at a value provided by a further independent valuation, which will also be approved by CIP Board as detailed in the financial appraisal set out in Appendix 1. The HRA land receipt will be incorporated at the minimum value suggested in the appraisal until final valuation has been received.
iv. Authorised the Assistant Director for Assets and Property in consultation with the Executive Councillor to approve the Affordable Housing Agreement with CIP for the 45 affordable homes. This agreement would be at a value provided by an independent valuer, to be approved by CIP Board as detailed in the financial appraisal set out in Appendix 1. This would mean an amended and reduced budget of £13.0m from £28.5m including decant costs and other on costs. This budget to be brought forward in the forthcoming November 2023 Mid Term Financial Strategy.

Reason for the Decision
As set out in the Officer’s report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations
The Committee received a report from the Assistant Director Development (Places Group).

The Assistant Director Development (Places Group) said the following in response to Members' questions:

i. 9 x 3 bed-flats were proposed within the Fanshawe Road scheme.
ii. Ward Councillors would be consulted before a planning application was submitted.
iii. Future update reports for the housing delivery programme could report information based on the number of bedrooms a property had.

Councillor Martinelli proposed and Councillor Bennett seconded an amendment to recommendation ii of the Officer's report (additional text <u>underlined</u>,

ii. Authorise the Assistant Director for Assets and Property in consultation with the Executive Councillor for Housing and Homelessness, <u>opposition spokespersons and chair of Housing Scrutiny Committee</u> to approve variations to the scheme including the number of units, tenure, mix of property types and sizes outlined in this report.

The amendment was lost by 3 votes in favour to 6 votes against.

The Committee resolved by 6 votes to 0 with 3 abstentions to endorse the recommendations.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

23/43/HSC Report on Proposed Section 106 Housing Acquisition

Councillor Pounds left the meeting before the start of this item and Councillor Robertson as Vice-Chair (Councillor) chaired the rest of the meeting.

Matter for Decision

The report sought approval for a capital budget to purchase thirty-two affordable units at Eddeva Park, Worts' Causeway from This Land for rent as Council homes.

Decision of Executive Councillor for Housing and Homelessness

i. Approved the purchase of 32 new Council homes at the Eddeva Park, Worts' Causeway and delegate Authority to the Assistant Director of Asset and Property to approve contract terms with This LandTM in respect of this transaction.
ii. Delegated authority to the Assistant Director to vary rental tenures in line with Council Policy and planning consents for the Eddeva Park Affordable Housing.
iii. Approved a total budget of £8,021,000.00 to enable the development of 32 homes at the Eddeva Park, Worts' Causeway, with this budget bid subject to approval in the forthcoming November 2023 Mid Term Financial Strategy.

Reason for the Decision

As set out in the Officer's report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Assistant Director Development (Places Group).

The Assistant Director Development (Places Group) said the following in response to Members' questions:

i. Community provision which arose as a result of planning permission granted on the site did not form part of this report. The Newbury Farm purchase by the Cambridge Investment Partnership (CIP) included community provision within the section 106 agreement. This could be provided on-site or off-site.
ii. Negotiations were underway to purchase the affordable housing units from This Land. Some issues had been raised regarding road access which needed to be resolved. There would also need to be a Deed of Variation to the s106 agreement to change the affordable units from shared ownership to affordable rent.
iii. Parking design / ratios was something that officers were looking at. Felt the site was quite well served by public transport and cycling routes. The

amount of community provision and commercial provision would have been based on Planning requirements.

iv. Noted concerns expressed by Councillors regarding community facility provision.

The Committee resolved by 5 votes in favour to 0 against and 3 abstentions to endorse the recommendation.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

23/44/HSC Rooftop Development With Associated Retrofit to High Efficiency Standards

This item was chaired by Councillor Robertson (Vice-Chair Councillor).

Matter for Decision
The report sought approval for a budget to support pilot feasibility work for rooftop development at Lichfield Road (243 - 313 Odds) and Walpole Road (1-12 Bracondale, 1-18 Fernwood, 1-18 Heatherfield).

Decision of Executive Councillor for Housing and Homelessness

i. Noted the selection of the sheltered housing schemes at Lichfield Road (243 - 313 Odds) and Walpole Road (1-12 Bracondale, 1-18 Fernwood, 1-18 Heatherfield) as approved candidates for pilot scheme consideration.
ii. Approved the bringing forward of pilot feasibility studies through a specialist and OJEU complaint Procurement Framework.
iii. Approved that a revenue budget of £190,000 be identified to support feasibility work, with this budget bid subject to approval in the forthcoming November 2023 Mid Term Financial Strategy.

Reason for the Decision
As set out in the Officer's report.

Any Alternative Options Considered and Rejected
Not applicable.

Scrutiny Considerations

The Committee received a report from the Assistant Director Development (Places Group)

The Assistant Director Development (Places Group) said the following in response to Members' questions:

i. Noted that some of the sheltered housing schemes had poor accessibility. One of the options being considered was that the rooftop development consisted of further sheltered housing, but this was one of the questions to be explored through the feasibility scheme - whether alternative housing could be provided.
ii. The pilot only involved tenanted accommodation there was the potential that this could be expanded to mixed tenured blocks (i.e., to include leaseholders).
iii. The pilot would include a carbon assessment, which would include how far the development could go towards 'net zero'.
iv. Officers would need to engage with residents to understand their needs and circumstances. The Council had their own in-house Occupation Therapist who would assist Officers to consider residents' needs.
v. A pilot scheme helps officers to understand what issues could arise with rooftop developments.
vi. The Council's Independent Living Service could also assist with consultation and engagement with vulnerable residents.

The Committee unanimously resolved to endorse the recommendation.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)
No conflicts of interest were declared by the Executive Councillor.

23/45/HSC To Note Decision Taken by the Executive Councillor for Housing and Homelessness

13a Local Authority Housing Fund Refugee Scheme Round 2 – Approval to deliver 2ND round humanitarian scheme accommodation through the 2022-32 new build housing programme, partly funded by Central Government
The decision was noted.

The meeting ended at 8.30 pm
CHAIR

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Item

REPORT ON DELIVERY OF A NEW CENTRE FOR BARNWELL IN CONJUNCTION WITH CAMBRIDGESHIRE COUNTY COUNCIL

To:
Councillor Gerri Bird, Executive Councillor for Housing

Councillor Simon Smith, Executive Councillor for Finance and Resources

Housing Scrutiny Committee 21/11/2023

Report by:
Jim Pollard, Senior Development Manager, Housing Development Agency
Tel: 01223 – 457924 e-mail: jim.pollard@cambridge.gov.uk

Wards affected: Abbey

Key Decision

1 **Executive Summary**

1.1 Following the completion of the report East Barnwell Development & Regeneration Project: Masterplan for East Barnwell work has continued in conjunction with the County Council and the Cambridge Investment Partnership (CIP) to bring forward a scheme to provide for the regeneration of the centre of Barnwell to include:

- A community centre
- A library
- A pre-school facility
- Commercial premises
- Open space
- High quality sustainable housing including affordable housing

1.2 **The sites**

1.2.1 The scheme is focussed on land owned by Cambridge City Council and Cambridgeshire County Council. The sites (see Appendix 1) are identified as follows:

Site 1 – The existing Bowls Club site, tennis court and part of the verge.

Site 2 – The parade of shops and the flats above (1-23 Barnwell Road), the library and flats at 634-656 Newmarket Road. The site also includes part of the land leased to CHS in association with The Stepneys flats where there will be some adjustments and garden land released by reducing the large garden of the property at 204 Peverel Road.

Site 3 - land occupied by the current community centre, associated facilities and the Multi-Use Games Area

1.3 The development will be delivered in three phases. Site 1 will be completed prior to the commencement of sites 2 and 3. Site 3 will be brought forward as a separate scheme to generate funds to support the proposed scheme.

1.4 The existing housing on Site 2 is 18 flats: 10 are Council tenanted and 8 are leasehold ownership. The proposed developments comprise 129 homes in total. 120 homes on sites 1 and 2 will be affordable. These are proposed to be let at a mix of social rented homes (40% of the homes) and intermediate rent (60% of the homes to be let at 80% of market rents). Nine 2 bedroom homes on site 3 will be market homes.

1.5 The library and the pre-school once completed will be let on a long lease at a peppercorn to the County Council subject to a service charge. The pre-school facility will be leased by the County Council to an operator (currently Seesaw). The library will be managed by the County Council. The community centre will be retained in the ownership of the City Council as part of a strategic approach to support communities in areas of deprivation. There will be a process to identify an appropriate body to manage the centre.

1.6 The County Council will transfer the current Community Centre site to the City Council and recognise the City Council's ownership of the existing Library. The County Council will pay £500,000 toward the cost of the facilities. There will be a basic fit-out to the County facilities so there will be an additional cost to the County Council to complete the fit-out.

1.7 The existing County Council site (site 3) will be developed for market sale by the Cambridge Investment Partnership. The revenue generated through this process will partially offset the cost to the General Fund of the scheme.

1.8 Site 1 will transfer from the General Fund to the HRA.

1.9 The shops that form part of the Local Centre (in Site 2) will be re-provided to replace the existing commercial space. Part of this space will be re-provided in Site 1 but the majority will be in Site 2.

1.10 This report seeks approval of a capital budget for the scheme. The total indicative cost of this development (not allowing for offsets and grants) is £54,575,072.

1.11 The breakdown of these costs between the General Fund and the HRA is as follows:

- General Fund:
    - Gross contribution £4,169,072
    - Offsetting contributions £704,000
    - Net contribution £3,465,072

- HRA
    - Total cost to HRA £50,306,000
    - Assumed Homes England Grant: £9,192,000

1.12 Site 3 will be available for redevelopment once it is no longer encumbered by community uses. It is proposed to develop the site through CIP. The value of the site and the Council's share of proceeds from redevelopment will be available to the General Fund and will further offset the cost of the community provision. The initial appraisal indicates an overall return of £600,000 excluding returns to the General Fund from financing. Further options are under consideration to improve on this return.

2 Recommendations

<u>Recommendations to the Executive Councillor for Housing</u>

2.1 Approve that a scheme be brought forward for Sites 1 and 2 and included in the Housing Capital Programme, with the latest capital budget being £50,306,000 to cover all site assembly, construction costs, professional fees and further associated fees, to deliver a 100% affordable housing scheme which meets the identified need in Cambridge City. Budget will be drawn down from the sum already ear-marked and approved for investment in new homes.

2.2 Authorise the Assistant Director in consultation with the Executive Councillor for housing to approve variations to the scheme including the number of units and mix of property types, sizes and tenure as outlined in this report.

2.3 Approve that delegated authority be given to the Executive Councillor for Housing in conjunction with the Assistant Director to enable Sites 1 and 2 to be developed through Cambridge Investment Partnership (CIP) subject to a value for money assessment to be carried out on behalf of the Council.

2.4 Delegate authority to Assistant Director to commence Compulsory Purchase Order (CPO) proceedings on leasehold properties to be demolished to enable the development, should these be required.

2.5 Delegate authority to the Assistant Director to serve initial Demolition Notices under the Housing Act 1985.

2.6 Delegate Authority to the Head of Housing to approve a local lettings plan for the proposed development on Sites 1 and 2.

Recommendations to the Executive Councillor for Finance and Resources

2.7 Approve that within the scheme to be brought forward for Sites 1 and 2 the following community facilities should be provided:

- A community centre
- A library
- A pre-school facility
- A bowling green and pavilion (at the Abbey Leisure Complex)
- An extended Multi-Use Games Area to include provision for tennis (at the Abbey Leisure Complex)
- Addition play facilities at Peverel Road Recreation Ground

2.8 Subject to agreement on 20 November at S&R Scrutiny Committee, note that the budget for the community facilities of £4,169,072 has been recommended to Council through the General Fund Medium Term Financial Strategy process (this being the gross cost of the community facilities; note that off-setting financial contributions are forecast at £704,000 which create an estimated net cost of £3,465,072; this does not take into account the value of the development of Site 3).

2.9 Authorise the Assistant Director in consultation with the Executive Councillor to agree the terms of an agreement with the County Council and to enter into that agreement for:

- the transfer of Site 3
- the granting of a long lease on the proposed library and pre-school facility at a peppercorn but subject to a service charge

- the granting of a license to landscape the Highways Land
- the recognition by the County Council of the City Council's beneficial ownership of the existing library site

2.10 Authorise the Assistant Director in consultation with the Executive Councillor to arrange for the development of a market led scheme on Site 3 by the Cambridge Investment Partnership (CIP).

2.11 The recommendations fall in part to the Executive Councillor for Housing and in part to the Executive Councillor for Finance and Resources. The Executive Councillor for Open Spaces and City Services and the Executive Councillor for Community Services have been briefed on the proposals.

3 Details

3.1 In September 2022 the Housing Scrutiny Committee received the final report East Barnwell Development & Regeneration Project: Masterplan for East Barnwell. At that meeting the Executive Councillor authorised work to continue in conjunction with the County Council and the Cambridge Investment Partnership (CIP) to bring forward a scheme to provide for the regeneration of the centre of Barnwell to include:

- A community centre
- A library
- A pre-school facility
- Commercial premises
- Open space
- High quality sustainable housing including affordable housing

3.2 The sites

3.2.1 The scheme is focussed on land owned by Cambridge City Council and Cambridgeshire County Council. In accordance with the Framework for Change it is intended to work with other parties to deliver a broader regeneration of East Barnwell. The land and existing ownerships that are included in this scheme are shown at Appendix 1. The sites are identified as follows:

Site 1 – The existing Bowls Club site, tennis court and part of the verge

Site 2 – The parade of shops and the flats above (1-23 Barnwell Road), the library and flats at 634-656 Newmarket Road. The site also includes part of the land leased to CHS in association with The Stepneys flats where there will be some adjustments and garden land released by reducing the large garden of the property at 204 Peverel Road.

Site 3 - land occupied by the current community centre, associated facilities and the Multi-Use Games Area

3.2.2 The development will be delivered in three phases.

3.2.3 Site 1 will be completed prior to the commencement of sites 2 and 3 to allow continuity in the operation of the community centre and the library. This also allows time for engagement with residential and commercial occupiers of existing buildings on site 2 regarding relocation. Site 3 will be brought forward as a separate scheme to generate funds to support the proposed scheme.

3.2.4 Off-site works will be delivered separately by the Council.

3.3 Proposed scheme – Affordable Homes

3.3.1 There is a recognised need for more affordable housing across the city. The table below demonstrates the number of households on the Housing Needs Register as of October 2023:

1 Bed	2 Bed	3 Bed	4 Bed	Total
1473	643	415	91	2,622

3.3.2 The existing tenure mix is 18 flats: six are located over the Barnwell Road shops and 12 in a stand-alone block on Newmarket Road. The flats are poor quality and the block on Newmarket Road has been included in the Local Plan allocated site R6 for many years.

3.3.3 Of the 18 flats 10 are Council tenanted and 8 are leasehold ownership. This scheme will help in meeting the needs of those on the register. Depending upon timing it may also assist with decant requirements to support other elements of the broader housing programme.

3.3.4 For the existing rented and leasehold properties, the Council has an established rehousing policy to guide and support residents through the process of relocating.

3.3.5 In the previous report to HSC (September 2022) it was intended that the scheme would be delivered as a mixed tenure scheme and authorisation was granted for the transfer of assets to CIP to enable this model to proceed. A parallel decision was taken by Cambridgeshire County Council on 30th September 2022.

3.3.6 Scheme development and appraisals have identified the most favourable approach as the development of Site 3 as a separate market scheme and the development of Site 1 and Site 2 as an all-affordable scheme, which would be deliverable.

3.3.7 The proposed developments comprise 129 homes in total. 120 homes on sites 1 and 2 will be affordable. These are proposed to be let at a mix of social rented homes (40% of the homes) and intermediate rent (60% of the homes to be let at 80% of market rents). Nine 2 bedroom homes on site 3 will be market homes. The proposed mix of the development is as below. The final split of social and intermediate homes across Site 1 and 2 will be informed by final design.

SITE	**Total homes**	**40% requirement**	**Social rented homes**	**Intermediate rented homes (80% market rent)**	**Market homes**
1 (Bowls Club Site)	54	21.6	22	32	0
2 (Local Centre Site)	66	26.4	26	40	0
3 (Existing Centre Site)	9	0	0	0	9
TOTAL	**129**	**48**	**48**	**72**	**9**

3.3.8 This mix of affordable rented housing reflects analysis of needs with applicants benefitting from a social rent where this is required and other applicants needing good quality secure accommodation for which they can pay more but who are unable to afford market rents in Cambridge.

3.3.9 There will be a gain in affordable housing overall of 110 homes. Within that there will be a gain in social rented housing for the most in need of 38 homes.

3.3.10 The Increase in affordable housing delivery on this site also recognises an overall delivery increase across the council pipeline, following the reallocation of 16 homes on a now completed scheme to refugee accommodation use.

3.3.11 The homes at different rental points will be in clusters spread around the site with the development being ‘tenure blind’. Below is an indicative analysis of the distribution.

3.3.12 Below is an indicative mix of unit sizes is displayed below. Due to the location of this site and requirement to facilitate varied housing, commercial and community uses, a focus on flatted accommodation is required to ensure viability and make best use of council assets:

Units	80%rent	Social	TOTAL
1B2P Flat	26	17	43
2B3P Flat	2	2	4
2B4P Flat	34	23	57
3B5P Flat	8	4	12
3B6P maisonette	2	2	4
TOTAL	**72**	**48**	**120**

3.3.13 Four M4(3) homes (suitable for people with disabilities) will be provided. The planning requirement that would apply to Sites 1 and 2 is 5% of affordable and there is an issue where a scheme is providing more overall affordable housing than the planning requirement. 4 homes is 8.3% of the affordable housing planning requirement and 3.3% of the total affordable homes to be provided.

3.4 Proposed scheme – new public open spaces

3.4.1 A new public open space will be provided in front of the Community Centre and Library building which will replace the current private open space with an attractive accessible space. There will also be a commercial space which could become a cafe opening onto this space. There will also be a broader open space in front of the new commercial development on Site 2. There will be no overall loss of Protected Open Space.

3.4.2 The scheme will deliver a biodiversity net gain of 20%+. All flat roofs will be green roofs.

3.4.3 The scheme has been drawn up working closely with the GCP on their parallel proposals to improve the Barnwell Road / Newmarket Road junction. The existing Barnwell Road crossing by Rawlyn Close will be complimented by a new crossing by the junction with Newmarket Road.

3.4.4 The planning application will be submitted on the basis of the existing road layout but will include documentation to show how it will relate to the GCP proposed layout. Further information about the GCP proposals is available at https://consultcambs.uk.engagementhq.com/ The consultation is now closed.

3.5 Proposed scheme – community facilities

3.5.1 The library and the pre-school once completed will be let on a long lease at a peppercorn to the County Council subject to a service charge. The pre-school facility will be leased by the County Council to an operator, currently Seesaw.

3.5.2 The community centre will be retained in the ownership of the City Council as part of a strategic approach to the provision of community facilities and the support for communities in areas which suffer from deprivation. There will be a process to identify an appropriate body to manage the centre. The community centre will have a basic fit out to make it usable as a building. A full fit out for operational use prior to transfer to the provider will require a separate budget bid likely to be in 25/26. Abbey People, who manage the existing centre, have expressed strong interest, and have supported the consultation that has taken place, but the future management is subject to due process.

3.5.3 The library will be managed by the County Council. The design allows for some flexibility in use of the library and the community centre. Taking advantage of the opportunity to use the spaces together will be a matter for local agreement by managers.

3.5.4 The pre-school will be managed by Cambridgeshire County Council through arrangements that they have in place with Seesaw Playgroup.

3.6 Proposed scheme – commercial facilities

3.6.1 The commercial facilities will at minimum replace in area the facilities provided at present on site 2. The facilities will however be reconfigured to allow a commercial area within site 1, with the majority of the facilities remaining on site 2.

3.6.2 Discussions are continuing with existing commercial tenants. There are varied lease expiry dates and the circumstances of individual tenants varies. The council has provided temporary facilities for some of the shops affected by the Colville 3 scheme in Cherry Hinton. Whether this is appropriate and possible will be considered but cannot be guaranteed at this stage. Consultation will continue with the commercial tenants to support their relocation and business continuity wherever possible.

3.6.3 There have also been preliminary discussions about the future of the Food Hub which is operating on a temporary basis out of the building that previously housed the pre-school on site 3. This is taking account of discussions that are occurring separately about the development of the Food Hub as a project. There is no subsidised space provided within the development for the Food Hub or any successor to it.

3.7 Proposed scheme – off-site facilities

3.7.1 The proposals include re-provision of the bowling green at the over-flow car park at the Abbey Leisure Complex. This will include the provision of a new pavilion which will be designed to accommodate indoor bowls. There have been discussions with the existing bowls club and with a specialist provider about the size and type of green. The new green will be slightly smaller than the existing green (which is 38m x 38m) but at 36x35m it will be well over the regulation size (31m x 31m).

3.7.2 The relocation of the Bowls Club and pavilion will involve the loss of the overflow car park at Abbey Leisure Complex. Studies have shown that the parking excluding the overflow car park will be sufficient. Discussions with the RSPCA have led to proposals for a reconfiguration of the parking area adjacent to their premises to address their concerns.

3.7.3 The existing tennis court at Newmarket Road is open access (i.e. it is not managed) and there have been varied reports of the extent of its use. There has regularly been damage to the fencing at the tennis court. The Multi-Use Games Area which is part of the Abbey Leisure Complex will be expanded to increase the range of possible uses. It will be marked out for tennis with flexible arrangement for the net.

3.7.4 The existing MUGA on Peverel Road is not large enough or otherwise fit for organised sports and has not been used for this purpose for some years. It is poorly overlooked and feedback from local people through the engagement process is that it has attracted anti-social behaviour. Local consultation has been carried out and the proposal is for improved facilities on Peverel Road Recreation Ground. More detailed consultation will be carried out with residents around Peverel Road Recreation Ground closer to the implementation of the scheme.

3.8 **Sustainability**

3.9 The design ambition is to deliver the affordable element of the scheme at as close to Passivhaus level of sustainability but at least at a minimum of 35% below 2013 building regulations and for the whole development to be gas free. There are also sustainability targets for water, biodiversity, car park ratios which are all significant improvements on the current Local Plan. This will follow principles of the updated Sustainable Housing Design Guide (SHDG) which was approved at January 2022 HSC.

3.10 The sustainability targets for this site are set out on the matrix below. The scheme is at design stage and the actual performance of the building/detail will be developed over time against this aspiration. There may be financial, viability or technical constraints which will mean the exact targets set out cannot be met; they may also be exceeded. There needs to be the intent for Cambridge Investment Partnership to be focused on design solutions which achieve the carbon emissions reduction, energy bills and annual maintenance costs associated with these standards.

SHDG Range of Targets		This Development targets
	Local Plan	Passivhaus
Units		120
PHPP kWh/m²	65	Up to 28 – as close to Passivhaus certification as possible
Water l/d	110	90
Biodiversity Net gain	10%	20%+
Car Parking ratios across schemes	0.7-0.9	0.5 or less
Are there technical constraints?	**PHPP:** This scheme will aim to deliver as close to Passivhaus certified homes as possible. These principles have been incorporated from the outset, but it is likely that certification will not be financially viable.	
	Water: The target is 90lppd but the detailed design to deliver this has not yet been developed.	
	Biodiversity: The opportunities for improvement are included and a 20% improvement is being targeted	
	Car Parking: The target is 0.5 or less	
Are there financial constraints	Estimated costs for the programme have included a cost allowance for Passivhaus, but there are technical constraints that make it unlikely to attain Passivhaus certification.	
Recommended Sustainability Target	As close to Passivhaus Certification as financially viable	
Additional measures included to meet Net Zero Carbon in the future	Future proofing - Measures in future are likely to include Solar PV and battery storage	

3.11 **Property Transfers**

3.12 To facilitate this scheme the following transfers of land are proposed:

3.12.1 The County Council will transfer Site 3 for development and will recognise the City Council's ownership of the existing Library (which is within Site 2 currently held by the HRA). It is the intention to re-develop Site 3 through CIP and this will require the land to be transferred to CIP while ensuring that the land value and the appropriate share of any development value is returned to the General Fund.

3.12.2 The County Council to recognise the City Council's ownership of the library site (this forms part of Site 2 owned held in the HRA)

3.12.3 Once Planning Permission is granted and the GCP scheme is implemented an application can be made to stop up part of the wide verge in site 1. This could then transfer to the City Council (General fund). None of the proposed buildings are located on this land and in the interim the layout of the open space will be agreed with the Highways Authority and any works required executed under license. Discussions on the principle of the approach have taken place with the Highways Authority and the GCP.

3.12.4 The General Fund to transfer Site 1 to the HRA with arrangements to be made to lease elements within the development to the County Council or third parties as set out in this report.

3.12.5 The re-provided commercial premises in the development will continue to be held in the HRA.

3.13 The library and the pre-school once completed will be let on a long lease at a peppercorn to the County Council subject to a service charge. The pre-school facility will be leased by the County Council to an operator (currently Seesaw). The library will be managed by the County Council.

3.14 The community centre will be retained in the ownership of the City Council as part of a strategic approach to support communities in areas of deprivation. There will be a process to identify an appropriate body to manage the centre.

3.15 **Finance**

3.15.1 The total indicative cost for Sites 1 and 2 (not allowing for offsets and grants) is currently estimated at £54,575,072. This is based on a works cost of c£50m. The total budget includes decant costs, legal, Section 106 costs[1], Clerk of Works and Employer's Agent fees and HDA project management allowance.

[1] . These S106 contribution (costs) payable by the developer are separate from the S106 funding (income) allocated by the City Council towards community centre provision.

3.15.2 The breakdown of these costs between the General Fund and the HRA is as follows:

3.15.3 General Fund:

3.15.4 Gross contribution £4,169,072

3.15.5 Net contribution £3,465,072

Community Centre	£1,506,016
Library	£817,394
Pre-School	£837,909
Off-Site	£1,007,753
	£4,169,072
Offsets	
County Contribution	-£500,000
S106 (existing allocation by the City Council)	-£204,000
	£3,465,072

3.16 The figure of £3,465,072 is contained in the MTFS. Site 3 will be available for redevelopment once it is no longer encumbered by community uses. This is not included in the above table. It is proposed to develop the site through CIP. The value of the site and the Council's share of proceeds from redevelopment will be available to the General Fund and will further offset the cost of the community provision. The initial appraisal indicates an overall return of £600,000. This would reduce the ultimate cost to the General Fund to £2,865,072. We have taken a prudent approach to assessing the return from the scheme by excluding any benefit to the General Fund from loan finance to the scheme. Also, it should be noted that further options are under consideration to improve on this return.

3.16.1 As in the table the County Council will make a financial contribution of £500,000. Note that the County Council will also have to fund completing of the fit-out to the Library and the Pre-School. Only a basic fit-out is being provided he development risk will be carried by CIP.

3.16.2 The table above includes assumptions that £204,000 of S106 funding could contribute towards the cost of the new community centre. This is lower than the actual S106 funds (£255,000) that the City Council currently has allocated towards the community centre provision, but the extent to which this funding will be available depends on the timing of the development.

- Almost 90% of this S106 funding relates to generic developer contributions (for the provision or improvement of community facilities) from a dozen or so other developments in Abbey ward, alongside one specific contribution where use for a community centre in East Barnwell is stipulated within the S106 agreement. For background information about S106 funding, see [Overview of S106 funding - Cambridge City Council]

- The 'community facilities' S106 contributions forming part of this overall amount have been received at different times between late 2014 and 2020. Currently around a fifth of these S106 funds are within two years of their expected time limits/shelf lives (normally ten years from date of receipt). The specific contribution was the last to be received.

- In October 2023, the Executive Councillor for Communities agreed the general principle that, if generic S106 contributions reach this 'less than two years remaining' milestone, these could be reallocated to relevant local projects that could enable such funds to be used appropriately and on time.

- Although none of this S106 funding has yet been reallocated, this explains why the budget assumption of S106 funding availability for this project has been reduced to £204,000. If the expected provision of the new community centre faces further delays, some more of the current S106 funding allocated to this project could reach the milestone of 'two years remaining' and the amount available to the community centre could reduce further. At the same time, if the project is able to proceed smoothly without prompting the need for actual reassignment of S106 funds to alternative projects, the S106 funding available may be more than £204,000.

3.17 Total HRA Budget: £50,306,000

3.18 Assumed Homes England Grant: £9,192,000

3.19 **Programme**

- Planning Submission – December 2023
- Planning Decision Notice - June 2024
- Phase 1 start on site – August 2024
- Phase 1 completion - August 2026
- Phase 2 start on site - September 2026
- Phase 2 completion – September 2028

3.20 **Public and stakeholder engagement**

3.20.1 There has been engagement over a period with these and other stakeholders through the One Public Estate process.

3.20.2 On the basis of the joint working between the Councils, the following public consultation events were held in 2022:

- a stand at the Abbey People Big Lunch on the afternoon of Sunday 26th June 2022
- stand at the Peverel Road community safety event on 9th August 2022
- drop-in public event located on Christ the Redeemer carpark on Saturday 13th August 2022
- an online webinar session on the evening of Tuesday 23rd August 2022
- a further drop-in event at Christ the Redeemer carpark on Tuesday 30th August

3.20.3 Feedback from the first consultation

- 77 people responded to the survey. Of these 42 (55%) strongly agreed or agreed with the proposal and 27 disagreed or strongly disagreed (35%). 8 (10%) were neutral.

3.20.4 The following public consultation events took place in 2023 to provide the public an update and collect further feedback:

- Drop-in public event located in Christ the Redeemer Church on Monday 16th January 2023
- An online webinar session on the evening of Monday 23rd January 2023
- a stand at the Abbey People Big Lunch on the afternoon of Sunday 11th June 2023

3.20.5 Feedback from the second consultation:

- 75 individuals attended the in person event, 24 attended the webinar and 68 responded to the survey.
  - The feedback received indicated general support for the scheme. The most common comments were themed around the importance of good quality open space, biodiversity, safety, social spaces, sports facilities being retained, support for the convenience store, affordability of housing and parking provision
  - There were many detailed comments from both stages of consultation which will be taken into account as the scheme progresses.

3.20.6 Community Centre Consultation

3.20.6.1 In October 2022, Abbey People CIO were appointed to develop a series of interventions for four pre-agreed target groups about plans for the new community centre and potential locations for a re-provision of outdoor leisure facilities. Key feedback included the community centre having enough flexibility to allow for a range of uses, all age groups should be provided for, accessibility, safety and parking.

3.20.6.2 In May 2023, Abbey People continued their engagement with the local community in a second stage of consultation with stakeholders and potential group booking organisations to collect insight into a successful community centre. Key feedback included highways work to ensure successful access and parking, importance of youth provision, need for small meeting rooms and 1-1 space etc.

3.20.7 Other stakeholder consultation

- Local individuals and groups have been communicated with in various ways relative to their interest and impact on the project, including Abbey Bowls club, Seesaw Pre-School, Business Owners, Council tenants and leaseholders, Cambridge Housing Society (head lease holders of the neighbouring Stepneys building) amongst others. These groups have been kept up to date through letters, meetings and drop-in sessions.
- Key stakeholders have been involved in providing feedback on the emerging plans as they have progressed. For example, regular meetings have been held with the members of the bowls club to understand their concerns about relocating and their requirements in a new green and pavilion. Involving end users throughout the design process has been incredibly valuable.

3.21 **Social Value**

3.21.1 Social

- Joint working with the County Council; and local organisations is enabling a significant regeneration that addresses many of the key issues with the existing local centre, improving the quality of life for Abbey residents and providing a vibrant new mixed-use hub for the local community.
- New affordable housing will help to meet local need.

3.22 Economic:

- A new mixed-use hub with purpose-built facilities will provide a significantly improved offer for local businesses and more local job opportunities. This could also provide a platform for new businesses to start in the area.
- Construction of the new facilities and homes will provide significant numbers of new job opportunities.

3.22.1 Environmental:

- Affordable Homes to follow Passivhaus design principles as far as possible with enhanced fabric.
- Gas Free, likely with air source heat pumps (ASHPs).
- BREEAM Excellent library, pre-school, community facility and commercial
- 20% biodiversity gain will be targeted.
- Improved water efficiency of 100 litres per person per dwelling.
- 50-100% of parking spaces to have active Electric Vehicle charging points.

4 Implications

(a) Staffing Implications

The scheme will be developed by the Cambridge Investment Partnership (CIP) which is a 50-50 partnership. The Council will deliver its role in the development through the Place Group / Housing Development Agency which will provide the Council's staffing contribution to the development of the scheme.

(b) Equality and Poverty Implications

A scheme specific EQIA has been completed and is awaiting approval.

(c) Environmental Implications

A Climate Change Rating Tool Assessment has been undertaken for the proposed development and has been Approved by the Councils Climate Change Officer. This development is confirmed as having a Net Low Positive impact to the City in light of its linkage directly to the councils sustainability objectives.

(d) Procurement Implications

Sites 1 and 2 will be delivered by the Cambridge Investment Partnership (CIP) subject to a value for money assessment to be carried out by the Employers Agent on behalf of the Council.

(e) Community Safety Implications

The scheme will be built in accordance to Secure by Design guidelines as set out within the City Councils Design Brief.

(f) Consultation and communication

There has been communication with residents prior to this report being presented.

There has been consultation through events and on an individual basis as set out in this report. This engagement will continue.

There has been consultation with Ward Councillors about the proposals.

Consultation and communication with existing tenants and leaseholders will continue in accordance with the City Council's Home Loss Policy This policy along with National Policy sets out the Council's commitment to those affected by regeneration and the compensation and support available.

The HDA continues to liaise closely with colleagues in City Homes, to ensure timely and accurate information is made available to all parties affected by the proposal. There will be formal consultation through the planning process.

5 Risks

5.1 Below is a table setting out key risks

East Barnwell Risk Register

	Risk area		Risk Mitigation	Probability (1-5)	Impact (1-5)	Risk Rating (1-25)
1	**Agreement between principals**	For the scheme to proceed, the City Council and the County Council need to sign an agreement by March 2024	Work is in progress to identify and resolve potential issues in legal agreements and to ensure compliance with governing legislation.	3	5	15
2	**Agreements with other parties**	A range of organisations are involved including the Bowls Clubs, community providers, commercial leaseholders and residential leaseholders and tenants. Varying levels of agreement are required.	Engagement with the various parties has resolved major issues identified and work is continuing on outstanding issues.	4	4	16
3	**Property Transfers**	Regulatory compliance County to City Transfers including Community Asset registration and HRA – General Fund	Financial and Legal advice on processes to manage transfers	3	4	12

4	**Planning Constraints**	There are a range of planning policy issues and constraints to address including the local centre, community provision, open space trees, highways and others. Each carry a risk to the scheme as a potential ground for objection or limitation that would make the scheme undeliverable.	Pre-application discussions to identify constraints and ways in which issues can be resolved to enable a planning application to be submitted with positive prospects for approval.	2	5	10
5	**Cost increases and viability**	Risk that costs will escalate beyond present cost estimates in relation to the value of the development.	Cost management through CIP and through Value for Money reviews. Value engineering. Further funding opportunities are being actively explored.	3	4	12
6	**S106 funding**	Risk of delay causing loss of S106 funding.	Maintain progress against programme. Monitor S106 commitments with relevant officers.	3	3	9
7	**GCP scheme**	Local feedback has stressed the importance of the GCP road improvements to the feasibility of the scheme.	Continuing engagement with GCP and local representations.	2	4	8

6 Background papers

19/42/HSC Approval for CIP scheme delivery routes
22nd Sept 2022 HSC Agenda Item12: Report on delivery of a new centre for Barnwell in conjunction with Cambridgeshire County Council.

7 Appendices

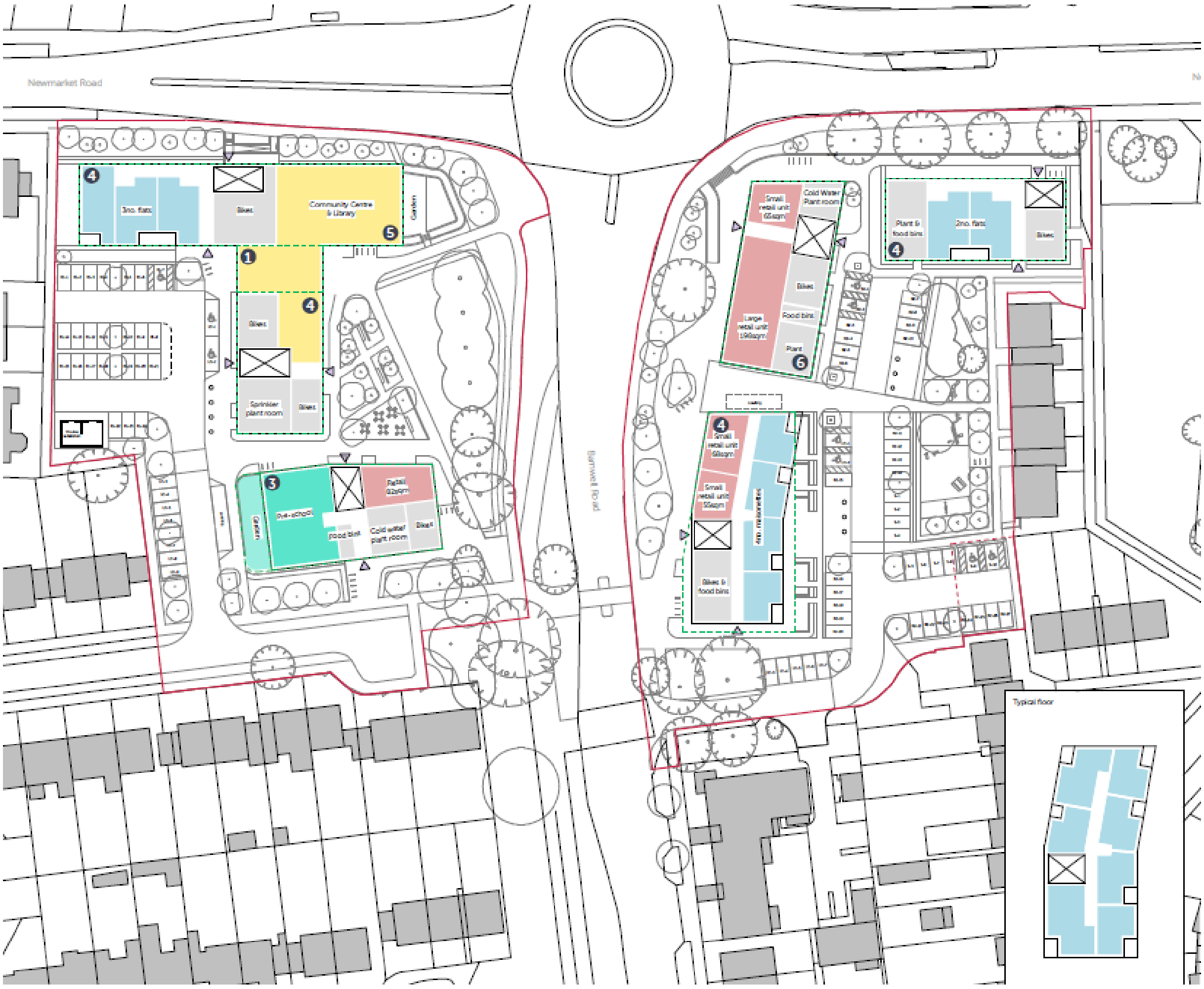
Appendix 1 – Regeneration scheme overview
Appendix 2 – Regeneration Scheme – Sites 1 and 2 Site Plan
Appendix 3 – Existing ownership plan

8 Inspection of papers

To inspect the background papers or if you have a query on the report please contact Jim Pollard, Housing Development Agency, tel: 01223 457924, email: jim.pollard@cambridge.gov.uk

Appendix 1 Regeneration scheme overview

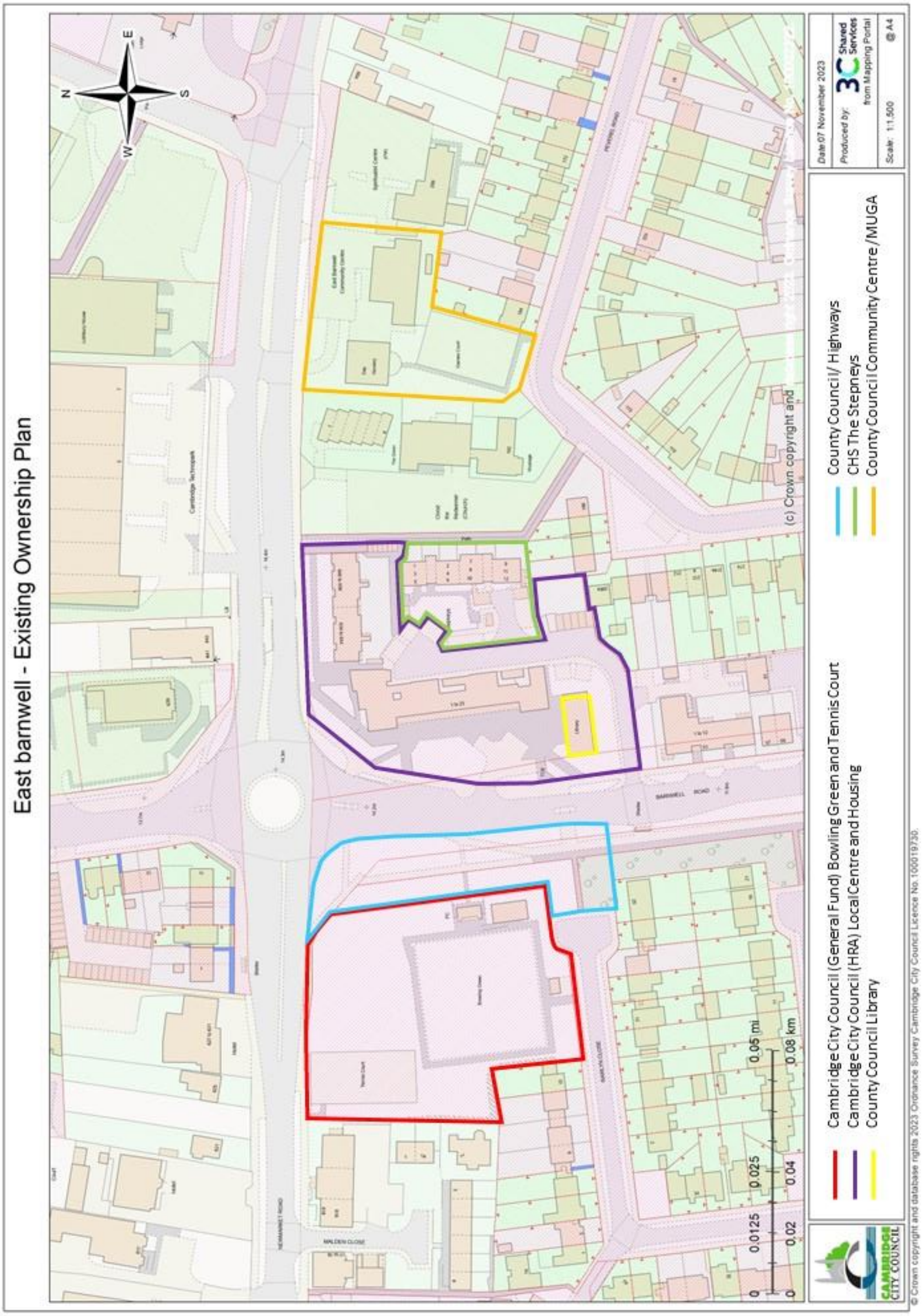
Appendix 2 Regeneration Scheme – Sites 1 and 2 Site Plan



Key

Yellow = Community Centre and Library
Turquoise = Pre-School
Pink = Commercial
Blue = Residential at Ground Floor
Grey = Bike Stores and Services

Appendix 3 - Existing ownership plan



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Item

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY 2023/24

To:
Councillor Gerri Bird, Executive Councillor for Housing

Report by:
Julia Hovells, Assistant Head of Finance and Business Manager
Tel: 01223 457248

Email: julia.hovells@cambridge.gov.uk

Wards affected:
Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Key Decision

1. Executive Summary

1.1 The Housing Revenue Account (HRA) Medium Term Financial Strategy, now considered in November of each year, is one of two long-term strategic financial planning documents produced each year for housing landlord services provided by Cambridge City Council.

1.2 The HRA Medium Term Financial Strategy provides an opportunity to review the assumptions incorporated as part of the longer-term financial planning process, recommending any changes in response to new legislative requirements, variations in external national and local economic factors and amendments to service delivery methods, allowing incorporation into budgets and financial forecasts at the earliest opportunity.

2. Recommendations

Recommendations to be considered under Part 1 of the Housing Scrutiny Committee Agenda:

The Executive Councillor is recommended to:

2.1 Approve the Housing Revenue Account Medium Term Financial Strategy attached, to include all proposals for changes in:

- Financial assumptions as detailed in Appendix C of the document.

- 2023/24 and future year revenue budgets, resulting from changes in financial assumptions and the financial consequences of changes in these and the need to respond to unavoidable pressures and meet new service demands, as introduced in Section 8, detailed in Appendix E and summarised in Appendix G of the document.

2.2 Approve that delegated authority be given to the Assistant Director of Assets and Property or the Assistant Director of Development to be in a position to confirm that the authority can renew its investment partner status with Homes England.

Recommendations to be considered under Part 2 of the Housing Scrutiny Committee Agenda:

The Executive Councillor is asked to recommend to Council:

2.3 To approve proposals for changes in existing housing capital budgets, as introduced in Section 9 and detailed in Appendix F of the document, with the resulting position summarised in Appendix H, for decision at Council on 30 November 2023.

2.4 To approve proposals for new housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H, for decision at Council on 30 November 2023.

2.5 To approve the revised funding mix for the delivery of the Housing Capital Programme, recognising the latest assumptions for the use of Grant, Right to Buy Receipts, HRA Resources, Major Repairs Allowance and HRA borrowing, as summarised in Appendix H.

3. Background

3.1. The Housing Revenue Account budget was set for 2023/24 as part of 2023/24 HRA Budget Setting Report, approving a net use of reserves in the year of £6,185,160.

3.2 This figure was amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2022/23 into 2023/24 as part of the closedown process for 2022/23. Following these changes, the increased sum of £6,519,830 was anticipated to be taken from reserves for the year.

3.3 The HRA Medium Term Financial Strategy revisits the assumptions made as part of the HRA Budget Setting Report and recommends both changes in these and in some areas of budgeted expenditure and income for 2023/24 and beyond.

3.4 The resulting financial impact for the Housing Revenue Account is explained and summarised in the attached document and appendices.

3.5 The rent increase for 2024/25 is currently assumed to be in line with government guidelines and the rent standard, which will see an increase of 7.7% (CPI of 6.7% for September 2023 plus 1%). There is a risk that the government may impose a cap on the rent increase as they did for 2023/24, which was set at 7%. If this is the case, financial forecasts and spending plans will need to be revisited. It should also be noted that any decision to impose a lower rent increase has a significant impact on the financial projections for the HRA and the authority’s ability to invest in new homes or to consider any future investment in retrofit of the existing housing stock. The final decision on the level of rent increase will be taken in January 2024, and will need to take account of the impact for both tenants and the delivery of services.

3.6 As part of the HRA Medium Term Financial Strategy, the assumptions in respect of the delivery of the 10 Year New Homes Programme have been updated. These reflect the continued need to bid to Homes England to secure grant under the Continuous Market Engagement process on a scheme by scheme basis, with future grant assumptions based upon experience of successful bids to date.

3.7 To be in a position to be able to bid for any funding or additional borrowing capacity provided through Homes England for the provision of social, affordable or intermediate housing, the authority is required to remain an investment partner with Homes England. To remain as an investment partner, as Cambridge City Council is currently, the authority is required to confirm annually that there have been no material changes to its membership status and that there is authority in place for continued membership.

3.8 As part of this covering report for the HRA Medium Term Financial Strategy, this is confirmed, and delegated authority is requested to allow the Assistant Director of Assets and Property or the Assistant Director of Development to continue to make this annual confirmation.

4. Implications

(a) Financial Implications

The financial implications associated with the HRA Medium Term Financial Strategy are incorporated as part of the document itself and the associated appendices.

(b) Staffing Implications

The HRA Medium Term Financial Strategy incorporates proposals that would result in the recruitment of additional staff. All these posts will be advertised in line with the Council's recruitment policies and will not adversely impact any existing employees.

(c) Equality and Poverty Implications

An Equalities Impact Assessment is not considered to be required as part of this report but will be carried out as part of the 2024/25 HRA budget process and preparation of the 2024/25 HRA Budget Setting Report.

(d) Environmental Implications

There are no adverse environmental implications anticipated as a result of changes proposed in this report.

(e) Procurement Implications

Any procurement implications arising from the recommendations for additional investment in this report will be addressed by the relevant service.

(f) Community Safety Implications

There are no direct community safety implications associated with the HRA Medium Term Financial Strategy.

5. Consultation and communication considerations

Tenant and Leaseholder representatives are being consulted on the proposals in the HRA Medium Term Financial Strategy as part of the Housing Committee scrutiny process.

6. Background papers

Background papers used in the preparation of this report:

(a) Housing Revenue Account Mid-Year Financial Review (October 2022)

(b) Housing Revenue Account Budget Setting Report (February 2023)

7. Appendices

Appendix A   Housing Revenue Account Medium Term Financial Strategy

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Julia Hovells, Head of Finance and Business Manager

Telephone: 01223 457248 or email: julia.hovells@cambridge.gov.uk.

HSC Final

Housing Revenue Account Business Plan and Medium Term Financial Strategy 2023

November 2023

2023/24 to 2052/53

Cambridge City Council

Contents

Appendices

Section 1
Background and Executive Summary

Background and Executive Summary

The Housing Revenue Account (HRA) 30-Year Self-Financing Business Plan, originally approved in February 2012, is reviewed twice each year, incorporating both the Housing Revenue Account Medium Term Financial Strategy and Budget Setting Reports within these updates.

The report considers any required change in financial strategy or policy for the business, following review of key assumptions and consideration of any material internal or external changes, to ensure a long-term financially viable Housing Revenue Account. Both revenue and capital investment are reviewed, with the impact of any proposed changes clearly identified. A review of strategic risks facing the HRA is presented at **Appendix A**, with uncertainties facing the business detailed at **Appendix B.**

The HRA Medium Term Financial Strategy reviews and re-states the budget for the current year, 2023/24, highlighting only significant or exceptional in-year changes for approval, reviews and updates financial assumptions and presents updated projections for the following 9 years from 2024/25 to 2032/33, in the context of the 30-year plan.

This report is being prepared whilst the UK is still in some financial turmoil, with inflation significantly higher that the government's 2% target, interest rates at a 15 year high, fuel prices under continued pressure, labour and materials rates still rising and many residents struggling to balance their household budgets. This report incorporates changes required to both revenue and capital budgets to accommodate the latest assumptions in inflation and interest rates but includes an assumption that these levels stabilise or return to target levels in the medium-term.

To allow the continued delivery of new homes, it is necessary for the HRA to borrow significant resource over the next few years. It is critical that any borrowing can be fully supported and that it doesn't detriment the financial stability of the longer-term HRA Business Plan.

This iteration of the HRA Business Plan seeks to balance investment in much needed new affordable housing, with the need to invest in the existing housing portfolio in order to improve energy efficiency and reduce tenants' fuel bills.

The approach to earmarking resource for new homes in the business plan is based upon a number of updated key assumptions, but it should be noted that the detailed programme, as it is brought forward for decision may contain a different mix of site types, scheme compositions, build standards, delivery vehicles and grant levels, all of which will necessitate ongoing review of costs and the associated borrowing. Existing HRA sites, land acquisitions, off the shelf purchase opportunities and joint venture developments continue to be explored and brought forward for decision. The specific scheme detail allows the authority to determine the build standard which each site can be built to, taking into consideration any site constraints. The success of the authority in obtaining grant to support the delivery of these homes is still key, and failure to obtain grant would necessitate a significant reduction in build standard and build programme. The programme assumes the delivery of a mix of social rented and affordable rented homes with affordable rent levels at both 60% and 80% of market rent. 80% market rents will only apply in respect of homes delivered above the 40% affordable housing planning requirement on any site. The delivery of market homes on some development sites will still be necessary to demonstrate financial viability, particularly in the current challenging economic climate.

As a result of continued high-cost inflation in the short-term, coupled with higher borrowing costs for the foreseeable future, the HRA is still in a position where significant borrowing will be required to meet previous commitments. Rent increases are anticipated to be higher than previously forecast for 2024/25, with the current assumption of a rent increase at 7.7%, based upon Consumer Price Index (CPI) inflation in September 2023 of 6.7%. built into the business plan. This is as a result of CPI taking longer to come down to the government target than anticipated. There is a risk that the government may impose a rent cap, at 7% for example, as they did last year, in which case financial forecasts and spending plans will need to be revised. Although this rent increase comes at a time when tenants may be facing other financial pressures, it is critical for the delivery of the existing housing commitments that the increase is applied. The authority has committed to achieving an EPC (Energy Performance Certificate) 'C' rating across the housing portfolio by 2035 and this will only be possible if rent income is maximised, particularly at a time when costs are still rising fast. It is abundantly clear that the authority is not in a financial position to be able to deliver any further energy efficiency improvements in the existing housing stock, without external financial support or the ability to increase service charges in some way to help meet the cost of the initial investment. Uncertainty also still exists in respect of the investment need that may arise once phase 2 of the government review of the decent home's standard (Decent Homes 2) concludes, with a refreshed standard anticipated. Consultation concluded in October 2022, with the outcome still awaited.

It is also clear that if the authority is to deliver its 10 Year New Homes Programme, significant borrowing will be required, and at a higher interest rate than previously anticipated. Although the HRA can just about support the interest payments on this borrowing, there will be absolutely no ability to set-aside any resource for the repayment of the principal sums of this, or for a significant proportion of the original self-financing, borrowing, with a requirement to-re-finance borrowing at maturity. Demonstrating financial viability for new build schemes remains challenging, with grant rates often lower than required coupled with the significant increase in borrowing rates. However, the announcement earlier in 2023 that the authority can apply for Homes England Grant on re-provision of existing homes as well as new supply is very welcome and is being fully explored.

Detailed exploration of the longer-term borrowing options will be key, to identify whether lower interest rates can be achieved by securing finance from anywhere other than the PWLB, particularly if the PWLB HRA rate is not extended from June 2024.

There is currently sufficient resource (borrowing) incorporated into the financial assumptions to match fund retained right to buy receipts with the 60% of additional investment required, to avoid the need to return receipts to central government, with payment of penalty interest at CPI plus 4%. Decisions will need to be made on a scheme basis, with retained right to buy receipts applied to schemes that are not likely to be awarded Homes England Grant.

The HRA is susceptible to any adverse changes in other business planning assumptions, further inflationary increases, interest rate increases, increases in rent arrears and bad debts and increases in statutory expenditure, such as decent homes.

Delivery against some of the key assumptions is critical to the success of the housing business plan, with the assumption of continued rent increases at CPI plus 1% for 2024/25 (currently assumed to be

7.7%), followed by increases at CPI plus 0.5%, for the following 5 years, being one of the critical assumptions included.

A key risk remains the still unquantifiable impact of the full rollout of Universal Credit, with the authority still working proactively with affected residents to mitigate the impact. Although in the region of 2,473 residents are now thought to be claiming Universal Credit, approximately 2,165 are still in receipt of Housing Benefit, although the latter will include pensionable age tenants, sheltered and temporary housing residents.

Recognising the financial pressure facing the HRA, the approach to the inclusion of an efficiency target, offset by a corresponding strategic reinvestment fund has been reviewed. It is proposed that the approach is revised, to retain an efficiency target set at 4% of general management and repairs administration expenditure, but with the strategic investment fund being reduced to 50% of this value to ensure that a net reduction in costs is delivered from 2024/25 onwards. This will allow the HRA to mitigate to a small degree, some of the increased operational and borrowing costs that are currently being faced.

From a broader Council perspective, the authority's transformation programme is progressing, with the senior management review having been concluded, and further proposals anticipated as part of the 2024/25 budget process. Any savings achieved in relation to housing or corporate services will be profiled as appropriate across the General Fund and HRA.

With the degree of uncertainty in the economy currently, coupled with the anticipated changes from the Social Housing Regulation Act and Decent Homes 2, it is anticipated that additional savings may need to be sought in the HRA from 2025/26 onwards. This will be reviewed going forward once financial commitments are clearer.

Budget Process and Timetable

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

Date	Task
2023	
21 November	Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in any recommendations to Council and approves the revenue aspects of the report
30 November	Council considers HRA Medium Term Financial Strategy and approves capital aspects of the report
2024	
23 January	Executive Councillor for Housing considers HRA Budget Setting Report, alternative budget proposals, approves rent levels and sets revenue budgets, considering Housing Scrutiny Committee views, making capital recommendations to Council
15 February	Council considers HRA Budget Setting Report and approves capital aspects of the report

Section 2 (Business Plan)
Local Context

Council Objectives

- Leading Cambridge's response to the climate change and biodiversity emergencies
- Tackling poverty and inequality and helping people in the greatest need
- Building a new generation of council and affordable homes and reducing homelessness
- Modernising the council to lead a greener city that is fair for all

Housing Strategy

The Greater Cambridge Housing Strategy identifies three key objectives with seven priority actions for housing in the Greater Cambridge area:

- Building the right homes that people need and can afford to live in
    1. Increasing the delivery of homes, including affordable housing, along with sustainable transport and infrastructure, to meet housing need
    2. Diversifying the housing market and accelerating delivery
    3. Achieving a high standard of design and quality of new homes and communities

- Enabling people to live settled lives
    4. Improving housing conditions and making best use of existing homes
    5. Promoting health and well-being through housing
    6. Preventing and tackling homelessness and rough sleeping

- Building strong partnerships
    7. Working with key partners to innovate and maximise resources available

Housing Priorities

In response to delivering against both the Council Objectives and the Housing Strategy, the Housing Revenue Account continually reviews priorities for investment, considering:

- The level of investment required to maintain decency in the existing housing stock
- The need to spend on landlord services (management and maintenance)
- The need to support, and potentially set-aside for repayment of, housing debt
- The ability to identify resource for investment in new affordable housing
- The commitment to reach net zero carbon in Cambridge by 2050.
- The desire to invest in income generating activities and discretionary services (i.e., support)
- The ability to respond quickly to changes in both housing and building legislation

Housing Register

The Housing Revenue Account, alongside other registered providers of social housing, provides accommodation for those on the Housing Register.

At the end of June 2023, the housing register recorded the following applicants by both bedroom need and priority banding:

Housing Register by Bedroom Need	Number	Percentage
1	1,363	55%
2	604	24%
3	410	16%
4	126	5%
Total	**2,503**	**100%**

Housing Register by Priority Banding	Number	Percentage
A / Emergency	238	10%
B	646	26%
C	908	36%

D / D*	711	28%
Total	**2,503**	**100%**

The current mix of new homes sought by the HRA is 50% 1 bedroom, 25% 2 bedroom, 20% 3 bedroom and 5% 4 bedroom homes, which is still broadly borne out by the bedroom need on the housing register currently. There is therefore no recommendation to change this delivery mix at present.

Housing Stock

Housing Stock (dwelling stock owned and managed in the HRA)

Housing Category	Actual Stock Numbers as at 1/4/2023	Estimated Stock Numbers as at 1/4/2024
General Housing – Social Rent	5,941	5,909
General Housing – Affordable Rent	686	901
Sheltered Housing	522	522
Supported Housing	16	16
Temporary Housing (Individual Units)	143	144
Temporary Housing (HMO's / EA)	21	21
Miscellaneous Leased Dwellings	19	19
Shared Ownership Dwellings	86	86
Total Dwellings	**7,434**	**7,618**

Property Type	Actual Stock Numbers as at 1/4/2023	Estimated Stock Numbers as at 1/4/2024
Bedsits	96	95
1 Bed	1,863	1,981
2 Bed	2,601	2,649
3 Bed	2,237	2,250
4 Bed	106	110
5 Bed	7	8
6 Bed	2	3
Sheltered Housing	522	522
Total Dwellings	**7,434**	**7,618**

Housing Stock Changes

The table below compares reductions in the general housing stock (excluding shared ownership homes) in the last 10 years through right to buy sales, other sales, re-development and conversion, with increases in the number due to new build dwellings and acquisitions.

Year	Opening Stock	RTB's	Other Disposals / Demolitions	Conversions / Other Changes	Acquisitions / New Builds	Closing Stock
2022/23	7,155	(28)	(19)	(1)	241	7,348
2021/22	7,103	(34)	0	0	86	7,155
2020/21	7,106	(16)	(57)	0	70	7,103
2019/20	7,084	(29)	(14)	10	55	7,106
2018/19	7,103	(27)	(2)	(1)	11	7,084
2017/18	7,049	(47)	(29)	(1)	131	7,103
2016/17	7,040	(58)	(7)	(1)	75	7,049
2015/16	7,016	(42)	(4)	5	65	7,040
2014/15	7,164	(51)	(109)	(7)	19	7,016
2013/14	7,235	(60)	(45)	1	33	7,164
Total		(392)	(286)	5	786	

Leasehold Stock

At 1st April 2023, the Council retained the freehold and directly managed the leases for 1,185 leasehold flats and had 4 leasehold flats managed by a third party management company.

Section 3 (Business Plan)

External Factors and National Policy Context

As part of this business plan report, all financial assumptions have been reviewed, including taking account of external factors outside of the authority's control. Financial projections are adjusted considering any changes or trends in these. There is an ongoing impact on the economy as a result of both the coronavirus pandemic and the conflict in Ukraine, and this results in continued uncertainty in the forecast of external factors in this iteration of the HRA Business Plan.

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

National Housing Policy

National Rent Policy

Local authority rents are regulated by the Regulator of Social Housing, alongside housing associations and other registered providers.

The latest regulations (April 2020) include:

- Rent increases limited to an increase of up to CPI (in the preceding September) plus 1% from April 2020 for 5 years, with properties below target rent levels still waiting until they are vacated to be moved directly to target rent.
- Target rents continue to be set with reference to January 1999 property values.
- 5% flexibility, requiring a clear rationale for using the flexibility which takes into account local circumstances and affordability.

- Affordable rent increases limited to a maximum increase of CPI (in the preceding September) plus 1% from April 2020, but with the ability to re-set the rent at up to 80% of market rent upon re-let.

With the level of CPI for September 2023 only falling to 6.7%, there is a possibility that the government may introduce a ceiling or cap on rent increases from April 2024 like the 7% cap imposed for April 2023.

In the absence of any announcement from government, the Medium Term Financial Strategy is constructed on the basis that rents increase in line with the current government guidelines, with an increase of 7.7% (CPI in September 2023, of 6.7% plus the 1% as allowed for in the rent standard).

A 7.7% rent increase has therefore been incorporated into the business plan assumptions, with the impact of other levels of rent increase explored in later sections of the document.

Social Housing Regulation Act

The Social Housing Regulation Act received royal assent on 20 July 2023. The Act significantly enhances the role of the Regulator of Social Housing in regulating the new consumer standards, which come into force on 1 April 2024.

The key reforms include:

- Removal of the ‘serious detriment’ test, which now allows the regulator to step in more readily where they feel intervention is proportionate.
- Enhancing both transparency and safety requirements, introducing requirements for building hazards to be fixed within prescribed timescales, requiring organisations to have a named health and safety lead, ensuring that any tenant whose safety is threatened is offered alternative accommodation and introducing requirements to provide information to residents on financial performance.
- Introducing a new housing inspection regime from April 2024, based upon the new consumer standards, which were subject to consultation up to 17 October 2023.

- Increasing the regulator's enforcement powers, with unlimited fines for non-compliance, the ability to issue performance improvement plans and the right for the regulator to undertake surveys on properties directly.
- Providing the regulator with the power to set competency and conduct standards, with mandatory qualification requirements for senior housing managers and executives.
- The creation of an advisory panel, with representatives from multiple agencies and service users, to advise on key sector issues and risks.
- A requirement for the Secretary of State to publish an energy reduction strategy for social housing, with the regulator able to set and monitor standards in this area.

The regulator is consulting on the new consumer standards, with the standards expected to be published in February 2024, to be effective from April 2024.

A Service Improvement Group is currently reviewing the anticipated requirements in the consumer standards and code of practice, self-assessing current information and performance against these, comparing ourselves to other providers and undertaking a gap analysis and reviewing staff skills and qualifications. An action plan will be derived from this to allow the authority to implement improvements in any areas where they are considered necessary. Preparatory work will include the need to consider acceleration of tenancy audits to improve data holding, particularly in respect of tenants where we have had no contact for over 12 months.

Right to Buy Sales

In 2022/23, 62 right to buy applications were received, compared with 89 in 2021/22. A total of 18 applications were received in the first 6 months of 2023/24, indicating a continued steady decline in interest, potentially because of current mortgage rates.

In 2022/23, 28 applications proceeded to a sale completion, compared with 34 in 2021/22. In the first 6 months of 2023/24 9 sales have completed, indicating that sales for the year may decline in line with reduced interest and are likely to be lower than in 2022/23.

Predicting future sales, particularly whilst there is still such uncertainty in the economy, is difficult. However, it is considered prudent to reduce the assumed sales in 2023/24 to 20, based upon activity in 2023/24 to date, before returning to the assumption of 25 sales per annum from 2024/25 onwards, when mortgage rates may have reduced to a degree and stabilised. There is however no guarantee that sales will return to these levels, particularly if the cost of living increase being experienced currently continues.

Right to Buy Receipts

On 31 March 2023, the authority held £5,608,029.77 of right to buy receipts under the retention agreement with DLUHC.

For 2022/23 and 2023/24, DLUHC have revised the retention agreement in place for right to buy receipts, to allow local authorities to also retain the share of receipts that would otherwise be payable to them. This change resulted in the authority retaining an additional £1.1 million of right to buy receipts for 2022/23.

Reinvestment of retained right to buy receipts continues to need to be combined with Devolution Grant, the Council's own resources, or borrowing and can't be invested in replacement dwellings or dwellings receiving any other form of public subsidy. The authority is unable to use capital receipts from the sale of land and other housing assets, Section 106 receipts or other forms of public subsidy as a form of match funding for units financed using retained right to buy receipts, and instead must re-invest these in different capital projects.

Retained right to buy receipts must be reinvested within 5 years and can be used to finance up to 40% of a new rented or shared ownership dwelling. Where used to finance the acquisition of an existing market dwelling, a cap applies to ensure that the provision of new homes is prioritised, with a cap at 50% until 1 April 2025. The first 20 units of delivery in any year will be excluded from the cap.

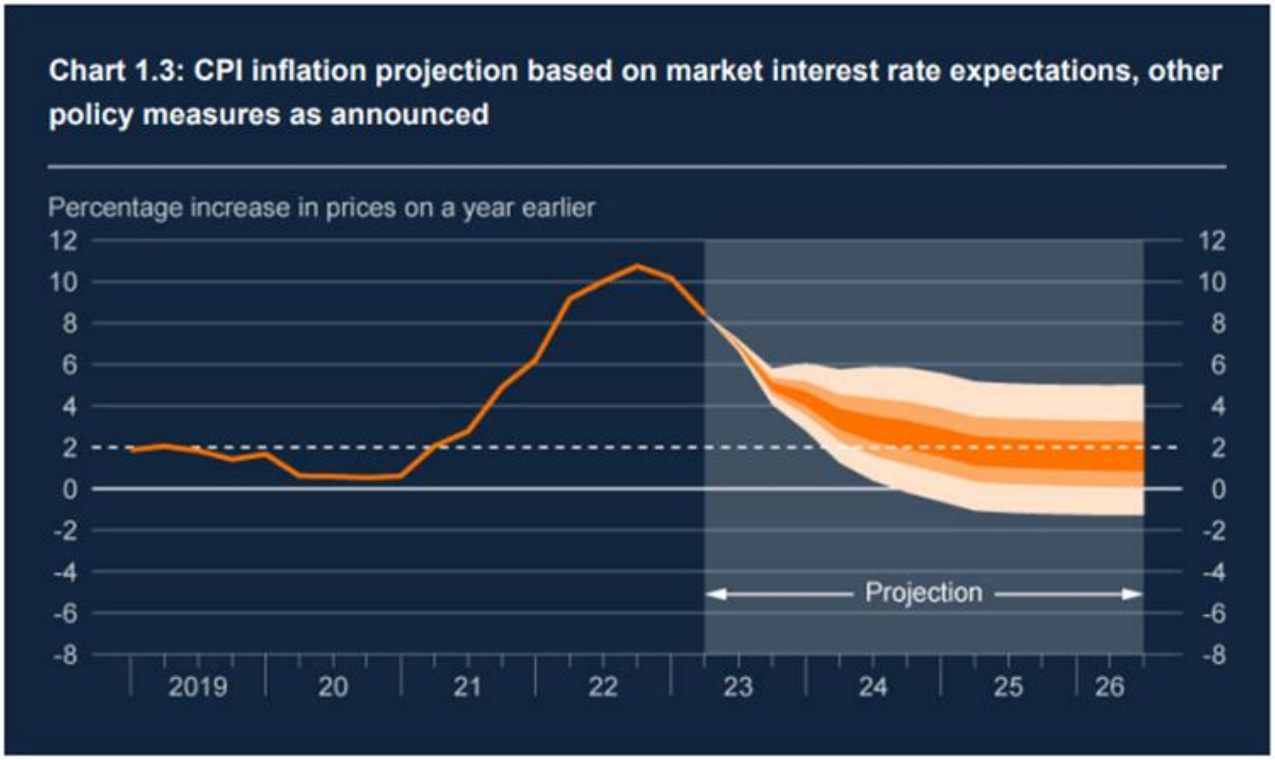
With the Bank of England base rate now at 5.25%, any penalty interest payable on receipts not re-invested appropriately is payable at a higher rate of 9.25%. If the authority moves into a position that receipts are being held with less than 12 months before any penalty would be incurred, decision to retain or pay over receipts is made by the Chief Finance Officer, in consultation with the Assistant Director, Assets and Property.

The Assistant Director, Assets and Property has delegation to draw down funds from HRA ear-marked reserves to acquire homes on the open market, if required, to ensure that investment is made well in advance of the prescribed deadlines.

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). The last 2 or so years have been particularly volatile, with an unprecedented rise in CPI from 1.5% in April 2021 to 11.1% in October 2022, before falling to 6.7% by September 2023. Huge inflationary increases have been seen in utility, fuel and food prices, alongside steep rises in other operating costs.

The Bank of England's Monetary Policy Report of August 2023 forecasts a fall in the level of CPI in quarter 2 of each year; at 3.3% for 2024, 1.7% for 2025 and 1.5% by 2026. The over-arching view is that although inflation is still high currently, the peak has passed and that rates are expected to steadily reduce and to return to pre-pandemic levels over the next two to three years. If an average is taken of the projections for the next two years, 2024/25 is predicted to experience inflation at 2.7% and 2025/26 at 1.6%.



Continued economic uncertainty makes it difficult to accurately predict future rates but taking account of the views of the Bank of England and other forecasters, it is considered appropriate to include the assumption that costs will fall considerably over the next 12 months and further after this. An inflation rate of 3% is therefore recommended for 2024/25, before returning to the government's long-term target of 2% from 2025/26. This will be reviewed again as part of the HRA Budget Setting Report in January 2024.

The assumptions surrounding building maintenance expenditure inflation have historically been derived from a mix of forecasts using the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) all in tender price index and CPI. The broadly external planned maintenance contract, currently with Fosters, is a lump sum priced contract, which adopts CPI as the measure of inflation. The broadly internal planned maintenance contract, currently with TSG, is a target price contract, using the (BCIS) all in tender price index as the measure of inflation, recognising that prices are fluctuating widely in this industry currently. Other specialist contractors will price work on a project basis, also taking account of industry forecasts.

The latest projections for the BCIS Index over the next 5 years currently predict a growth rate of 2.9% by 2024, with forecasts of 2.8%, 3.2%, 3.4% and 3.5% over the following 4 years. Taking an average of these rates of growth for the forecast five years gives rise to an annual increase of 3.16%.

On a similar average basis, the assumptions being adopted for CPI over the same period are 2.2%, a difference of 0.96%.

Recognising the combination of planned maintenance price increases being driven by CPI and BCIS, the assumption has been made that 50% of the work programme will be subject to the BCIS indices and 50% by the rate of CPI. A blended average rate of 2.68% (average CPI plus average BCIS divided by 2) has therefore been incorporated into the business plan forecasts.

A growth rate of 4.7% has been retained in respect of new build inflation, based upon the advice of the quantity surveyor / employer's agent used most frequently by the Council.

Annual private sector pay growth increased to 7.7% in the three months to May 2023, although earnings growth is expected to decline in the coming quarters to around 6% by the end of the year. There is no forecast in respect of public sector pay increases, but these would be expected to be lower than the private sector, with longer-term pay increase in the public sector expected to mirror the longer-term inflation target of 2%.

The pay award from April 2023 has just been agreed, based upon the original offer made by the employer. Pay inflation has therefore been increased to reflect a pay award of £1,925 per full time equivalent employee for 2023/24 up to spinal column point 43, with a 3.88% increase for points 43 and above.

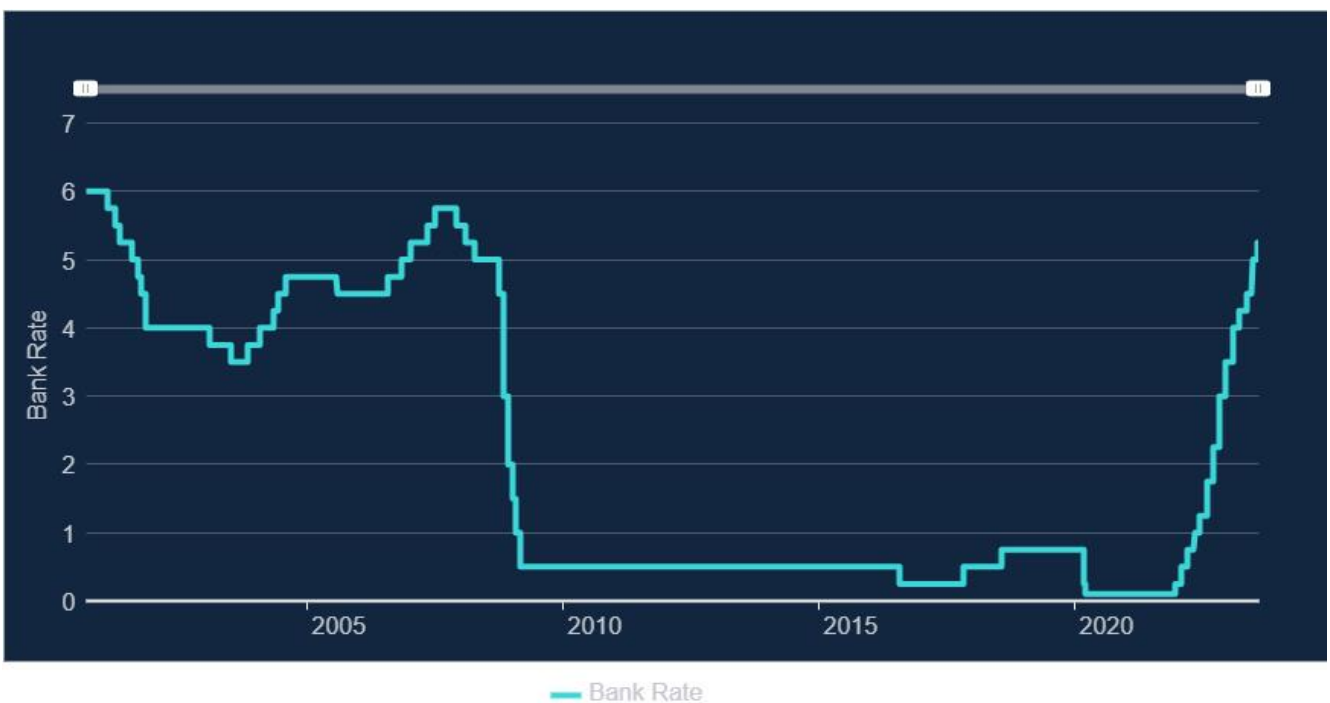
A rate of 4% has been incorporated for 2024/25, which recognises an average of the higher 6% forecast for private sector pay and the target for public sector pay of 2%, before returning to the previous assumption of 2% from 2025/26. The allowance for incremental progression has been retained at 1% per annum, recognising staff retention figures and the number of staff who are currently paid at the top of their pay scale.

Interest Rates on Lending

The Housing Revenue Account recovers a proportion of the interest earned on cash balances invested by the authority. The rate of interest assumed for 2023/24 in the HRA Budget Setting Report was 2%, based upon the HRA clawing back interest from the General Fund on investments with minimal risk. This recognises that the General Fund bears the risk, but also benefits from the reward, of the higher risk investments made by the Council.

The Bank of England base rate was increased to 5.25% in August 2023, compared to a rate of 1.75% in August 2022. The current rate is the highest it has been in over 15 years. The next review is due on 14 December 2023. The base rate has increased steadily since October 2021, and the authority is now a corresponding increase in investment rates.

Bank of England Base Rate



The actual average rate of interest earned on investments that benefited the HRA for 2022/23 was 2.04%, but rates ranged from 0.43% at the beginning of the year, up to 3.68% by March

2023. With continued increases in the Bank of England base rate since then, with the current base rate being 5.25%, lending rates have only increased since then.

An improved rate of 5% has been adopted for 2023/24 as part of this iteration of the HRA Business Plan, reducing to 4.5% for 2024/25, 3% for 2025/26, then 2.5% on an ongoing basis. The interest rate assumptions are included in **Appendix C**.

Interest Rates on HRA Borrowing

In respect of existing HRA borrowing, the self-financing loan portfolio with the Public Works Loans Board of £213,572,000 remains, with rates of between 3.46% and 3.53%.

With no cap on HRA borrowing, subject to financial viability and the ability to support the borrowing, the authority can borrow to invest in the provision of affordable housing with no external financial constraint.

There is risk to the HRA's ability to borrow from the Public Works Loan Board (PWLB), with HM Treasury guidance stating that any authority making an investment that is classified as an 'investment asset primarily for yield', will not be able to access loans from the PWLB in the financial year in which it makes this investment. Investment in assets for service delivery, housing, regeneration, preventative action (ie, buying an asset of community value) and treasury management (re-financing existing debt) are acceptable, but investment for yield, such as investment in land or buildings to be let at market rates is prohibited. If investment for yield is included in an authority's capital plan in any of the following three years, the authority will be unable to borrow from the PWLB. There is therefore the potential for any investment decisions made by the General Fund to detriment the HRA's ability to borrow from the PWLB. This would not stop the HRA borrowing but would mean that an alternative lending source would need to be identified, with rates potentially not being as preferential.

Any transfer of land or financial resource between the General Fund and the HRA to allow development continues to impact the HRA Capital Financing Requirement, effectively increasing borrowing. Although there is now no cap on borrowing, such decisions must still be made in the knowledge of the revenue impact of transferring the land or resource.

The assumption is made that additional borrowing is externalised, with updated PWLB maturity loan rates for loans of a 30-year duration used. Since the last update of the HRA Business Plan, there have been further increases in PWLB lending rates, with the rates at the time of the drafting of the report standing at 5.62%, compared with the rate of 4.6% assumed for borrowing during 2023/24 in the construction of the HRA Budget Setting Report in January 2023. It should be noted that the PWLB rate is reviewed and can change twice each day, with rates continuing to increase currently.

In June 2023, the government announced a preferential rate for HRA borrowing, at 40 basis points above gilts, which is effectively a 60 basis points reduction on the standard PWLB lending rates. This rate applies for one year and will then be subject to review. This would reduce the current rate of 5.62% to 5.02%, which is still higher than was previously assumed. The previous certainty rate of a 20-basis point reduction can be assumed to be ongoing currently, as long as the authority submits its spending plans as required.

To mitigate the daily rate fluctuations in PWLB rates, this iteration of the business plan also considers forecasts made by Link, the Council's treasury advisors, who project that PWLB lending rates (inclusive of certainty rate) will be at an average of 5.3% for 2023/24, 4.78% for 2024/25, 4.02% for 2025/26, then 3.8% by the beginning of 2026/27.

Based upon current rates and these projections, a revised average rate of 5.02% (5.62% - 0.6%) has been incorporated into any borrowing assumptions for 2023/24, followed by 4.78% for 2024/25, 4.02% for 2025/26, then 3.8% ongoing.

Section 4 (Business Plan)
Rent and Other Income

Rent Setting

Social Rents

From April 2020, for a period of 5 years, the authority moved to a position where rents could be increased by up to a maximum of inflation plus 1%, using the Consumer Price Index (CPI) at the preceding September as the measure of inflation. However, as a result of the marked increase in CPI during 2022/23, and a CPI rate in September 2022 of 10.1%, which would have led to rent increases of 11.1%, government capped the rent increase for 2023/24 at 7%. Locally, a decision was taken to cap the increase at a lower rate of 5% to support tenants through particularly challenging financial times.

CPI has now begun to decline, but remains significantly higher than pre-pandemic levels, with a rate of 6.7% to September 2023. Therefore, a rent increase assumption of 7.7% (6.7% for CPI, plus 1%) is applicable for 2024/25. Although this increase has been incorporated into the base assumptions of the HRA business plan, there is a risk that the government may impose a cap on rent increase as they did for 2023/24, which was set at 7%. It is recognised that the 7.7% increase is higher than the authority would ideally levy, but the level of rent increase does need to be balanced against both increased costs and the requirement to improve the condition and energy efficiency of council homes.

The table below summarises the financial impact on the business plan of a variety of rent increase levels and includes the impact for both social rents and affordable rents as they are subject to the same rent controls.

Rent Increase	Average Weekly Social Rent Value Increase	Average Weekly Affordable Rent Value Increase	Additional / (Reduced) Borrowing Required over the 30 Year Business Plan	Impact on Housing Delivery
3%	£3.39	£4.84	£184 million	No further homes can be improved to EPC 'C', leaving 1,700 as sub-standard and the 4% HRA savings target would need to be increased to 12% for 2024/25
5%	£5.64	£8.06	£105 million	1,250 homes will not be able to be improved to EPC 'C', leaving them sub-standard
7%	£7.90	£11.28	£26 million	340 homes will not be able to be improved to EPC 'C', leaving them sub-standard
7.7% (CPI plus 1%)	£8.69	£12.41		

It is evident from the table above that a single year decision on the level of rent increase makes a significant difference to the level of borrowing required, and therefore the viability of the housing business and the authority's ability to consider investment in both front-line services and in energy efficiency improvements of the existing housing stock.

Property specific target social rents under the rent restructuring regime still apply. However, when rent increases were capped from April 2023, set at 5% locally, it meant that any property previously charged at target social rent fell below this level, with target rents still increased under rent setting regulations by CPI plus 1%, equivalent to 11.1%.

The average target 'rent restructured' rent at the start of 2023/24 across the general housing stock was £122.70, with the average actual rent charged being £112.49. As a result of the rent increase cap, no properties were charged at target rent at the start of 2023/24, compared to 35.5% being charged at this level in April 2022.

The gap between actual and target rent levels in the general housing stock now equates to an annual loss of income of approximately £3,542,000 across the HRA.

The authority can currently only close the gap between target social rent and the actual rent being charged for a dwelling, when a property becomes void, and continues to do this. The government have indicated, following the caps applied last year, that they may consult on alternative routes for local authorities to be able to move rents to target levels.

Affordable Rents

In respect of affordable rented homes for existing tenants, the same inflation rates apply as do for socially rented homes, with these also monitored by the Regulator for Social Housing. There is the ability to re-set the rent at up 80% of market rent when a property is vacated, should the authority so choose. Affordable rents at up to 80% of market rent combine both the rent and non-discretionary service charges levied for any property.

There were 686 new build properties charged at the higher 'affordable rent' levels, on 1st April 2023 and 20 affordable shared ownership homes.

The authority has two levels of affordable rents being applied to new homes, with rents set at either 60% (or the Local Housing Allowance level if this is lower) or 80% of market rent depending upon the nature of the scheme and the proportion of affordable housing being delivered on the site.

The earlier delivered affordable rented housing was based on the pre-COVID Local Housing Allowance, which for existing tenants has been inflated annually. When any of these homes become vacant, they are re-based at 60% of market rent or the current Local Housing Allowance, whichever is lower. It will take many years before consistency is achieved, however.

The table below confirms the current average rent levels charged or assumed in financial modelling:

Property Size	2023/24 Published LHA Rate (not adopted by CCC unless lower than a 60% rent)	2020/21 Pre-COVID LHA rate inflated by 1.5%, 4.1% and 5% Used by CCC for 2023/24 existing tenants	Indicative Programme Average 2023/24 Rents at 60% of Market Rent	Indicative Programme Average 2023/24 Rents at 80% of Market Rent
Shared Room	97.00	N/A	N/A	N/A
1 Bed	178.36	150.87	166.06	227.24
2 Bed	195.62	173.52	187.32	259.73
3 Bed	218.63	201.64	211.49	288.50
4 Bed	299.18	268.97	252.45	342.80

Rent Arrears and Bad Debt Provision

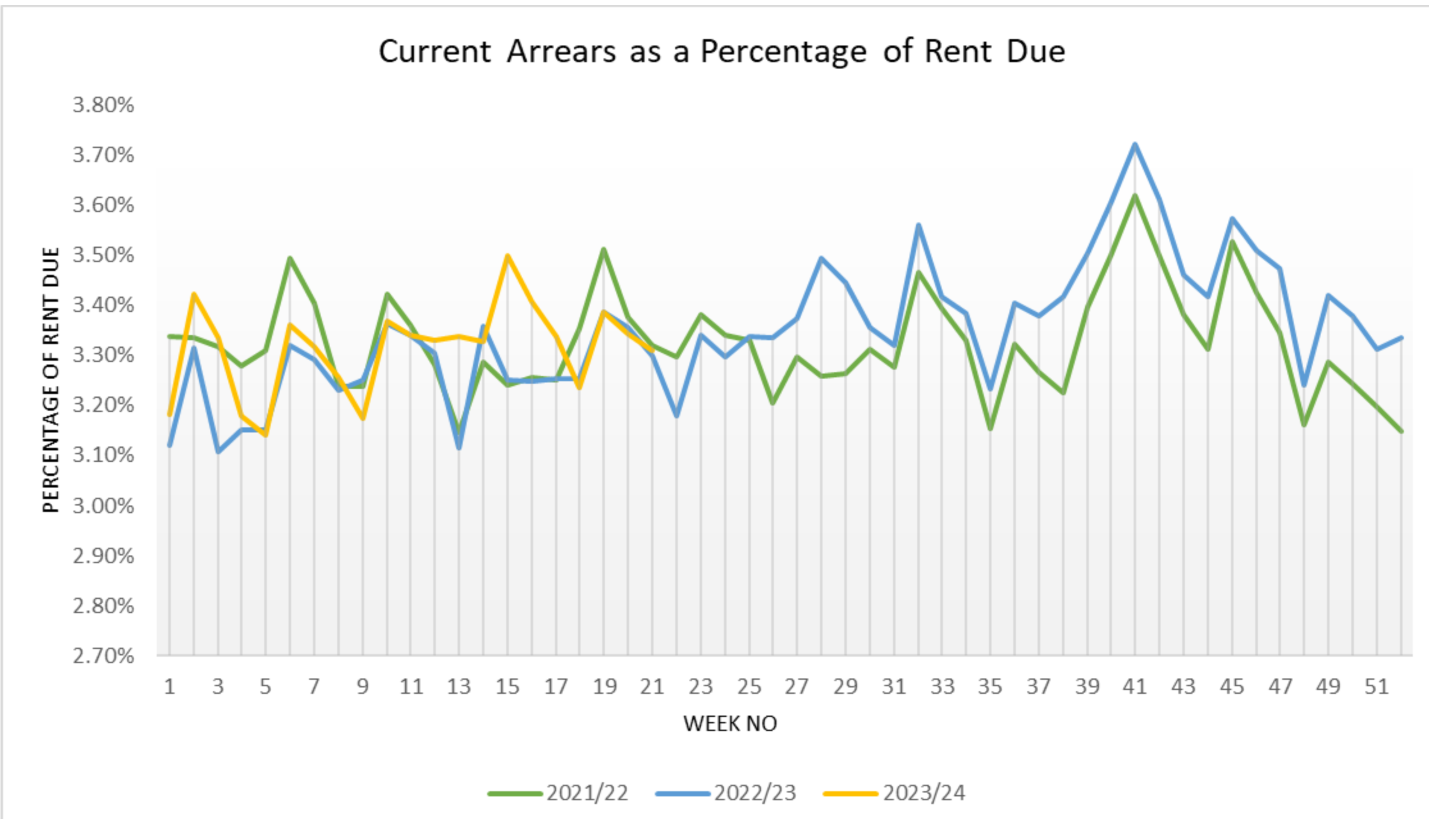
Rent collection performance was broadly maintained during 2022/23 despite the challenging economic climate, with 99.2% of the value of rent raised in year, collected in the year, compared with 99.5% in the previous year.

As a result of rent not collected, total arrears increased during 2022/23, with current tenant arrears of just under £1.5 million by 31 March 2023 and former tenant debt of just over £1 million. The year-end position in respect of rent debt is summarised in the table below:

Financial Year End	**Value of Year End Arrears in Accounts (Current Tenants)**	**Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year**	**Value of Year End Arrears in Accounts (Former Tenants)**
31/3/2019	£776,961	1.93%	£932,156
31/3/2020	£1,091,161	2.70%	£915,885
31/3/2021	£1,374,167	3.30%	£925,982
31/3/2022	£1,337,622	3.14%	£1,121,082
31/3/2023	£1,490,860	3.33%	£1,020,073

It is concerning to see that current tenant arrears increased during 2022/23 in both value and percentage terms, from £1.34 million (3.14%) to £1.49 million (3.33%). This is possibly not surprising in the current financial climate, with the cost of living crisis continuing to impact particularly low-income households.

The position in respect of current arrears has worsened in monetary terms in 2023/24 to date, with an increase in the first 6 months of 2023/24 of a further £175,330 in arrears by September 2023, however in percentage terms, this is equivalent to 3.34% of rent due, so broadly maintained.



The Income Management Team have been operating for the majority of 2022/23 and the year to date with a vacancy in the team that has proved difficult to fill. It is hoped that once recruitment is successful, and the team are back to full capacity, that performance in respect of arrears recovery will improve.

The team continue to work proactively with tenants and financial support providers to mitigate the impact of the cost-of-living crisis for both the tenants themselves and the authority, ensuring that tenants are aware of all financial support available to them. The ongoing impact for residents of moving to direct payment is being actively managed, with an Increase in the number of claimants transitioning to Universal Credit. In October 2023, the authority had 2,473 tenants claiming Universal Credit and 2,165 still claiming housing benefit. A significant proportion of those still claiming housing benefit will be in temporary accommodation or will be of pensionable age, and so will continue to receive housing benefit.

Former tenant arrears reduced over the 12 months to 31/3/2023, with former arrears reducing from £1.1 million to £1 million over this period. A dedicated officer has been employed on a fixed term basis since April 2022, focussed on recovering, or failing that, writing off, former tenant debt. Former tenant debt of £192k was collected during 2022/23 and debt of £324k was written off. Following these successful outcomes, this role has now been made permanent, with the officer to proactively chase and write off former tenant debt dependent upon the circumstances. Writing off obvious bad debt allows a focus on recovery of more of the doubtful debt.

At 31 March 2023 the total provision for bad debt stood at £1,951,988.25 representing 78% of the total debt outstanding.

The annual contribution to the bad debt provision for 2023/24, based on 1.5% of rent due, was set at £673,530 in the HRA budget approved in January 2023. The assumption has been reviewed as part of this iteration of the business plan taking account of the contribution to, and call on, the fund over the last few years, coupled with a view on the current economic climate. Recognising both the level of arrears years on year, and the proportion of rent arrears that are ultimately written off, it is evident that the provision of 1.5% of rent due has been higher than required over the last 3 years and it is therefore proposed to reduce the current assumption to 1% for 2023/24 and beyond. This will be reviewed again as part of the HRA Budget setting Report in January 2024.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2022/23 was £1,052,081, representing a void loss of 2.52%, compared with £656,205 in 2021/22, representing a void loss of 1.67%.

The value of rent lost through void dwellings during 2022/23 was significantly higher than in 2021/22 and was higher than the increased target of 2% for 2022/23, recognised as part of the 2023/24 HRA Budget Setting Report of January 2023.

Some of the key contributors to the higher void levels in 2022/23 were homes vacated on approved development sites (£223,000) units held vacant as a result of fire damage to a block of flats (£38,000) and units held vacant as the void investment required is not financially viable (£6,000).

If the impact of the irregular void transactions (detailed above) is removed from the statistics, the void performance in general voids for 2022/23 would have been 1.88%, which is still considerable higher than the standard void target of 1%. Clearing a backlog of void works during 2022/23 contributed to this, with externalisation of some of the work to facilitate this.

Void performance has deteriorated in the first four months of 2023/24, with a gross void loss of 2.78%. This does however still include the impact of our redevelopment programme, with units now fully vacated at Aylesborough Close and being vacated at Princess and Hanover Court and Fanshawe Road. The data also includes new homes which have not yet been let for the first time, with large numbers of home handed over simultaneously, creating a backlog in the lettings process in July and August 2023. There are very few further handovers anticipated in 2023/24, so once the current backlog of new homes has been let, this issue is not expected to reoccur in the current year. Although the position has improved since last year, general voids still remain a problem, with properties being returned in poor condition, resulting in both increased costs and prolonged void periods, which also results in loss of rental income. As a result of this, it is recommended to adjust the assumption in general voids for the current year to 2%, assuming demolition of homes identified for redevelopment, letting of new homes and some recovery during the year in our general voids performance, assuming a rate of 1.35% for 2024/25 based upon current general voids performance, whilst retaining the longer-term assumption of 1% in the business plan from 2025/26 onwards.

Section 5 (Business Plan)
Capital - Funding

Direct Revenue Financing of Capital Expenditure (DRF)

DRF is the use of revenue income, which is predominantly rental income, in the HRA to finance capital expenditure. Over the next 10 years, an average of £8 million per annum is estimated to be available for this purpose, but this is subject to rent increases being applied as allowable and revenue expenditure being within existing assumptions. Any increase in the level of revenue spending on housing management, responsive or void repair activity, reduces the sums available to finance capital expenditure. The resource is used to fund most aspects of the housing capital programme, including decent homes, other investment in the housing stock, new build and non-dwelling investment, such as garages, commercial property and IT.

Major Repairs Reserve (MRR)

The MRR is a statutory capital reserve which is contributed to solely by the revenue depreciation charged on HRA assets each year. The funding is ring-fenced for investment in existing or new HRA assets, or for use in the repayment of debt. Over the next 10 years, an average of £14.7 million per annum is estimated to be available for this purpose, but this is subject to updated annual depreciation calculations, which are affected by any changes in asset valuations when they are revalued at the end of each financial year. The resource is used to fund many aspects of the housing capital programme, including decent homes, other investment in the housing stock and new build. It could be used to invest in other HRA assets, such as garages and commercial property, or for the repayment of housing debt.

General Right to Buy Receipts

The authority is able to retain a proportion of capital receipt in respect of the first few homes sold under right to buy each year, as a historic arrangement linked to the self-financing settlement for the HRA. This resource is usually shared with Treasury on a formulaic basis, but for 2023/24 local authorities are able to retain 100% of the funding, assuming it is reinvested in new homes. From 2024/25 resource of approximately £500,000 per annum is assumed based upon the authority selling 25 homes each year under right to buy. This resource can be used to fund any legitimate capital expenditure, so is utilised to meet the net cost of any general fund housing capital investment and investment in commercial or community-based assets.

Retained Right to Buy Receipts

Receipts retained by the authority under the current 1-4-1 retention agreement are just over £3 million per annum based upon current sale assumptions. This resource carries significant constraints in how it can be invested as outlined in Section 3, with the authority currently allocating these receipts to new build schemes that are either ineligible for, or unlikely to be awarded, Homes England Grant. Purchases of new build homes on section 106 sites are a key use of these resources going forward.

Other Capital Receipts

The HRA receives capital income in the form of receipts for the sale of land or non-RTB disposals. This funding can be retained in full by the authority as long as it is invested in the delivery of affordable housing. There are constraints on how these resources are used, with the resource unable to be combined with retained right to buy receipts, grant or section 106 funding. The resource has often been used historically for the re-provision of existing dwellings on existing HRA development sites, but this may change now that these units are potentially grant eligible.

Homes England Grant

The authority is able to bid for Homes England Grant on a scheme-by-scheme basis, having been unsuccessful in securing a strategic partnership with Homes England. From 2023, it has been possible to bid for grant, not only for new supply of social rented or affordable rented housing, but also for re-provision of existing homes on development sites. This makes redevelopment a more financially viable option for the authority going forward, subject to successful grant bids.

The HRA Business Plan currently assumes grant on new supply for all potentially eligible schemes, with a clear recognition that failure in securing the grant will require the scheme to be reconsidered, exploring the tenure mix and / or build standards in order to be able to proceed. Grant in respect of re-provided homes is not currently assumed, with a prudent approach being taken until the authority has been successful in securing grant in this category.

Borrowing

Moving forward, the HRA will need to borrow as a key form of financing capital investment. 2023/24 is the first time the HRA expects to borrow to finance capital expenditure since the self -financing borrowing was taken out in March 2012. Exploring the most appropriate borrowing route will be key, particularly at a time when interest rates are so high. The authority can explore internal borrowing from the General Fund, but this will be limited to the level of available reserves that the General Fund has to lend. The Public Works Loan Board (PWLB) is currently offering a reduced HRA rate, but this still attracts an interest rate of more than 5% at the time of writing this report. The current business plan assumes borrowing of £635,000,000 over the next 30 years, with £425,000,000 of this over the next 10 years to deliver the new homes planned.

Appendix H details the funding sources assumed to be available and utilised in the Housing Capital Investment Programme over the next 10 years.

Section 6 (Business Plan)
Capital and Planned Revenue - Existing Stock

Stock Condition / Decent Homes

The authority holds validated stock condition data for its housing stock, with an ongoing programme of inspections carried out to increase the breadth and quality of this data to help inform strategic decision making.

The Decent Homes Standard ensures that a dwelling meets the current statutory minimum standard for housing (the Housing Health and Safety Rating System), is in a reasonable state of repair, has reasonably modern facilities and provides a reasonable degree of thermal comfort. The standard is currently subject to a review at national level, with the outcome awaited.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2023 at 99.8%, compared with just under 98% achieving the desired standard at 31 March 2022. There were 14 properties that were considered to be non-decent, in addition to 215 refusals, where tenants had exercised their right to decline the work being completed and where these are therefore not reported in the non-decency statistics.

Stock Investment

The HRA has a 5-Year Asset Management Strategy, which was last approved in autumn 2019.

From a delivery perspective, around 60% of planned maintenance investment is currently broadly split between two main contractors. Foster Property Maintenance are responsible for the delivery of the majority of external planned works to the housing stock, blocks and estates, whilst TSG Building Services deliver the majority of internal planned investment. The contract with TSG has recently been re-let and runs for an initial 5-year period from November 2022, with the option to extend for up to a further 3 years. The contract with Fosters is now in its extension period and runs until September 2025. A significant amount of work is procured via one-off contracts, and this includes large structural works projects, some estate improvement projects, and energy efficiency works.

As part of the Asset Management Strategy, a programme of new initiatives and actions was identified, which included aspirations to (subject to funding bids when costs have been quantified in some cases):

Initiative / Action	Current Status
Implement a rolling programme of stock condition surveys so properties are inspected every five years	A new programme of stock condition surveys started in September 2023 and prioritises properties where there is no recent condition data. A new apprentice surveyor is being trained to gain skills in this area. The inhouse team are also receiving training so that all void properties have a stock condition survey carried out. New build property and footpath surveys are being carried out.
Continue the programme of structural surveys of flats blocks and implement survey programme for older flats and houses with structural concrete elements	Structural surveys at the Bermuda Terrace Estate are underway. If works are required they will be tendered in 2023/24 with a view to being on site in 2024/25. A programme of structural repairs to maisonettes in the South Arbury area has been tendered and is due to start on site in 2023. Balcony and brickwork repairs at Nicholson Way, Walker Court and Hanson Court are on site and will be complete in 2023. In 2024 we plan to establish a framework contract for structural engineering services and establish a cyclical surveying programme to re-inspect blocks of flats where structural works have been completed. We are carrying out structural repairs to around fifteen

	houses that have suffered from structural defects, some arising from dry weather in the past few years.
Reduce the electrical inspection cycle to five years in line with best practice	The Risk and Compliance team continue to manage and deliver the transition from a ten year to a five year inspection cycle.
Implementation of "Orchard Asset" asset management software – including development of the compliance and energy modules	The implementation project is still underway but has experienced delays. The "servicing" (compliance) module and the "project" (planned works management) module will be "live" next. The "energy" module is live but has not been developed in the absence of full time Energy Manager. This post is now filled, and the new Energy Manager is scheduled to start in November 2023.
Develop a methodology which identifies high-cost investment properties across the stock and calculates net present values – using new software in Orchard Asset	The implementation of an "Options Appraisal" module in MRI Asset will be the final module to be implemented
Implement a programme of estate investment projects	The street lighting replacement contract will be complete on site in 2023, and the final task will be to map assets on the Council's mapping system. We are working on a communal lighting replacement programme. A pilot project is being completed; a considerable amount of electrical enabling work is required. We are working on revised estimated costs for the full programme of work before deciding the most appropriate procurement route to deliver the work.
Establish a programme of re-inspection of asbestos containing materials and implement a new	The asbestos compliance module will be implemented in a live environment in the Asset system in the autumn of 2023.

asbestos register based within Orchard Asset	The Asbestos Surveyor (Analyst) post has now been recruited to on a permanent basis and will continue with the review of all communal re-inspections.
Implement an annual programme to inspect fire doors to flats and communal areas (including the replacement of non-compliant fire doors)	A fire door inspection programme is in place with Ventro (Passive Fire Protection Specialists). HRA properties completed include all temporary and sheltered accommodation. General needs purpose-built blocks of flats are continuing and will continue to be the focus for the remainder of the programme. Results from surveys are being used to develop programmes of planned work including new and replacement fire doors.
Review maintenance requirements for flat roofs and sheds replacement and repair	This programme of work is currently underway, with over 300 shed roofs due to be replaced in 2023/24. Many shed roofs are shared with adjoining freehold properties, and this makes this a complex programme of work.
Develop a replacement programme for lifts, door entry systems, communal entrance doors, fire systems, automatic doors, and communal lighting	We have programmes of work in place for communal lighting upgrades, communal entrance doors and glazing replacement, door entry system replacement, and fire alarm upgrades.

At Kingsway flats, fire compartment works are due to start on site in autumn 2023 and are scheduled to be complete in April 2024. Work is ongoing to replace the remaining gas heating systems with electric alternatives and then all gas supplies will be removed from the building. We are also implementing fire alarm upgrade in a number of sheltered housing schemes.

Individual properties have regular electrical tests, and the electrical installation is replaced every thirty years. In our blocks of flats there is usually also a landlord electrical installation (that may provide power for lights, lifts, access systems etc.) and many of these are now old and in need of upgrade of replacement. In addition, in some blocks of flats, the main electrical supplies to individual flats pass through the communal areas, and sometimes through other flats. We have implemented a programme of work to survey landlord electrical installations and electrical cables supplying individual flats. In 2023/24 this is taking place at Bermuda Terrace and some of the blocks of maisonettes in the South Arbury area. Is it expected that this will result in additional work to electrical installations in blocks of flats, with funding to be identified once costs are quantified.

At the East Road flats, a project is underway to replace roofs and windows to the tall blocks of flats facing East Road. This is a large project and work will be coordinated to minimise disruption to residents. Electrical works to these flats are also required but this work will be carried out separately in 2024/25.

In respect of resident engagement and communication, officers are working closely with main contractors to improve the quality of communication abut new programmes of planned maintenance work, and the frequency of updates about the progress of work and any delays. The contents of standard letters has been reviewed to ensure residents are better informed about the reasons why we carry out planned maintenance work.

Net Zero Retrofit Pilot Project

Work to deliver the net zero retrofit pilot project is progressing well, with a design team of architects, engineers and quantity surveyors in place. Planning has been approved for works to the 46 houses that form part of the pilot and is currently awaited for the 4 flats. The properties in the pilot are in the Ross Street and Coldham's Grove area. Tenders for the main contractor are expected to be issued through a framework shortly, with appointment anticipated by November 2023, for start on site in early 2024.

The works to be carried out as art of the pilot include:

- External wall insulation
- Roof and chimney insulation

- Floor Insulation (ground floor)
- Window replacements
- Door replacements
- Air source heat pumps (in place of existing gas boilers)
- Mechanical ventilation with heat recovery units (mvhr's)
- Solar pv panels
- Cavity wall insulation extraction and replacement (where required)
- Wastewater heat recovery systems (if funding allows)

The objectives for this funding are to allow the authority to prove whether the estimated costs in a report prepared for the authority by Fielden and Mawson are achievable, to allow time to lobby government and other bodies, backed by real evidence, in an attempt to secure external investment, to allow further exploration of the potential to use the 5% flexibility in the rent restructuring formula and / or to introduce a 'comfort' charge for tenants.

The original budget approved for this project was £5,000,000, but this has since been inflated to £5,196,000 in total. Updated cost estimates are expected shortly once the tender process has been concluded and any change in costs will need to be addressed as part of the 2024/25 budget process or medium-term financial strategy process depending upon timing.

Other Energy Works

Following success in the Social Housing Decarbonisation Fund (Wave 2) grant bid process, the authority was awarded £2,260,175 in grant over the period to September 2025. The authority had already included co-funding of £3,640,000 in the budget for 2023/24 to support this bid, but following the grant award has increased the total budget by the grant sum and recognised the grant income as the funding source for this.

The grant criteria is to ensure property reaches EPC 'C' and reduces energy demand to below a set level. These funds are now delivering external wall insulation works and uprated ventilation to 185 properties between now and a target date of March 2025. Top up loft insulation may also be provided alongside these works if required.

A further 100 homes will receive similar works, to include solar pv, across the same timescale but will be funded by the Council entirely.

In addition, we will continue with loft insulation upgrades and cavity wall insulation, extraction and re-fill, to other properties. We have a programme of around 800 EPC "D" rated solid walled houses that will need to be insulated if they are to reach EPC 'C'.

Over the course of a year the difference in energy costs between a 'G' rated property and a 'A' rated property is estimated at £1,500, and this can be split between each step in between. This may be even more currently due to the rise in fuel costs over the last 18 months.

Effectively, we can assume, on average, that for every full step up the EPC ladder that we improve the energy efficiency of a home, the tenant could save up to £250 each time. Taking a home from a 'D' to a 'B' for example, could save £500 per year.

Section 7 (Business Plan)
Capital – Acquisition, New Build and Re-Development

Acquisition and Homes for Ukrainian and Afghan Refugees

During 2022/23, the HRA acquired 4 properties on the open market to accommodate rough sleepers, partly funded using grant from Homes England, 21 properties on sites where redevelopment was either approved or potentially possible and 8 flats in a block intended for use as sheltered accommodation.

During 2023, the Department of Levelling Up, Housing and Communities (DLUHC) have awarded the authority two rounds of grant funding to assist in meeting the challenges in providing move on and settled accommodation for recent humanitarian schemes (Afghan and Ukrainian refugees).

The authority was awarded:

- Round 1 main element - £4,640,000 to be used to provide a minimum of 29 homes.
- Round 1 bridging element - £328,683 to allow the provision of at minimum 1 larger 4+ bed home to be allocated to households currently residing in bridging accommodation.
- Round 2 - £840,000 to be used to provide 3 homes for Afghan households and 1 home for use as temporary accommodation.

The grant funding requires a total top up contribution of £7,538,683 from HRA resources, with the properties held in the HRA and available for wider housing purposes once they are no longer required to accommodate this cohort. Round 1 grant has to be invested by 30 November 2023 and round 2 by 31 March 2024.

Some existing new build housing has been redesignated to meet this need, with 16 homes identified and currently occupied, or soon to be occupied. 15 homes have been acquired on the open market to date, with a further 6 in the conveyancing process.

Acquisitions or disposals completed or in progress in 2023/24 to date include:

Acquisition / Disposal	Comment	Status
1 Bed Flat	Purchase of a 1 bed flat in Trumpington ward for rough sleepers. This is the last of 14 homes acquired with Rough Sleeper Accommodation Programme grant	Complete
12 x 3 Bed Houses 2 x 4 Bed House 1 x 5 Bed House	Purchase of market dwellings for accommodating refugees, part funded by government grant	Complete
1 x 3 Bed Houses 4 x 4 Bed House 1 x 6 Bed House	Purchase of market dwellings for accommodating refugees, part funded by government grant	In progress
1 x 1 Bed Flat	Open market purchase of a home on a potential future development site	Complete
1 x 1 Bed Flat	Open market purchase of a home on a potential future development site	In progress

New Build and Re-Development

Delivery Approach

The Housing Development Agency manage the delivery of all new homes in the HRA, with a commitment to deliver affordable, sustainable homes, which meet tenant expectations.

The fees charged by the H.D.A are reviewed annually as part of the Medium-Term Financial Strategy, with a fee expectation in the H.D.A budgets of £373,920 for 2023/24. The proposed level of H.D.A fees for schemes approved from September 2023 onwards are:

- HRA housing schemes delivered using CIP – 2%
- HRA housing schemes delivered by H.D.A directly – 3%
- HRA S106 or other acquisitions – 1.5%

- Optional 1% can be added to each of the above if scheme includes community or commercial aspects.

Potential new build schemes are identified, initial feasibility work is carried out, the site is formally identified as a scheme for consideration, detailed feasibility work and formal consultation is carried out and a costed scheme is presented to Housing Scrutiny Committee for formal consideration and approval. Schemes are then incorporated into the Housing Capital Investment Plan at the next approval opportunity. As the scheme design progresses and planning approval is sought, revised and more accurate scheme costs are available, culminating ultimately in a build contract value or affordable housing agreement, which along with any fees and costs to secure vacant possession form the final budget for each scheme. Revised scheme costs are incorporated into the Housing Capital investment Plan as part of the HRA Business Plan Updates, that incorporate the Budget Setting Report or HRA Medium Term Financial Strategy as each scheme progresses.

The Council's approach to building new homes continues to develop, with both Passivhaus and Net Zero Carbon pilot schemes now approved. The authority is having to explore a multitude of options for the delivery of new homes, with inflation rate and interest rate rises making it more challenging to demonstrate scheme viability.

There is still a strong commitment to delivering good quality, affordable rented accommodation in the city, but there is a recognition that it might take longer than originally planned to deliver against the aspirational targets, and some compromise may need to be made.

Future New Build

As a result of further increases in longer-term interest rates for borrowing, the assumptions in the HRA Business Plan for the delivery of new homes have currently been retained at lower levels similar to those incorporated in the January 2023 Budget Setting Report. There is still a strong commitment to deliver as many new homes as financially feasible, with a recognition that if the economy recovers more quickly than anticipated, the programme can easily be scaled back up again.

The key assumptions now made in respect of the funding incorporated are:

- 629 net additional council rented (social rent and 60% of market rent) homes delivered over the 10 years from 2023.
- 353 affordable rented homes at 80% of market rent.
- Delivery of the net new council rented homes assumes the need to demolish and re-provide 335 existing properties as part of site regeneration schemes.
- To deliver the net new council rented homes in mixed and balanced communities, market housing will also be delivered by developers on some of the identified sites.
- A range of delivery routes will be adopted, with a mix delivered via Joint Venture or Section 106, land led schemes, existing HRA sites and potentially off the shelf purchases.
- Updated build costs using the latest information and cost data available, which assumes building to Passivhaus or equivalent performance standards. This assumes that building to Passivhaus standard or similar may be deliverable on all sites.
- Inflation in build costs incorporated at 4.7% per annum for the life of this programme.
- Homes England grant assumed for pipeline schemes at an average of £56,463 per unit across all eligible affordable tenures, recognising that not all units will be eligible for grant, particularly where a larger proportion of market sale or replacement units are proposed, or the site is a Section 106 delivery site.
- Retained right to buy receipts continue to be available for re-investment at the assumed rate of approximately £3,000,000 per annum but can't be appropriately reinvested in addition to Homes England Grant, and instead will be utilised for sites which are ineligible for grant or where grant is not awarded. This sum assumes ongoing sales at the rate of 25 per annum to generate this resource.
- Borrowing has been assumed at the rate of 5.02% for 2023/24 (recognising the PWLB HRA rate), and 4.78% for 2024/25, 4.08% for 2025/26 and 3.8% from 2026/27 ongoing, based upon Link, our treasury advisors, forecasts of the PWLB rates over the medium term.
- The Investment profile is spread across the 10-year programme based upon indicative delivery timescales, which are subject to change.

- Standard annual servicing and maintenance costs are increased by £200 per unit, recognising the need to service and maintain solar pv installations and a mechanical ventilation with heat recovery (MVHR) unit in each dwelling.
- Standard future replacement costs are increased by an average of £500 per annum to allow for the replacement of the additional components required to deliver a Passivhaus dwelling.

This requires an estimated £425,000,000 of borrowing in the HRA over the next 10 years of the plan.

Work is still ongoing to identify and explore potential HRA sites and land acquisition opportunities that could be included within the 10 Year New Homes Programme. Sites and schemes will continue to be brought forward for formal consideration and approval individually as opportunities arise, on a prioritised basis.

Taking into consideration site constraints and the delivery vehicle adopted for each scheme as it is identified for inclusion in the programme, different recommendations may be made in respect of tenure mix and sustainability standards. The option currently incorporated into the plan assumes new homes will be built using Passivhaus principles wherever considered possible but there is recognition that the intention would be to move towards net zero-carbon during the life of the programme, where it is feasible and viable to do so.

The programme, as incorporated, is still dependent upon securing Homes England Grant funding, bid for on a scheme-by-scheme basis. The authority has been successful in securing grant for a number of sites to date, and announcements earlier in the year now allow the authority to bid for grant in respect of replacement dwellings on existing HRA sites, which was not previously an option. Officers are currently revisiting schemes where it may now be possible to secure this additional grant.

If unsuccessful in securing grant for new homes, the ability to replace grant with retained right to buy receipts would only help deliver a very small proportion of the planned programme. Failure to achieve grant will mean that the programme will need to be reviewed to identify alternative sources of funding, to increase the amount of market sale housing provided, to reduce build standards or to reduce the number of council rented homes delivered overall.

The resource ear-marked in the business plan will be reviewed and re-profiled as the programme develops. The need for the HRA to borrow significant sums of money over the next 10 years will require a review of borrowing options, with long-term borrowing options to be explored and decisions made as part of the Medium-Term Financial Strategy in 2024/25. As a result of the current preferential rate offered to the HRA by the PWLB for 2023/24, any borrowing in the current year is expected to be undertaken through this route. Longer-term the authority will need to actively explore other borrowing options, including the potential for bond issuance, which may be possible in light of the significant sums required.

Schemes Completed – Devolution 500 Programme

At the time of writing this report 524 new homes had been completed as part of the Devolution 500 Programme, with a net gain of 493 council rented homes.

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage Social Housing on Site
Uphall Road	2	2	100%
Nuns Way/Cameron Road	7	7	100%
Wiles Close	3	3	100%
Ditchburn Place	2	2	100%
Queensmeadow	2	2	100%
Anstey Way	56	29	100%
Colville Road Garages	3	3	100%
Gunhild Way	2	2	100%
Wulfstan Way	3	3	100%
Markham Close	5	5	100%
Ventress Close	15	13	100%

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage Social Housing on Site
Akeman Street	14	12	100%
Mill Road	118	118	50%
Cromwell Road	118	118	40%
Colville Road II	63	63	100%
Meadows and Buchan	22	22	100%
Campkin Road*	75	75	100%
Clerk Maxwell	14	14	40%
Total	**524**	**493**	

*16 of the units at Campkin Road were re-purposed as refugee housing, with DLUHC grant awarded to contribute retrospectively towards the cost.

Schemes Completed – 10 Year New Homes Programme

The first homes being delivered as part of the new 10 Year New Homes Programme have now been delivered, as follows:

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage Social Housing on Site
Histon Road	10	10	40%
Total	**10**	**10**	

General Fund Sites

Where any General Fund sites are taken forward for development with the potential for the HRA to acquire the affordable homes, there is the need to consider the impact of the transfer of land between the General Fund and the HRA and any resulting impact of the HRA Capital Financing Requirement. Under current legislation, any increase in this results in increased interest costs to the HRA. If General Fund sites are built out by the Cambridge Investment Partnership, with the intention of the Council being to exercise the break clause in a lease in order to acquire the affordable homes, it is considered necessary for this land to be appropriated between the General Fund and the HRA at market value, taking account of the intended use.

Section 8 (MTFS)
Detailed Review of Revenue Budgets

2023/24 Mid-Year Budget Virements

As part of the HRA Budget Setting Report in January 2023, resource was incorporated to allow the authority to increase staffing and operational resource as property numbers increase. Although new homes are taken handover of throughout each year, the increase required in staffing resource is only reviewed incrementally. As part of this Medium-Term Financial Strategy, the resource that has been incorporated into the business plan from 2023/24 onwards Is now being formally allocated as follows:

- Lettings Team Leader 37 hours per week £51,570 – an increase in staffing in this small team to recognise an increase in both new build handovers and general voids requiring re-let.
- Allocation of resource of £82,760 in respect of the cost of managing, servicing and maintaining the communal heating systems at the Meadows, Campkin Road, Colville Road II, Colville Road III and L2 new build schemes.

The resource already incorporated into the HRA budget from 2023/24 onwards will be vired to allow these proposals to be implemented.

2023/24 Mid-Year Budget Changes and Inflation Impact

As part of the HRA Medium Term Financial Strategy, there is not any formal mid-year review of service delivery or operational budgets, but there is an opportunity to review the HRA position for the current year from a strategic perspective, allowing incorporation of any unavoidable items, or any major in-year changes in expenditure, income or financing arrangements as a direct result of changes in the capital programme.

There are changes proposed in other areas of the Housing budgets, in terms of the cost of delivery of services, recovery of income, and as a result changes incorporated for 2023/24 as part of the mid-year strategic review, including:

- Recognition of a reduction in rental income of £281,750 due to delays in the handover of new homes and continued high levels of general voids across the city, with the condition of homes being far poorer than experienced previously.

- Inclusion of additional resource of £191,880 in employee related expenditure, based upon the pay review for staff for 2023/24.

- Inclusion of resource of £490,000 in 2023/24 to allow feasibility and option appraisal work to be carried out in respect of potential development at Ekin Road and rooftop developments at Lichfield Road and Walpole Road, as approved at Housing Scrutiny Committee in September 2023.

- An increase of £750,000 in the void repairs budget for 2023/24 recognising the continued poor condition that void properties are being returned in, coupled with the need to refurbish some homes that have been severely fire damaged, reducing this to £300,000 per annum from 2024/25 onwards. This will be reviewed again as part of the MTFS process in 2024, once further tenancy audits have been completed.

- A reduction of £227,150 in the contribution to the bad debt provision for 2023/24 and beyond, recognising the recommendations to reduce the sum set aside annually to 1%, based upon recent use of the fund.

- Recognition of an unavoidable increase of £5,800 in the cost of the Housing Ombudsman Service from 2023/24 onwards.

- A reduction in the level of capitalised administration costs associated with the right to buy process (£6,500), recognising the anticipated reduction in sales in 2023/24.

- A reduction of £2,243,500 in the level of Direct Revenue Financing of capital expenditure in recognition of the changes to the minimum and target level of reserves for the HRA.

- A reduction in depreciation of £387,170 based upon the latest stock projections, depreciable asset values and remaining useful lives.

- An increase of £1,529,230 in the anticipated interest received on cash balances for 2023/24, with balances held higher due to underspending in 2022/23 combined with a significantly improved interest rate on investments.

- A reduction of £659,040 in the budget for interest payable by the HRA, recognising a reduced need to borrow as a result of capital re-phasing.

These changes are detailed in **Appendix E** and are incorporated into the HRA Summary Forecasts at **Appendix G.**

Appendix G summarises the base revenue budget position for the HRA for the period between 2023/24 and 2032/33, based upon inclusion of the amended financial assumptions that form part of the update to the HRA Business Plan.

Section 9 (MTFS)
Review of Capital Budgets

Existing Stock

Decent Homes

Stock condition data has been reviewed and the 30-year investment plan in respect of the existing housing portfolio has been updated to take account of the latest stock numbers, property condition and contract prices for replacement elements of the programme.

This has resulted in an increase in costs of approximately £13 million over the life of the business plan, with the revised costs having been incorporated into the financial assumptions.

Retrofit Pilot Project

The £5,000,000 originally approved to allow a pilot retrofit project to improve 50 homes has been increased to £5,196,000 with the addition of inflation. Based upon the latest pre-tender estimates for the delivery of the programme, costs have the potential to exceed the budgeted sum, but this will be confirmed once the tender process has been concluded, with resources to be adjusted as part of the 2024/25 budget or medium-term financial strategy process if required.

Appendix H provides detail of the revised 10-Year Housing Capital investment Plan, and incorporates the following items in relation to existing stock:

- Expenditure as approved in the HRA Budget Setting Report in February 2023.
- Re-phasing of expenditure anticipated to take place in 2022/23, into 2023/24 and beyond, as approved in June / July 2023.

- Update of the 30-year investment plan required to meet decent homes and allow other planned investment in the housing stock, based upon the current stock numbers and contract prices.
- Review of decent homes backlog funding, following update of the 30-year investment plan.
- Adjust inflation budgets to recognise that the review of the 30-year investment plan has re-based contract prices at today's price.

These, and other changes, are summarised in **Appendix F** and incorporated into the revised Housing Capital Investment Plan at **Appendix H**.

Acquisition & New Build

Acquisition

The project to acquire homes for rough sleepers has progressed to completion, with 14 homes acquired and let at a lower cost than originally anticipated.

The acquisition of homes to accommodate Ukrainian and Afghan refugees is progressing well, with 31 of the 34 homes required under the grant conditions completed at the time of writing this report. DLUHC have been clear that they want local authorities to deliver as many homes as possible through this grant funded route, and the authority is currently on track to deliver 3 additional homes as part of this programme, taking the total to 37 homes. To facilitate the additional homes, a virement of £200,000 is proposed from the underspend of budget in respect of rough sleeper acquisitions. This will ensure that the number of additional HRA dwellings to accommodate this group of households is maximised and the grant funding is used to its best advantage. Adjustments have also been made to the budget to reflect expenditure incurred in 2022/23 and the budget required for round 2 of the grant regime.

New Build Schemes On Site

Sites where work is in progress are summarised in the tables below, with details of the latest budgeted costs and number of units that will be delivered on each site once complete:

Devolution 500 Programme

Scheme	Approved Indicative Social Housing Units	Gain in Affordable Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Devolution Grant	Rent Basis
Colville Road II	4 (63 taken)	4 (63 taken)	14,467,580	(2,743,480)	(6,089,660)	60%
Meadows and Buchan	84 (22 taken)	84 (22 taken)	25,929,000	(7,778,700)	(9,102,060)	60%
Total	**88**	**88**				

10 Year New Homes Programme

Scheme	Approved Indicative Social Housing Units	Gain in Affordable Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Homes England Grant / Other Grant	Rent Basis
L2	75	75	17,727,000	0	(4,830,000)	30 Social Rent / 45 80%
Fen Road	12	12	4,015,000	0	(1,077,000)	Social Rent
Colville Road III	48	32	12,681,000	0	(2,144,000)	32 Social Rent / 16 80%
Ditton Fields	6	6	1,944,000	0	(534,000)	Social Rent
Borrowdale	3	3	1,044,000	0	(258,000)	Social Rent
Aragon Close	7	7	2,426,000	0	(413,000)	80%
Sackville Close	7	7	2,562,000	0	(413,000)	80%
Aylesborough Close	70	37	19,450,000	0	(3,304,329)*	41 Social Rent / 29 80%
Total	**228**	**179**				

*Homes England Grant is assumed, but no grant has yet been secured.

New Build Schemes in the Pipeline

There are a number of sites which have scheme specific approval, but at the time of writing this report, were not on site. The tables below detail the latest budget requirements either approved or for approval as part of the HRA Medium Term Financial Strategy and the assumed number of new homes which can be delivered, recognising that this may still be subject to both planning approval and procurement of a contractor or transfer to CIP for some of the sites.

Devolution 500 Programme

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Devolution Grant	Rent Basis
Kendal Way	1	1	545,000	(163,500)	0	60%
Total	**1**	**1**				

The scheme at Tedder Way has been removed from the programme, as estimated costs have risen so significantly that the scheme is no longer deemed financially viable. The sum spent to date of £74,901.27 will need to be treated as an abortive cost and will be met from revenue resources.

10 Year New Homes Programme

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Homes England Grant	Rent Basis
St Thomas's Road	8	8	3,468,000	0	(560,000)*	60%
Paget Road	4	4	1,689,000	0	(300,000)*	2 Social Rent / 2 80%
Fanshawe Road	45	25	13,000,000	0	(1,000,000) (715,000)*	34 60% / 11 80%
Princess and Hanover Court	82	0	29,763,000	0**	0	Social Rent

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Homes England Grant	Rent Basis
East Road	40	40	11,466,000	0	(2,576,000)*	16 Social Rent / 24 80%
Eddeva Park	32	32	8,021,000	2,005,250	0	60%
East Barnwell	120	110	50,306,000	0	(9,192,000)*	48 Social / 72 80%
Total	**331**	**219**				

*Homes England Grant is assumed, but no grant has yet been secured.

** The anticipated land receipt to the HRA for the element of land transferred to deliver market housing is currently netted off against the costs until details have been finalised.

Fanshawe Road was the subject of a revised report presented to Housing Scrutiny Committee in September 2023, where approval was granted for a smaller mixed tenure scheme on this site in place of the previous larger 100% affordable rented scheme. Budgets have been amended in this iteration of the Medium Term Financial Strategy, to reflect the revised decision. This includes a reduced budget of £13,000,000 recognising the delivery of 45 rented homes on the site instead of the originally anticipated 93, and also reflects the inclusion of a land receipt of an estimated £350,000 for the land upon which the market homes will be built.

Budget remains ear-marked for the costs of the potential redevelopment of Princess and Hanover Court, should redevelopment be the recommended option when the scheme specific report is presented to Housing Scrutiny Committee, as this would be the option carrying the highest cost. This report will be presented to a future Housing Scrutiny Committee.

The table below summarises changes to either approved budgets, and /or anticipated numbers of units, for schemes in the current programme, with inflation added to all schemes not already on site, or in contract, at the start of the year. The scheme at Tedder Way has been removed from the programme due to an increase in costs that made the scheme unviable to pursue. Funding has been increased for schemes at Aragon Close and Sackville Close because of increased foundation costs and the costs of delay, caused by enhanced archaeological works and at Paget Road and St Thomas's Road, where costs have increased as the authority has gone through the tender process for these sites, which are being built to Passivhaus certification. The budget for Aylesborough Close has been reduced, now that the scheme is formally in contract and on site and the budget for the scheme at Fanshawe Road has been amended as reflected above.

Scheme	Previous Budget Approval	Original Estimated Units	Latest Budget Approval Request	Revised Estimated Units	Justification
Tedder Way	528,000	1	0	0	Scheme aborted
Kendal Way	524,000	1	545,000	1	Inflation added
Aragon Close	2,103,000	7	2,426,000	7	Inflation added and budget increased
Sackville Close	2,121,000	7	2,562,000	7	Inflation added and budget increased
Aylesborough Close	19,030,000	70	19,450,000	70	Inflation added and saving delivered
St Thomas's Road	2,953,000	8	3,468,000	8	Inflation added and budget increased
Paget Road	1,421,000	4	1,689,000	4	Inflation added and budget increased
Fanshawe Road	28,587.000	93	13,000.000	45	Reduced Scheme
Princess and Hanover Court	28,610,000	82	29,763,000	82	Inflation added
East Road	10,964,000	40	11,466,000	40	Inflation added

The table below confirms the current status for all pipeline schemes:

Scheme	Site Type	Status	Potential New Build Units
Kendal Way	In-fill	Planning approved	1
St Thomas's Road	Existing HRA Garages	Pre-planning	8
Paget Road	Existing HRA Garages	Pre-planning	4
Fanshawe Road	Existing HRA Housing	Pre-planning	45
Princess and Hanover Court	Existing HRA Housing	Options appraisal in progress	82
East Road	Demolished HRA Garages	Pre-planning	40
Eddeva Park	Section 106	Planning approved	32
East Barnwell	Mixed Ownership Site	Pre-planning	120

Capital Programme

Appendix H provides detail of the revised 10-Year Housing Capital investment Plan, and incorporates the following items in respect of new build and acquired housing:

- Expenditure as approved in the HRA Budget Setting Report in February 2023.
- Re-phasing of expenditure anticipated to take place in 2022/23 into 2023/24 and beyond, as approved in June / July 2023.
- Adjustment to the Local Authority Housing Fund budget to recognise expenditure incurred in 2022/23 and the budget required to deliver round 2 grant commitments.
- Virement of £200,000 for the budget for rough sleeper acquisitions to the budget for refugee acquisitions, to maximise the number of new homes that can be provided with the grant funding available.
- Increase in the budgets for Aragon and Sackville Close, recognising additional archaeological works and the build cost increases associated with the delay.
- Increase in the budgets for Paget Road and St Thomas's Road recognising the high build cost inflation for improved sustainability homes, borne out through the

tender process, coupled with delivery of an M4 (3) bungalow on the St Thomas's Road site.

- Re-allocation of new build budget of £8,021,000 between the unallocated / generic new build budget and the scheme specific budget for Eddeva Park, following approval of the scheme at Housing Scrutiny Committee in September 2023.
- Increase in the budgets for Aylesborough Close, East Road and Princess and Hanover to recognise standard inflation in costs.
- Revision of the budget for Fanshawe Road to £13,000,000, recognising the revised scheme approved at Housing Scrutiny Committee in September 2023 to deliver 45 affordable rented homes on a mixed tenure site.
- Inclusion of a scheme budget of £50,306,000 for East Barnwell, in line with the scheme specific report being presented to Housing Scrutiny Committee as part of this committee cycle.
- Inclusion of the latest cost assumptions and funding in line with Homes England grant applications, in respect of the 10 Year New Homes Programme. Future right to buy receipts have not been allocated to specific schemes at this stage but are anticipated to be utilised where grant bids are unsuccessful or new homes are on sites not eligible for grant.

Updated expenditure and funding sources, on a cashflow basis, for all new build schemes are detailed at **Appendix F.**

Section 10 (MTFS)
Risks and Reserves

Risks

The HRA faces a number of risks and uncertainties in respect of its ongoing operation.

Alongside the current financial uncertainty that is being driven by high inflation rates, there are significant risks surrounding unknown costs for the HRA, particularly in respect of investment in the existing housing stock that may be needed for fire safety, other health and safety, compliance and energy efficiency reasons. Whilst the Decent homes 2 standard is still awaited this uncertainty continues.

The cost of delivering new homes also continues to rise steeply, and there is no guarantee that Homes England grant will be available at the levels assumed in our financial forecasts, with the current Homes England Affordable Housing Grant Programme coming to an end in 2024.

Future rental streams are also subject to uncertainty, with no clarity over the level of rent increases that will apply from April 2025 onwards, once the current Rent standard comes to an end.

A detailed risk analysis is presented at Appendix A, with financial and operational uncertainties provided at Appendix B.

Housing Revenue Account Reserves

Minimum Level of HRA General Reserves

Reserves are held to help manage risks, including changes in inflation and interest rates, unanticipated service demands, rent and other income shortfalls, and emergencies, such as uninsured damage to the housing stock, unanticipated major repairs or events such as a pandemic, or international conflict. Reserves are also used to fund investment which is anticipated to deliver savings in the longer-term.

The approach to setting both a minimum and target level of reserves for the HRA has been revisited as part of this Medium-Term Financial Strategy, taking account of the type of expenditure or income that the HRA accounts for, and balancing the value and the risk associated with each of these. This results in a new minimum level of reserves is £5,875,000, with a target level of reserves at 20% above this, £7,050,000.

The detailed calculation can be found in Appendix I.

Impact on HRA General Reserves in 2023/24

The impact on HRA reserves for 2022/23, and 2023/24 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2022/23 £'000	2023/24 £'000
Budgeted Changes in HRA Reserves		
Opening General HRA Reserves	**(19,590)**	**(10,521)**
Original Budget (Approved in January)	1,029	6,185
Carry Forwards (Approved in June)	12,562	335
MTFS Mid-Year Review (Approved in September)	(117)	(3,320)
Budget Setting Report Revised Budget (February)	(4,327)	-
Estimated Closing General HRA Reserves	**(10,443)**	**(7,321)**
Actual Changes in HRA Reserves		

Opening General HRA Reserves	**(19,590)**	**(19,590)**
Actual Outturn for the Year (Reported in June 2023)	9,069	-
Contribution from Ear-Marked Reserves	0	-
Actual Closing General HRA Reserves	**(10,521)**	**-**

The original budget for 2023/24 approved a net call on general reserves of £6,185,160, and also incorporated use of £14,704,510 previously set-aside for potential debt repayment or re-investment, which alongside revenue income, allowed a total revenue contribution to fund capital expenditure of £29,446,380 for the year.

This iteration of the business plan includes changes in:

- estimated dwelling rental income for 2023/24
- pay costs from 2023/34
- interest due for the year based upon revised cash balance assumptions
- interest paid based upon the latest borrowing assumptions
- the level of depreciation assumed to be chargeable to the HRA
- the bad debt provision required for the year, based upon the latest estimates
- the level of revenue funding of capital for the year, based upon capital projections
- allocation of resource identified to respond to an increase in stock numbers
- resource to respond to unavoidable pressures

The final general HRA reserves position reported for 31 March 2023 was £10,521,079. The revised projection of the use of general reserves in the current year (2023/24) now indicates that there is expected to be a net call on reserves of £3,199,670, which would leave a balance of £7,321,409 at 31st March 2024.

Earmarked Funds

In addition to General Reserves, the Housing Revenue Account maintains a small number of earmarked or specific funds which are held for major expenditure of a non-recurring nature or where the income is received for a specific purpose. **Appendix I** details existing balances held.

Section 11 (MTFS)
HRA Budget Strategy

Base Assumptions

In order to update the Housing Revenue Account Business Plan, the assumptions included in the base plan have been revisited and confirmed or amended as appropriate in the light of up-to-date intelligence and information, utilising historical information, externally available data and expert advice and opinion of specialists where appropriate.

The base financial assumptions included in the financial model are included at **Appendix C** of the HRA Medium-Term Financial Strategy, with continuing uncertainties for the HRA summarised at **Appendix B** of the Business Plan.

Appendix D demonstrates the potential impact on the HRA business plan of changes in some of the base assumptions that have been incorporated as part of this review.

HRA Budget Strategy

The Budget Process

The HRA budget for 2024/25 will incorporate any changes proposed and agreed as part of this iteration of the business plan.

Following an independent review of the budget process and associated governance, and approval of several of the resulting recommendations at Strategy & Resources in July 2022, a number of changes have been made:

- Consideration has been given to moving to a more typical budget setting process, aligning processes and decision making for the General Fund and HRA where possible. This has been achieved for the Medium-Term Financial Strategy, but is more complex for the budget setting process due to the need to set and communicate rents within prescribed timescales

- delegation and virement rules have been reviewed and updated
- officer input into the opposition budget process has been reduced to a high level assessment of feasibility, lawfulness and accuracy, with proposals presented without a full opposition budget being drafted
- the budget bid process has been reviewed for 2024/25 to include fewer consolidated strategic proposals, with a minimum value for bids of £50,000 and with officers required to manage smaller business changes within existing budgets using virement rules

Other actions are still in progress:

- current political management arrangements are currently being reviewed
- roles of government, members and officers will be clarified as part of the governance review
- provide a wider context for members of the local government sector
- the timeline and process for reports to formal member meetings will be reviewed as part of the governance review to reduce time taken
- an annual communication strategy to underpin the budget process will be developed as part of the 2024/25 budget process

Development of the Budget Strategy

The HRA still faces significant financial challenges, with increases in ongoing borrowing costs expected to outweigh any increases in income that would otherwise support these costs. There remains a commitment to improve the sustainability of dwellings by 2035, with a target to achieve EPC 'C' in all homes, but this only goes some way towards the aspirational target of achieving net zero carbon.

For 2023/24 the HRA Medium Term Financial Strategy incorporates changes in anticipated dwelling rental income for the current year as a result of continued high levels of voids, decants for redevelopment and delays in the delivery of new homes. The update also includes changes in the contribution to the bad debt provision, anticipated interest earned in year from a revenue perspective, anticipated interest paid on borrowing and in depreciation of the housing stock, alongside some changes in operational budgets.

Changes have been incorporated in the Housing Capital Programme, recognising delays in the new build delivery programme, whilst also updating the sums ear-marked for the 10 Year New Homes Programme to take account of updated assumptions.

The borrowing requirement in future years in order to deliver the reduced 10 Year New Homes Programme has increased, with an estimated £425,000,000 required over the next ten years and £635,000,000 over the life of the plan. The assumption is retained, that for the delivery of new council rented homes to be possible, the authority will be successful in securing grant funding from Homes England. Failure to secure grant will require a significant review of both the proposed development programme and the HRA business plan.

The HRA needs to be able to clearly demonstrate that it can support any borrowing, with borrowing undertaken in order to finance a new asset, and not simply to plug a budget gap. The investment need in the existing housing stock in order to improve sustainability and energy efficiency has still been included in part, with resource to improve homes to and EPC'C' standard, but this will still leave a significant further investment requirement to move homes to a net zero carbon standard. The business plan is unable to support the level of borrowing that would be required without an additional future revenue stream.

As borrowing is required, borrowing routes need to be explored in detail. If the HRA is to deliver the new council rented homes committed to, taking account of the latest changes in assumptions, there is still no ability to set-aside resource to repay any of the self-financing debt and all borrowing will need to be re-financed at maturity, materially impacting the financial forecasts for the HRA and driving the need to identify net savings in future iterations of the business plan.

With the current pressure on the HRA finances, the aspiration to maximise the delivery of new council rented homes and the requirement to improve the energy efficiency of the existing housing stock, this report proposes a budget strategy where an efficiency savings target is set at a level above the proposed strategic investment fund, to generate net ongoing savings in the HRA, to reduce the overall need to borrow. This approach will also ensure that the HRA is best placed to respond to future pressure, in terms of the need to meet updated statutory, health and safety, compliance and regulatory requirements.

The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2024/25 budget bids and savings process, to ensure that these can be weighed up against any strategic re-investment proposed.

Approach to HRA Savings

In line with the budget strategy outlined, it is recommended that an efficiency target is retained for 2024/25 as in previous years, but with a lower level of strategic investment fund, in order to deliver net savings for the HRA to support future investment in sustainable homes and to create some capacity in future years to be able to respond to the financial challenges arising from the Social Housing Regulation Act and review of the Decent Homes Standard.

The inclusion of an efficiency savings target equivalent to 4% of controllable general management and repairs administration expenditure (now £196,000 per annum) is retained for 2024/25 and the following four years.

It is proposed that 50% is redirected into resource for strategic reinvestment in other areas of the housing service, with an annual fund of £98,000 to be created. The authority will need to review and evaluate its approach again in preparation for 2025/26 onwards, once the longer-term impacts on the economy, and its recovery, are clearer.

The assumption that response and planned revenue repairs expenditure is adjusted in line with any stock changes is also retained.

As part of the 2024/25 budget setting process, any areas of new revenue investment will therefore need to be more than offset by the identification of savings or increased income generation elsewhere across the HRA.

The position for the HRA will be reviewed again as part of the January 2025 HRA Budget Setting Report, with a view to continuing to maximise investment in new homes, maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst also ensuring that the existing housing stock is maintained to the latest standards, with the aspiration to improve levels of energy efficiency being key.

It is likely that a greater net savings position may need to be sought from 2025/26 onwards, but by this point it is hoped that the economic outlook will be clearer, and the corporate transformation programme will have presented more detailed recommendations for change.

Appendix A

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified	• Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted. Officers review any publications. • Service Improvement Team in place to respond to requirements of Social Housing Regulation Bill
Delays in announcement of detail surrounding housing policy change negatively impacts decisions taken at a local level	• Decisions taken in the context of a business plan which recognises the uncertainty. Savings taken have impacts exemplified to ensure impact is mitigated.
Funding is not identified to meet the costs associated with changes in statutory requirements	• Additional / specific funding requirements for new services can be identified through the budget process, to allow effective prioritisation of resources. Minimum reserves are held to allow immediate investment if required. • Representation made to DLUHC and other national bodies where statutory requirements carry excessive cost.
Changes in national housing or rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies. • Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible with scenario impact quantified.
Housing Spending Plans	
The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets	• Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact. • The Business Plan includes long-term trend and scenario analysis on key cost drivers.

Risk Area & Issue arising	Controls / Mitigation Action
	• Target levels of reserves are set for the HRA to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures.
Financial planning lacks appropriate levels of prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt
Business plan assumption that all borrowing is re-financed at the end each borrowing term can't be supported	Business plan is reviewed annually, housing stock is maintained to decency standards, with an asset management strategy in place.
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework
Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc.	• A business decision is required for all strategic acquisitions, disposals and one-off areas of significant investment • Performance and contractor management procedures are robust and contracts are enforceable • The Council's accounts are audited on an annual basis, with assurance given that the authority is delivering economy, efficiency and effectiveness in its use of resources
Value for money in terms of investment in new build homes is challenged	• Council adopts a mix of delivery vehicles • Council employs cost consultants to demonstrate price comparability with the local market • Council has completed an independent review of new build delivery

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation
Rent and service charge arrears increase, and bad debt rises, as a direct result of the Welfare Benefit Reforms or the current cost of living crisis	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required. • Income Analytics and LIFT software procured to aid arrears recovery.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes in the economic environment cause a significant reduction in the number of right to buy sales, reducing the resource available to finance the capital investment programme	• Sensitivities modelled so potential impacts are understood • Business plan is regularly reviewed allowing reallocation of resource or consideration of borrowing if required
Changes to the right to buy rules result in an increase in the level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity • Delivery timeframe extended to 5 years, with ability to invest up to 40% of receipt into the replacement dwelling
Volatility and competition in the property market impacts the ability to fund planned capital investment from the sale of assets	• Policy on applying general capital receipts for strategic disposals only at point of receipt • Regular review of mix of new build delivered to ensure that assumptions around shared ownership and market sale are realistic

Appendix B

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

HRA Borrowing and Interest Rates

Future uncertainty exists in the borrowing route to fund the delivery of the 10-year new homes programme and the ability to manage the cashflow and service / re-pay the debt in a self-financing environment. Interest rates are currently rising, and it is difficult to predict where they will settle. Rents are controlled at national level, which was never the intention of operating in a self-financing environment, and which may constrain the HRA business plan.

Right to Buy Sales

The number of sales had begun to reduce as a result of mortgage rate rises, following some recovery in 2021/22 and 2022/23 following the pandemic. Indications are that interest has slowed currently, but the uncertainty in the economy, and the current increased cost of living may continue to impact future sales. It is impossible to predict this accurately.

Right to Buy Retention Agreement

Resource retained in respect of 1-4-1 receipts must be appropriately re-invested to avoid payment of an interest penalty, currently at the bank base rate plus 4%, so 9.25%. At present, sufficient investment is incorporated into the HRA financial model to avoid penalty in the medium-term, so no interest payments are assumed in the business plan.

Inflation

It is difficult to predict the longer-term position in respect of inflation, which is currently still high. The longer-term impact of the conflict In Ukraine in respect of both fuel and utility prices is also unclear at this time. The government is committed to continuing to bring down inflation levels, with some progress made in 2023/24 to date, but it is impossible to predict how much longer this will take and where rates will reside longer-term.

HRA New Build

Delays in the delivery of the new build programme impact negatively upon rental income. If any individual development scheme does not proceed, the initial outlay needs to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of anticipated rental streams. Delays on site are still being experienced.

Welfare Reforms

The ongoing impact for the authority of the full local rollout of Universal Credit is still uncertain, but with expectations that we may see a significant increase in arrears levels.

Housing Revenue Account – Revenue Uncertainties

Social Housing Regulation Bill

Although the Social Housing Regulation Bill now has Royal Assent, there is still significant detail awaited surrounding the new consumer standards and housing inspection regime. The need for a review of legislation surrounding the decency and maintenance standards of social housing stock was also identified, and we await the details of additional works that may be required.

National Rent Policy

The national rent policy, which is legislative, removes local control over the setting of rent levels. Although the rent standard states an increase of up to CPI plus 1% for one further year, there is no indication what will be imposed from April 2025.

Housing Revenue Account - Capital Uncertainties

Sulphate Attack

Funding of £1.1m is still incorporated into the Housing Capital Programme to tackle sulphate attack in 98 potentially affected properties. Following a risk assessment, this allows works to be carried out, if required, and only when properties become void. There is the potential for similar sulphate attacks in the structures of other council dwellings constructed at a similar time, resulting in the need for additional investment. Work is to be commissioned to revisit this issue and review the current asset management approach.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

DFG's are currently fully funded by the Better Care Fund, but any top up investment by the authority or funding for Private Sector Housing Grants and Loans, is dependent upon the generally available proportion of right to buy receipts in any year, with funding dependent upon a percentage of the first 10 to 17 right to buy sale receipts per annum, as assumed in the self-financing settlement. This could put at risk the desired level of investment in this area, if funding via the Better Care Fund were to reduce.

Right to Buy Sales and Retained Right to Buy Receipts

Under the agreement with DLUHC, the authority is committed to invest the receipts in new homes within 5 years of the receipt period, with this funding meeting no more than 40% of the cost of a dwelling. Once Devolution Grant is exhausted, the authority will be required to identify the 70% top up funding itself or through borrowing, with this assumption currently incorporated as an alternative to Homes England grant. Receipts may need to be paid over to central government at the end of each year, if delays in the delivery of new homes mean that deadlines are breached.

Fire Safety Act and Works in Flatted Accommodation

The authority is still working through the implications of changes to fire safety and building safety regulations, which impact the future investment need in flatted accommodation particularly. The cost of any works required under revised regulations will need to be met from reserves in the short-term, with a wider review of stock investment budgets to follow.

Decent Homes 2

The authority still awaits details of the outcome of the review of the Decent Homes Standard, with future investment needs expected to alter as a result.

Energy Improvement Works

The authority commissioned work to explore the potential costs to retrofit existing homes to improve energy efficiency. The need to evidence that these costs are robust is being addressed by carrying out pilot programmes locally and the authority is exploring funding mechanisms to support this investment. The ability to deliver this level of investment without financial support is limited.

HRA Commercial Property

Stock condition surveys and investment profiles are still required in respect of some of the HRA's commercial property portfolio, to ensure that sufficient resource is identified in the Housing Capital Plan to maintain the properties in a lettable condition.

Appendix C

Revised Business Planning Assumptions (Highlighting Changes in Bold)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**3% for 2024/25, returning to 2% from 2025/26**	**General inflation on expenditure included at 3% for 2024/25, with 2% ongoing per Bank of England forecasts.**	**Amended**
Capital and Planned Repairs Inflation	**2.68% for planned maintenance and 4.7% for new build**	**Based upon the mix of BCIS and CPI forecasts for next 5 years, using averages over this period. Adopt 4.7% for new build based upon industry projections.**	**Amended**
Debt Repayment	No debt repayment assumed	Assumes surplus is re-invested in income generating assets, but with borrowing rates resulting in ability to support interest payments only.	Retained
Pay Inflation	**1% Pay Progression & Pay Inflation at £1,925 or 3.88% for 2023/24, 4%, then 2%**	**Assume allowance for increments at 1% and cost of living pay inflation at £1,925 (or 3.88% from scp 43) for 2023/24, 4% for 2024/25, then 2% on an ongoing basis.**	**Amended**
Employee Turnover	3%	Employee budgets assume a 3% turnover, unless service area is a single employee, or is a shared service, externally recharged service or trading account.	Retained
Social Rent Review Inflation	**7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI**	**Assume an increase of CPI plus 1% for 2024/25, then reverting to inflation plus 0.5% for 5 years after this, then CPI. Assume CPI in preceding September is 6.7%, then 2% ongoing.**	**Amended**
Affordable Rent Review Inflation	**7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI**	**Affordable rents to be reviewed annually in line with rent guidance, ensuring that re-lets do not breach the Local Housing Allowance, 60% or 80% of market rent, depending upon the tenure.**	**Amended**
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties directly to target rent.	Retained

Key Area	Assumption	Comment	Status
External Lending Interest Rate	**5% for 2023/24, 4.5% for 2024/25, 3% for 2025/26, then 2.5% ongoing**	**Interest rates based on latest market projections, recognising that the HRA will benefit from low risk investments only**	**Amended**
Internal Lending Interest Rate	**5% for 2023/24, 4.5% for 2024/25, 3% for 2025/26, then 2.5% ongoing**	**Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment either the HRA or the General Fund longer-term.**	**Amended**
External Borrowing Interest Rate	**5.02% for 2023/24, 4.78% for 2024/25, 4.08% for 2025/26, then 3.8% ongoing**	**Assumes additional borrowing using PWLB projected rates generated by Link, with HRA and certainty rate applied.**	**Amended**
Internal Borrowing Interest Rate	**5.02% for 2023/24, 4.78% for 2024/25, 4.08% for 2025/26, then 3.8% ongoing**	**Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.**	**Amended**
HRA Minimum Balances	**£5,875,000**	**Revise HRA minimum balance to £4,628,000, following a review of the approach to holding reserves in the HRA.**	**Amended**
HRA Target Balances	**£7,050,000**	**Revise HRA target balance to £5,554,000 (minimum plus 20%), following a review of the approach to holding reserves in the HRA.**	**Amended**
Right to Buy Sales	**20 in 2023/24, then 25 sales ongoing**	**Activity has slowed as a result of mortgage rate increases, so the assumed sales for 2023/24 have been reduced, but the previous assumption of 25 sales is retained annually from 2024/25 ongoing.**	**Amended**
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for one receipts included, and ear-marked for direct new build spend. Debt repayment proportion assumed to be set-aside.	Retained
Void Rates	**2% for 2023/24, 1.35% for**	**Assume increased void rate of 2% for 2023/24, 1.35% for 2024/25, then ongoing**	**Amended**

Key Area	Assumption	Comment	Status
	2024/25 then 1% ongoing	**void rate of 1% from 2025/26, recognising intended improved void performance.**	
Bad Debts	**1% from 2023/24 ongoing**	**Bad debt of 1% ongoing reflecting the requirement to collect 100% of rent directly through Universal Credit.**	**Amended**
Savings Target	£196,000 (4% of general and repairs administrative expenditure)	Retain an efficiency target, now at £196,000 from 2024/25 for 5 years. Allows strategic reinvestment and a response to pressure from national housing policy change.	Retained
Responsive Repairs Expenditure	Adjusted pro rata to stock changes	An assumption is made that direct responsive repair expenditure is adjusted annually in line with any change in stock numbers.	Retained
Strategic Investment Fund	**£98,000**	**Housing Strategic Investment Fund included from 2024/25 for 5 years at 50% of the value of the savings target, to deliver a net reduction in costs**	**Amended**

Appendix D

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact	Business Plan Impact
Rents Inflation	Assumed at 7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI	No guarantee that there will be the ability to return to previously assumed rent increases if rents are set legislatively after 2024/25, so assume CPI only from 2025/26.	Borrowing increases by £83 million during the life of the plan and interest payments by £34 million.	1,000 of the 1,700 homes are unable to be improved to EPC ‘C’.
Rent Increases	Assumed at 7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI	Assume a cap on rent increases at 7%	Borrowing increases by £26 million and interest payments by £12 million.	340 of the 1,700 homes are unable to be improved to EPC ‘C’.
Rent Increases	Assumed at 7.7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI	Assume a local decision to cap rent increases at 5% for 2024/25	Borrowing increases by £105 million during the life of the plan and interest payments by £46 million.	1,250 of the 1,700 homes are unable to be improved to EPC ‘C’.
Rent Increases	Assumed at 7% for 2024/25, then CPI plus 0.5% for 5 years, then CPI	Assume a local decision to cap rent increases at 3% for 2024/25	Borrowing increases by £184 million during the life of the plan and interest payments by £80 million.	None of the 1,700 homes are able to be improved to EPC ‘C’ and a savings target of 12% would be required in place of the current 4% for 2024/25.
General Inflation	CPI assumed to be 3% for 2024/25, then 2% ongoing from 2025/26	Assume that high levels of inflation do not return to 2% within 18 months, with CPI at 6% and 4% before returning to 2% from 2026/27.	Borrowing increases by £22 million during the life of the plan.	280 of the 1,700 homes are unable to be improved to EPC ‘C’.
Direct Payments	Bad Debts at 1.5%	Evidence from the pilot authorities for direct payment indicated that	Borrowing increases by £139 million during the life of the plan, with £76 million bad	1,450 of the 1,700 homes are unable to be improved to EPC ‘C’.

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact	Business Plan Impact
(Universal Credit)		collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2024/25.	debt and £66 million in additional interest payments.	
Cost of HRA New Build Programme	Homes England Grant assumed for all eligible affordable tenures	Assume that the authority fails to secure further Homes England Grant to support the delivery of new homes	Borrowing increases by £90 million during the life of the plan and interest payments increase by £62 million.	1,100 of the 1,700 homes are unable to be improved to EPC 'C'.
Cost of Borrowing	Borrowing is assumed at 5.02% for 2023/24, 4.78% for 2024/25, 4.08% for 2025/26, then 3.8% ongoing	Assume that the long-term borrowing rate does not fall to a low as 3.8%, but instead stabilises at 4.5%	Borrowing increases by £128 million during the life of the plan and interest payments increase by £131 million, which is not financially viable.	1,280 of the 1,700 homes are unable to be improved to EPC 'C'.
Cost of Borrowing	Borrowing is assumed at 5.02% for 2023/24, 4.78% for 2024/25, 4.08% for 2025/26, then 3.8% ongoing	Assume that the current reduced HRA rate is the best we can expect in the long-term, so assume borrowing at 5.02% ongoing	Borrowing increases by £266 million during the life of the plan and interest payments increase by £269 million, which is not financially viable.	None of the 1,700 homes are able to be improved to EPC 'C' and 66 fewer homes could be delivered.

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

Appendix E

2023/24 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2023/24 Budget (£)	Budget Amendment in 2024/25 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		**6,519,830**		
HRA General and Special Management				
Increased staffing in Voids and Lettings	Employment of a Lettings Team Leader, recognising the increase in both new homes being handed over and existing homes becoming void and requiring re-let	0	0	Funding already incorporated into the HRA business plan
Increased cost of Housing Ombudsman	The statutory subscription to the Housing Ombudsman Service has increased above inflation again from 2023/24	5,800	5,800	Built into base for future years
Increased abortive fees for potential HRA new build developments	Funding is required to carry out feasibility work for air space development on a number of potentials sites	490,000	0	One off
Total HRA General and Special Management		**495,800**		
HRA Repairs				
Third Party Management Servicing and Repair Costs	Budgets need to be increased to recognise the cost of servicing and maintenance outsourced to third party management companies for new build homes.	0	0	Funding already incorporated into the HRA business plan
Void Repairs	Budgets need to be increased recognising that the poor condition of void properties continues to be a problem.	750,000	300,000	Built into base for future years
Total HRA Repairs		**750,000**		
HRA Summary Account				

Area of Income / Expenditure	Description	Budget Amendment in 2023/24 Budget (£)	Budget Amendment in 2024/25 Budget (£)	Comment
Bad Debt Provision	Reduction in bad debt provision based on latest assumptions	(227,150)	Incorporated into base assumptions	Built into base for future years
Rent Income	Reduction in rental income for 2023/24 due to delays in new build handover and increased voids	281,750	Incorporated into base assumptions	Built into base for future years
Dwelling Depreciation	Reduction in the estimated level of depreciation based upon the latest stock projections	(387,170)	Incorporated into base assumptions	Built into base for future years
RTB capitalisation	The sum that can be capitalised in respect of administrative costs will be lower due to a reduction in sales	6,500	Incorporated into base assumptions	Built into base for future years
Interest earned on HRA Balances	The HRA will receive a higher interest receipt as a result of higher cash balances and a significantly higher intertest rate in 2023/24	(1,529,230)	Incorporated into base assumptions	Built into base for future years
Interest paid on Borrowing	Reduction in interest paid, with assumed borrowing in 2023/24 now at a higher interest rate, but with a lower level of borrowing need	(659,040)	Incorporated into base assumptions	Built into base for future years
Direct Revenue Financing (DRF) of capital	A reduction in DRF recognising a review of target and minimum HRA balances	(2,243,500)	0	One-Off
Pay Inflation	An increase in pay costs based upon the pay award for 2023/24	191,880	Incorporated into base assumptions	Built into base for future years
Total HRA Summary		**(4,565,960)**		
Revised use of / (contribution to) HRA Reserves post MTFS		**3,199,670**		

Appendix F

2023/24 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**137,272**	**94,762**	**104,135**	**78,402**	**59,698**
General Fund Housing					
Increase in budget in line with DFG Grant via the Better Care Fund	58	0	0	0	0
Decent Homes and Other HRA Stock Investment					
Re-profile decent homes and other stock investment budgets based upon latest stock numbers, contract prices and stock condition data					
Kitchens	0	(130)	(175)	(91)	(183)
Bathrooms	0	0	52	(58)	(123)
Central Heating / Boilers	0	(613)	(171)	(115)	(185)
Insulation / Energy Efficiency / Wall Finishes	0	(92)	(118)	(153)	(125)
Energy Efficiency Pilot / Retrofit / EPC 'C'	868	1,392	0	0	0
External Doors	0	138	(20)	(13)	(4)
PVCU Windows	0	(267)	(39)	(15)	(13)
Wall Structure	0	204	44	22	(24)
Roof Covering (including chimneys)	0	(508)	(307)	(397)	(226)
Electrical / Wiring	0	(28)	(15)	(11)	0
Heating and Boilers	0	0	0	0	0
Other Health and Safety Works	0	0	52	52	52
Decent Homes Backlog	0	(800)	(800)	(800)	(887)
Decent Homes Planned Maintenance Contractor Overheads	0	(141)	(76)	(87)	(91)
Decent Homes New Build Allocation	(1,042)	(572)	(967)	(690)	(750)
Lifts and Door Entry Systems	0	(1)	(3)	0	0
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	0	(6)	(5)	(4)	(4)
New Build					
Remove budget for Tedder Way	(482)	0	0	0	0
Re-phase budget for Campkin Road	227	(227)	0	0	0
Re-phase budget for Meadows and Buchan	(3,803)	3,803	0	0	0
Re-phase budget for Colville Road III	(2,993)	2,993	0	0	0
Increase and re-phase budget for Aragon Close	(957)	1,185	0	0	0

Area of Expenditure And Change	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Increase and re-phase budget for Sackville Close	(909)	1,253	0	0	0
Reduce and re-phase budget for Aylesborough Close	(8,005)	3,923	3,666	0	0
Increase and re-phase budget for St Thomas's Road	(2,001)	1,520	1,661	0	0
Increase and re-phase budget for Paget Road	(1,347)	685	866	0	0
Reduce and re-phase budget for Fanshawe Road	(6,822)	(2,955)	(4,681)	(2,337)	0
Re-phase budget for East Road	(1,631)	(7,158)	7,468	1,321	0
Allocate scheme specific budget for Eddeva Park	2,553	2,625	2,625	218	0
	621	4,885	13,109	18,084	12,260
Include and adjust budget to recognise the delivery of round 2 homes for refugees, partially funded by DLUHC grant, with virement from rough sleeping budget to maximise delivery	1,505	0	0	0	0
Re-allocation of 10 Year New Homes budget in line with changes to scheme specific approvals and update of sums for latest programme assumptions	(13,788)	(14,669)	(19,278)	(105)	23,600
Vire budget from Rough Sleeper acquisitions to Local Authority Housing Fund acquisitions to maximise assets acquired and make best use of grant funding	(200)	0	0	0	0
Sheltered Housing					
No changes	0	0	0	0	0
Other HRA Spend					
No changes	0	0	0	0	0
Inflation Allowance					
Adjust inflation allowed to reflect new base and revised inflation assumptions	(1,567)	(378)	149	1,782	6,164
Total Housing Capital Plan Expenditure post HRA MTFS	**97,557**	**90,823**	**107,172**	**95,005**	**99,159**

Appendix G

HRA 10 Year Summary Forecast 2023/24 to 2032/33

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Rental Income (Dwellings)	(44,449)	(49,316)	(51,653)	(54,524)	(57,920)	(60,872)	(64,329)	(67,095)	(69,693)	(71,609)
Rental Income (Other)	(1,321)	(1,277)	(1,303)	(1,329)	(1,484)	(1,514)	(1,544)	(1,576)	(1,607)	(1,639)
Service Charges	(4,200)	(4,526)	(4,613)	(4,701)	(4,791)	(4,883)	(4,980)	(5,080)	(5,182)	(5,285)
Contribution towards Expenditure	(559)	(577)	(589)	(601)	(613)	(625)	(637)	(650)	(663)	(676)
Other Income	(528)	(550)	(561)	(572)	(584)	(595)	(607)	(619)	(632)	(644)
Total Income	**(51,057)**	**(56,246)**	**(58,719)**	**(61,727)**	**(65,392)**	**(68,489)**	**(72,097)**	**(75,020)**	**(77,777)**	**(79,853)**
Expenditure										
Supervision & Management - General	6,267	5,927	6,085	6,071	6,299	6,484	6,725	6,950	7,181	7,385
Supervision & Management - Special	4,715	5,128	5,244	5,364	5,486	5,611	5,738	5,869	6,003	6,141
Repairs & Maintenance	11,923	11,303	11,811	12,438	13,017	13,681	14,262	14,856	15,323	15,832
Depreciation – to Major Repairs Res.	11,579	12,056	12,709	13,242	13,963	14,488	15,086	15,588	16,096	16,459
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	1,245	1,126	1,166	1,214	1,267	1,317	1,370	1,417	1,463	1,502
Total Expenditure	**35,729**	**35,540**	**37,015**	**38,329**	**40,032**	**41,581**	**43,181**	**44,680**	**46,066**	**47,319**
Net Cost of HRA Services	**(15,328)**	**(20,706)**	**(21,704)**	**(23,398)**	**(25,360)**	**(26,908)**	**(28,916)**	**(30,340)**	**(31,711)**	**(32,534)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(2,200)	(1,409)	(939)	(754)	(730)	(720)	(713)	(713)	(719)	(723)
(Surplus) / Deficit on the HRA for the Year	**(17,528)**	**(22,115)**	**(22,643)**	**(24,152)**	**(26,090)**	**(27,628)**	**(29,629)**	**(31,053)**	**(32,430)**	**(33,257)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										

Loan Interest	8,230	10,207	13,062	15,758	18,151	20,899	23,028	23,853	24,096	24,339
Housing Set Aside	(14,705)	0	0	0	0	0	0	0	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0	0	0	0	0
Direct Revenue Financing of Capital	27,203	10,679	9,226	9,090	7,677	6,459	6,987	7,345	8,234	8,683
(Surplus) / Deficit for Year	**3,200**	**(1,229)**	**(355)**	**696**	**(262)**	**(270)**	**386**	**145**	**(100)**	**(235)**
Balance b/f	(10,521)	(7,321)	(8,552)	(8,906)	(8,209)	(8,470)	(8,742)	(8,355)	(8,210)	(8,309)
Total Balance c/f	**(7,321)**	**(8,550)**	**(8,907)**	**(8,210)**	**(8,471)**	**(8,740)**	**(8,356)**	**(8,210)**	**(8,310)**	**(8,544)**

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	808	750	750	750	750	750	750	750	750	750
Private Sector Housing Grants and Loans	195	195	195	195	195	195	195	195	195	195
Total General Fund Housing Capital Spend	**1,003**	**945**	**945**	**945**	**945**	**945**	**945**	**945**	**945**	**945**
HRA Capital Spend										
Decent Homes										
Kitchens	1,250	580	1,230	595	1,170	2,382	2,382	2,382	2,382	2,382
Bathrooms	844	583	662	181	115	841	841	841	841	841
Central Heating / Boilers	2,854	2,117	1,651	2,318	1,331	2,538	2,538	2,538	2,538	2,538
Insulation / Energy Efficiency / Wall Finishes	645	471	253	832	58	732	732	732	732	732
Energy Efficiency Pilot / Retrofit	10,678	5,181	3,789	3,789	3,789	3,789	3,789	3,789	3,789	3,789
External Doors	472	236	63	38	15	159	159	159	159	159
PVCU Windows	1,235	760	945	373	316	966	966	966	966	966
Wall Structure	3,396	206	321	118	527	1,491	1,491	1,491	1,491	1,491
External Painting	372	372	372	372	545	722	372	372	372	372
Roof Structure	312	312	312	312	312	312	312	312	312	312
Roof Covering (including chimneys)	1,704	1,566	1,340	654	940	962	962	962	962	962
Electrical / Wiring	848	380	171	258	4	841	841	841	841	841

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sulphate Attacks	106	106	106	106	106	106	106	106	106	106
HHSRS Contingency	520	312	163	104	104	104	104	104	104	104
Other Health and Safety Works	52	52	52	52	52	52	52	52	52	52
Capitalised Officer Fees - Decent Homes	526	526	526	526	526	526	526	526	375	375
Decent Homes Backlog	625	5,109	5,109	5,109	4,434	4,434	4,434	4,434	0	0
Decent Homes Planned Maintenance Contractor Overheads	1,861	886	841	694	616	1,343	1,304	1,304	1,304	1,304
Decent Homes New Build Allocation	0	1,086	1,468	2,049	2,511	3,078	3,378	3,812	4,022	4,281
Total Decent Homes	**28,300**	**20,841**	**19,374**	**18,480**	**17,471**	**25,378**	**25,289**	**25,723**	**21,348**	**21,607**
Other Spend on HRA Stock										
Garage Improvements	104	104	104	104	104	104	104	104	104	104
Asbestos Removal	52	52	52	52	52	52	52	52	52	52
Disabled Adaptations	808	808	808	808	808	808	808	808	808	808
Communal Areas Uplift	100	100	100	100	100	100	100	100	100	100
Communal Electrical Installations / Fire Systems / Communal Lighting	749	156	156	156	156	156	156	156	156	156
Communal Entrance / Enclosure Doors + Glazing	542	126	151	252	126	126	126	157	126	126
Fire Prevention / Fire Safety Works	1,744	52	729	52	52	52	52	52	52	52
Hard surfacing on HRA Land - Health and Safety Works	235	225	225	225	225	225	225	225	225	225
Communal Areas Floor Coverings	104	104	104	149	149	104	104	104	104	104
Lifts and Door Entry Systems	49	28	75	0	0	39	39	39	39	39
Estate Investment Scheme	1,858	199	0	0	0	0	0	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	119	119	119	119	119	119	119	119	119	119

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	482	215	201	209	195	194	194	198	194	194
Total Other Spend on HRA stock	**6,946**	**2,288**	**2,824**	**2,226**	**2,086**	**2,079**	**2,079**	**2,114**	**2,079**	**2,079**
HRA New Build / Re-Development										
Kendal Way	476	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	232	0	0	0	0	0	0	0	0	0
Cromwell Road	590	0	0	0	0	0	0	0	0	0
Colville Road Phase II	351	634	0	0	0	0	0	0	0	0
Meadows and Buchan Street	8,513	8,031	0	0	0	0	0	0	0	0
Clerk Maxwell Road	604	0	0	0	0	0	0	0	0	0
Campkin Road	1,672	0	0	0	0	0	0	0	0	0
Histon Road	1,661	0	0	0	0	0	0	0	0	0
L2	7,346	0	0	0	0	0	0	0	0	0
Colville Road Phase III	6,759	3,168	0	0	0	0	0	0	0	0
Fen Road	1,625	0	0	0	0	0	0	0	0	0
Ditton Fields	1,140	0	0	0	0	0	0	0	0	0
Aragon Close	1,165	1,185	0	0	0	0	0	0	0	0
Sackville Close	1,242	1,253	0	0	0	0	0	0	0	0
Borrowdale	549	0	0	0	0	0	0	0	0	0
Aylesborough Close	4,149	10,377	3,666	0	0	0	0	0	0	0
St Thomas's Road	188	1,520	1,661	0	0	0	0	0	0	0
Paget Road	79	685	866	0	0	0	0	0	0	0
Fanshawe Road	1,300	5,258	3,532	0	0	0	0	0	0	0
Princess and Hanover	4,467	4,286	10,301	6,520	118	0	0	0	0	0
East Road (Incl. demolition)	120	1,393	8,331	1,321	0	0	0	0	0	0

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Eddeva Park	2,553	2,625	2,625	218	0	0	0	0	0	0
East Barnwell	621	4,885	13,109	18,084	12,260	1,347	0	0	0	0
Hills Avenue POD Homes	20	0	0	0	0	0	0	0	0	0
Acquisition (Incl. for New Build)	2,800	0	0	0	0	0	0	0	0	0
Local Authority Housing Fund Acquisitions and Replacement of Redirection of Existing Pipeline	9,448	0	0	0	0	0	0	0	3,424	0
10 Year New Homes Programme (Unallocated)	466	17,590	31,374	36,325	51,422	61,678	23,620	2,979	0	7,500
Rough Sleeper Acquisitions	517	0	0	0	0	0	0	0	0	0
Total HRA New Build / Re-Development / Acquisition	**60,653**	**62,890**	**75,465**	**62,468**	**63,800**	**63,025**	**23,620**	**2,979**	**3,424**	**7,500**
Sheltered Housing Capital Investment										
No current schemes	0	0	0	0	0	0	0	0	0	0
Total Sheltered Housing Capital Investment	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other HRA Capital Spend										
Orchard Replacement / Mobile Working	87	0	0	0	0	0	0	0	0	0
Corporate IT Investment	130	23	23	23	23	23	23	23	23	23
Shared Ownership Repurchase	300	300	300	300	300	300	300	300	300	300
Commercial and Administrative Property	88	31	31	31	31	31	31	31	31	31
Estate Service Van	50	0	0	0	0	0	0	0	0	0
Total Other HRA Capital Spend	**655**	**354**	**354**	**354**	**354**	**354**	**354**	**354**	**354**	**354**
Total HRA Capital Spend	**96,554**	**86,373**	**98,017**	**83,528**	**83,711**	**90,836**	**51,342**	**31,170**	**27,205**	**31,540**

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Housing Capital Spend at Base Year Prices	**97,557**	**87,318**	**98,962**	**84,473**	**84,656**	**91,781**	**52,287**	**32,115**	**28,150**	**32,485**
Inflation Allowance and Stock Reduction Adjustment for Future Years	0	3,505	8,210	10,532	14,503	19,020	10,884	5,233	5,261	8,169
Total Inflated Housing Capital Spend	**97,557**	**90,823**	**107,172**	**95,005**	**99,159**	**110,801**	**63,171**	**37,348**	**33,411**	**40,654**
Housing Capital Resources										
Right to Buy Receipts	(1,622)	(493)	(498)	(503)	(508)	(513)	(518)	(523)	(529)	(534)
Other Capital Receipts (Land & Dwellings, incl. Market, Rent to Buy and SO)	0	(350)	0	0	0	0	0	0	0	0
Major Repairs Reserve	(19,264)	(12,056)	(12,708)	(13,241)	(13,963)	(14,489)	(15,087)	(15,587)	(16,096)	(16,458)
Direct Revenue Financing of Capital	(27,203)	(10,679)	(9,226)	(9,091)	(7,677)	(6,459)	(6,987)	(7,345)	(8,234)	(8,683)
Devolution / Homes England (assumed) / DLUHC / BEIS Grants	(15,583)	(5,613)	(3,729)	(8,139)	(3,916)	(6,525)	(2,454)	(336)	0	0
Disabled Facilities Grant	(808)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)
Other Capital Resources (Grants / Shared Ownership Re-Sale / R&R Funding)	(1,690)	(1,692)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Retained Right to Buy Receipts	(4,197)	(3,199)	(4,052)	(3,518)	(3,533)	(3,603)	(3,676)	(3,749)	(3,824)	(4,536)
Prudential Borrowing	(26,771)	(55,143)	(75,061)	(58,615)	(67,664)	(77,314)	(33,399)	(8,758)	(3,678)	(9,393)
Total Housing Capital Resources	**(97,138)**	**(89,975)**	**(106,324)**	**(94,157)**	**(98,311)**	**(109,953)**	**(63,171)**	**(37,348)**	**(33,411)**	**(40,654)**
Net (Surplus) / Deficit of Resources	419	848	848	848	848	848	0	0	0	0
Capital Balances b/f	**(5,256)**	**(4,837)**	**(3,989)**	**(3,142)**	**(2,294)**	**(1,446)**	**(599)**	**(599)**	**(599)**	**(599)**
Use of / (Contribution to) Balances in Year	419	848	848	848	848	848	0	0	0	0

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Balances c/f	**(4,837)**	**(3,989)**	**(3,142)**	**(2,294)**	**(1,446)**	**(599)**	**(599)**	**(599)**	**(599)**	**(599)**
Other Capital Balances (Opening Balance 1/4/2023)										
Major Repairs Reserve	(7,684)	Utilised in future years to fund investment in the housing stock								
Retained 1-4-1 Right to Buy Receipts	(5,608)	Utilised in 2023/24 and 2024/25 above								
Right to Buy Receipts for Debt Redemption	(12,093)	Retained for future debt repayment								
Devolution Grant	(4,431)	Utilised in 2023/24 above								
Total Other Capital Balances	**(29,816)**									

Appendix I

Minimum Level of HRA General Reserves

Estimate of Prudent Level of HRA Reserves from 2023/24

Description	Level of risk	Amount at risk	Risk
		£	£
Employee costs	*Low*	5,921,700	11,843
Premises costs	*High*	10,391,930	623,516
Transport costs	*Low*	44,910	180
Supplies and services	*Medium*	2,809,300	8,428
Grants and transfers	*Low*	33,180	33
Grant income	*Low*	0	0
Other income	*High*	50,893,510	763,403
Support Services	*Low*	4,671,720	9,343
Total one year operational risk			1,416,746
Allowing three years cover on operational risk			**4,250,000**

General and specific risks	Amount (£)	Probability (%)	
Unforeseen events	1,000,000	30%	300,000
Insurance loss	250,000	50%	125,000
Legal action - counsel's fees	100,000	50%	50,000
Data Protection breach	500,000	30%	150,000
Capital project overruns	10,000,000	10%	1,000,000
General risks			**1,625,000**

Prudent Minimum Balance (PMB)	**5,875,000**
Target (PMB + 20%)	**7,050,000**

Appendix J

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to September	Current Balance
General Management	(741.2)	(77.7)	0.0	(818.9)
Special Services	(1,233.5)	(151.6)	38.6	(1,346.5)
Repairs and Maintenance	(612.1)	(54.0)	0.0	(666.1)
Total	**(2,586.8)**	**(283.3)**	**38.6**	**(2,831.5)**

Tenants Survey

	Opening Balance	Contributions	Expenditure to September	Current Balance
Tenants Survey	(15.8)	(7.1)	0.0	(22.9)

Tenant Satisfaction New Burdens

	Opening Balance	Contributions	Expenditure to September	Current Balance
Tenant Satisfaction	(21.2)	(0.0)	0.0	(21.2)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to September	Current Balance
Debt Set-Aside	(14,704.5)	0.0	0.0	(14,704.5)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to September	Current Balance
Debt Set-Aside	(12,093.1)	0.0)	0.0	(12,093.1)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to September	Current Balance
MRR	(7,684.2)	0.0	0.0	(7,684.2)