



Housing Scrutiny
Committee

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



September
2020

2020/21 to 2049/50

Cambridge City Council

Contents

Section No.	Topic	Page No.
1	Introduction and Local Context	1
2	Housing Stock	5
3	National Policy Context and External Factors	7
4	Revenue Resources	18
5	Detailed Review of Revenue Budgets	26
6	Capital – Existing Stock	29
7	Capital & Asset Management – New Build & Re-Development	34
8	Summary and Conclusions	49

Appendices

Reference	Topic	Page No.
A	Key Risk Analysis	55
B	Business Planning Revised Assumptions	59
C	Retained 1-4-1 Right to Buy Receipts	62
D	2020/21 HRA Mid-Year Revenue Budget Amendments	63
D (1)	2020/21 HRA Mid-Year Ear-Marked Reserves Budget Amendments	65
E	2020/21 Mid-Year Housing Capital Budget Amendments	67
F	New Build Programme Cashflow	69
G (1)	HRA Summary Forecast 2020/21 to 2024/25	72
G (2)	HRA 10 Year Summary Forecast 2020/21 to 2029/30	73
H	Housing Capital Investment Plan (10-Year Detailed Investment Plan)	75
I	HRA Ear-Marked & Specific Funds	81
J	Business Planning Key Sensitivity Analysis	82
K	Areas of Uncertainty	83

Section 1

Introduction and Local Context

Foreword by the Executive Councillor

This edition of City Council's Housing Revenue Account (HRA) Medium-Term Financial Strategy (MTFS) is produced in unprecedented circumstances. The coronavirus pandemic has affected the lives of every one of us. It has, therefore, had an inevitable impact on the day-to-day management of the HRA, as well as the financial assumptions which underpinned the budget agreed at the start of the year.

From the outset of the pandemic, we were clear that no council tenant would be at risk of eviction if they had difficulties in paying their rent as a consequence of coronavirus and, prior to the Government legislating for the ban on evictions, made a public statement to that effect. Even if the Government were to rescind the ban, our policy will be unchanged. As anticipated, there has been an increase in the percentage of rent not collected each month compared with previous years. The budget shortfall, resulting from the reduction in anticipated rent revenue, has been filled through use of HRA reserves – not by cutting important services and projects. That is the right and proper thing to do for our tenants, especially those who are presently in financial difficulty.

The council has made significant progress since 2017 in producing a pipeline of new build projects, part funded by the £70 million devolution grant, and remain on track to build a net total of 546 new council homes by 2022 as part of this programme. These 546 (622 in total) net new homes are on top of a total of 291 rented and 24 shared ownership homes completed as part of the previous rolling programme that resulted from the 2012 decision to permit stock holding authorities to self-finance their HRA's. Despite these impressive figures, 1,600 households remain on our housing needs register. We must redouble our efforts in committing to a house building

programme for the long-term that meets the existing and future housing needs of our city. That is why our new objective is to build a further one thousand net new council homes by 2032.

This MTFS provides the blueprint to show how these homes can be financed, allowing the council to take full advantage of the removal of the HRA borrowing cap. The blueprint recognises, too, that the new programme will assist with the construction of other homes of different tenures required to fulfil the city's overall housing need – including shared ownership and market sale options – which, in turn, will cross-subsidise the financing of the new council homes.

The assumed costs of each of the new council homes are based on an assumption they will be built to Passivhaus standards. While it must be stated that, for technical reasons or due to the physical constraints of a site, it might not be possible for every house on every scheme to conform to Passivhaus standards, it is our ambition that as many as possible will be ultra-low carbon. And, with the cost of ultra-low carbon homes falling dramatically over recent years, we aspire to be in a position to construct zero carbon homes well before the target end date of the new programme.

As with previous years, this report accounts for revisions and amendments to the HRA capital and revenue budgets required in-year, ahead of the 2021/22 Budget Setting Report. It also acknowledges the council's bid to the Government's 'Next Steps' fund to assist our important work in supporting former rough sleepers. At the time of writing a decision has not yet been made on the bid. If successful, the funding awarded will allow the HRA to purchase ten one-bed properties from the open market as well as the purchase and placement of an additional ten modular homes. These homes will help turn lives around, breaking the cycle of homelessness which many previously had endured.

Councillor Richard Johnson.

Executive Councillor for Housing

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, with the Housing Revenue Account Medium Term Financial Strategy being the first of these updates.

The report considers any required change in financial strategy, policy or direction of travel for the business, following review of key assumptions and consideration of any material changes, to ensure a long-term financially viable Housing Revenue Account. Both revenue and capital investment is reviewed, with the impact of any proposed changes on the HRA Business Plan clearly identified. A review of strategic risks facing the HRA is presented at **Appendix A**. The HRA Medium Term Financial Strategy reviews and re-states the budget for the 2020/21, 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 2021/22 to 2029/30, in the context of the 30-year plan.

This report is being prepared in unprecedented times, with the full social and financial impact of the coronavirus pandemic still unclear. This iteration therefore includes a number of assumptions that are based upon less knowledge or historical evidence than would usually be the case. Where assumptions have been made in this regard, it has been made clear that this is the case.

Responding to the initial impact of the coronavirus pandemic has, as expected, had a negative financial impact for the HRA, with financial forecasts for the HRA over the longer-term taking the current situation into consideration. To facilitate additional investment in further new homes, it will be necessary for the HRA to borrow greater resource than previously anticipated, which is possible now that the HRA Borrowing Cap no longer exists. It is critical though 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 includes the assumption that the HRA will seek to deliver 1,000 additional rented homes over the 10 year period after the Devolution 500 Programme has concluded, recognising the need to deliver an element of shared ownership and market housing alongside the rented homes to ensure financial viability and an appropriate tenure mix on larger sites. The HRA will need to borrow significantly to make this level of investment possible. The earmarking of resource as part of part of this iteration of the business plan is merely indicative at this stage and is included based upon a number of key assumptions. In reality 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. As the programme is developed, existing HRA sites, land acquisitions, off the shelf purchase opportunities and joint venture developments will be explored. This detail will allow 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 also key, and failure to obtain grant would necessitate a reduction in build standard or build programme.

Timetable

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

Date	Task
2020	
24 September	Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in recommendations to Council
22 October	Council considers HRA Medium Term Financial Strategy
2021	
19 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
25 February	Council approves HRA Budget Setting Report

Section 2

Housing Stock

Housing and Leasehold Stock

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

Housing Category (Including Shared Ownership)	Actual Stock Numbers as at 1/4/2020	Estimated Stock Numbers as at 1/4/2021
General Housing	6,464	6,437
Sheltered Housing	512	512
Supported Housing	17	17
Temporary Housing (Individual Units)	70	90
Temporary Housing (HMO's / EA)	24	24
Miscellaneous Leased Dwellings	19	19
Shared Ownership Dwellings	97	97
Total Dwellings	7,203	7,196

Property Type (Including Shared Ownership)	Actual Stock Numbers as at 1/4/2020	Estimated Stock Numbers as at 1/4/2021
Bedsits	94	94
1 Bed	1,725	1,727
2 Bed	2,522	2,515
3 Bed	2,239	2,237
4 Bed	102	102
5 Bed	7	7
6 Bed	2	2
Sheltered Housing	512	512
Total Dwellings	7,203	7,196

Leasehold Stock

At 1st April 2020, the Council retained the freehold and managed the leases for 1,196 leasehold flats.

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
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
2012/13	7,280	(41)	0	(6)	2	7,235
2011/12	7,290	(12)	0	0	2	7,280
2010/11	7,364	(17)	(62)	0	5	7,290
Total		(384)	(272)	0	398	

Section 3

The National Policy Context and External Factors

External Factors

In strategic decision making, it is critical that all financial assumptions are reviewed, including taking account of external factors, outside of the control of the organisation and that the financial projections are adjusted in light of any changes or trends in these. There has been a significant impact on the economy as a result of the coronavirus pandemic, and this results in an enhanced level of uncertainty in the forecast of external factors in this iteration of the HRA Business Plan.

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

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). The last 12 months has seen a reduction in the rate from the government's target of 2.1% in July 2019 to a low of 0.5% in May 2020, which has not been seen since mid-2016, before a slight recovery to 1% by July 2020.

The Office for Budget Responsibility (OBR) is predicting a return to the Bank of England's target level for CPI of 2% in the medium-term, but with continued low levels in the short-term, before recovery is experienced during 2021. The Bank of England, in their letter to the Chancellor of June 2020, predict a further dip in the inflation rate in the short-term, before recovery is experienced during 2021. They predicted a continuation of rates at around 0.5% into 2020/21, with an increase back to 2% by 2022.

Ongoing uncertainty, as a result of a combination of factors which include exit from the European Union and the coronavirus pandemic, make it difficult to accurately predict in which direction this index may move in the short or medium term.

With this in mind, forecasts for the rate of base inflation have been amended (based upon the Bank of England projections) as part of the Medium-Term Financial Review, from 2.1% to 0.9% for 2021/22, rising to 2% from 2022/23 on an ongoing basis. This will be reviewed again as part of the HRA Budget Setting Report in January 2021.

The assumptions surrounding building maintenance expenditure inflation are derived from a mix of forecast using the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) all in tender price index and CPI. This recognises that the older planned maintenance contract (TSG) is let as an Option C Target Contract which uses the BCIS as an inflation driver, and those let more recently (Fosters) have been let as lump sum priced contracts, instead adopting CPI as the measure of inflation for contract price increases. Upon re-tender, now due from November 2022 for both contracts, it is anticipated that all contracts will be let using CPI as the measure for inflation.

The latest projections for the BCIS Index over the next 4 years currently predict a lower rate of growth than previously assumed, with a growth rate of 1.2% for 2021/22, increased to 4.2%, 5.1% and 4.9% in the following 3 years. Taking an average of these rates of growth for the forecast three years gives rise to an annual increase of 3.9%. It must be noted, however, that this index is currently impacted by a limited amount of available tender data as a result of the coronavirus pandemic and may be subject to future review in the way in which it is arrived at.

On a similar average basis, the assumptions for CPI over the same period are 1.7%, a difference of 2.2%. As only 50% of the work programme is anticipated to be subject to the BCIS indices, half of the uplift has been applied and a rate of CPI plus 1.1% has been incorporated into the business plan forecasts for the next 2 years, reverting to standard CPI after this, assuming that new contracts will be tendered using CPI as the standard measure of inflation.

Interest Rates

The Housing Revenue Account is entitled to a proportion of interest earned on cash balances invested by the authority. The rate of interest assumed for 2020/21 in the HRA Budget Setting Report was 0.8%, 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.

As a result of the recent coronavirus pandemic, the Bank of England base rate fell from 0.75% to 0.25% on 13 March 2020, and then to 0.1% from 23 March 2020. The next review of the rate is due on 17 September 2020. The reduction in the base rate results in a reduction in the rates that the authority can expect to earn on its investments. The HRA Medium Term Financial Strategy has been constructed on the basis that the HRA claws back interest at a rate of 0.6% from 2020/21 on an ongoing basis. Compared with the previous assumption of 0.8%. The revised interest rate assumptions are included in **Appendix B**.

In respect of HRA borrowing, the self-financing loan portfolio with the Public Works Loans Board 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 constraint currently.

The only risk to the HRA's ability to borrow resides in the outcome of a government consultation, which ended on 31 July 2020, which proposes 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. If this is implemented, there is the potential for any investment decisions made by the General Fund to detriment the HRA's ability to borrow from the PWLB in any given year. 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 between the General Fund and the HRA to allow development, currently still impacts 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. The outcome of a government consultation which sought to allow the transfer of land between funds at nil value is still awaited.

The assumption is made that any additional borrowing is externalised, with updated PWLB maturity loan rates for loans of a 30-year duration used. On 12 March 2020, a concessionary rate for borrowing from the PWLB was announced by Treasury, with a reduction from the standard PWLB rates of 100 basis points (or 1%), subject to Section 151 Officer confirmation that the borrowing will be used to finance HRA capital expenditure. Based upon the rates available at the time of drafting this report, a revised rate of 1.69% (2.69% less 100 basis points) has been incorporated into any borrowing assumptions from 2020/21 onwards. It should be noted that this rate is reviewed and can change twice each day.

Right to Buy Sales

In 2019/20, 64 right to buy applications were received and recorded, compared with 60 in 2018/19. A total of 17 applications have been received in the first 5 months of 2020/21. This demonstrates the anticipated fall in interest over the last 5 months as a direct result of the coronavirus pandemic, but the last financial year's interest overall supports a more stable position.

In 2019/20, 29 of the applications proceeded to completion of the sale of the property, compared with 27 in 2018/19. In the first 5 months of 2020/21, 4 sales have completed, again supporting the view that although overall interest has now stabilised, the pandemic has slowed or halted activity for a short period.

It is difficult to predict future sales, particularly at the current time whilst there is such uncertainty in the economy. It is considered prudent to reduce the assumption for sales in 2020/21 from the 30 previously assumed, to 22, recognising an anticipated 50% reduction in activity for the first six months of the year, but retaining the assumption of 25 sales per annum from 2021/22 onwards, from when the economy and housing market may begin to recover.

Right to Buy Receipts

At 31 March 2020, the authority held £10,634,511 of right to buy receipts under the retention agreement with CLG, to be spent within 3 years of their original receipts date, to fund the delivery of new social housing, with a maximum of 30% of any dwelling being funded via this mechanism. The balance must be funded from the Devolution Grant, the Council's own resources, or through borrowing and not on replacement dwellings or dwellings receiving any other form of public subsidy.

The authority is currently still unable to directly 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 retained right to buy receipts.

With a reduction in the Bank of England base rate to 0.1% from 20 March 2020, any penalty interest payable on receipts not re-invested appropriately is currently at a rate of 4.1%.

The government consultation, which closed on 9 October 2018, considered the following amendments to the regulations surrounding the use and application of retained right to buy receipts:

- Extending the spending deadline from 3 to 5 years for receipts currently held, whilst retaining the 3-year timeframe for any future receipts received.
- Increasing the level of right to buy receipts which can be used to finance a new home from the current cap of 30%, to 50% in respect of social rented homes, where authorities meet the eligibility criteria for the Affordable Homes Programme and can demonstrate a need for social housing over other affordable housing.
- Defer the use of receipts for acquisition of existing market homes by limiting the value of an acquisition to the cost of delivery of a new home as determined by Homes England and the Greater London Authority. This would mean a cap on the value of an acquisition for Cambridge City Council of £167,000.

- Allowing right to buy receipts to be used to fund shared ownership homes as well as rented.
- Allowing land held by the General Fund to be transferred to the HRA for the delivery of affordable homes at zero value, but with some suggestion a time limit may be imposed on how long the General Fund will have had to hold the land prior to transfer.
- Consideration of changes to allow transfer of receipts to a Housing Company or ALMO (Arm's Length Management Organisation), subject to some constraints.
- Allowing a 3 month 'interest free' window after each quarter to allow authorities to make decisions about whether to retain or pay over receipts.

Although the outcome of the consultation is still awaited at the time of writing this report, the authority has entered into a minor variation to the retention agreement, proffered by government as a direct result of the coronavirus pandemic, which removes the quarterly deadlines for reinvestment of receipts for 30 June 2020 and 30 September 2020, and rolls up what needs to be spent in the deadline on 31 December 2020. This offers a small window of opportunity for local authorities to catch up any backlog of investment caused by lockdown in April and May 2020.

Appendix C summarises the latest position in respect of receipts held and appropriately re-invested. The authority has avoided breach of any re-investment deadlines to date, with sufficient resource invested to avoid any penalty until at least September 2020 (December 2020 under the revised retention agreement).

Newly arising receipts will be retained without question at the end of each quarter for the current year and the following 2 years, as the authority requires the receipts to combine with Devolution Grant to deliver over 500 new homes. After this period, the decision to retain or pay over receipts each quarter will revert to the Head of Finance, in consultation with the Strategic Director, taking into consideration any need to borrow to appropriately re-invest the resource and the implications of this on the business plan. The Executive Councillor for Housing

will be informed if the recommendation were to be to pay receipts directly back to Central Government.

The Strategic Director retains a 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.

National Housing Policy

National Rent Setting Policy

From April 2020, local authority rents have been regulated by the Regulator of Social Housing, alongside housing associations and other registered providers.

The latest regulations include:

- Rent increases will be limited to an increase of up to CPI 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
- The 5% flexibility remains, but with the policy wording amended to require a clear rationale for using the flexibility which takes into account local circumstances and affordability.
- Affordable rents increases are also limited to a maximum increase of CPI plus 1% from April 2020, but with the ability to re-set the rent at up to 80% of market rent upon re-let.

The authority has now submitted its first formal data set to the Regulator of Social Housing and awaits feedback.

Housing Green Paper

Consultation on the Ministry of Housing, Communities and Local Government green paper 'A new deal for social housing' concluded on 6 November 2018.

The long-awaited Housing White Paper is now expected later this year. The five key principles in the consultation document were:

- a safe and decent home with a sense of security and ability to get on in life;
- improving and speeding up how complaints are resolved;
- empowering residents, ensuring voices are heard and landlords held to account;
- tackling stigma and celebrating thriving communities, challenging stereotypes
- building much needed social homes ensuring a springboard to home ownership.

The consultation considered a vast number of points, including:

- introduce further safety measures in social housing and reviewing the decent homes standard and engaging residents in how to ensure homes are safe
- improve mediation for residents, ensuring access to advice and support, review process for the handling of complaints.
- review performance reporting, regulation and resident engagement
- Tackle stigma in social housing, provide good neighbourhood management, tackle anti-social behaviour.

Mandatory Disposal of Higher Value Housing Stock

The Housing and Planning Act 2016 allowed Central Government to choose to impose a financial levy on stock owning authorities in respect of the assumed sale of higher value vacant housing stock.

The Housing Green Paper 'A new deal for social housing', indicated a clear commitment from government to revoke the legislation that would allow the levy to be introduced, with the following statement made:

'Therefore to increase councils' confidence to plan ambitious house building programmes, we are confirming in this Green Paper that the Government will not bring the Higher Value Assets provisions of the Housing and Planning Act 2016 into effect. We will look to repeal the legislation when Parliamentary time allows'.

Although the legislation has still not been repealed, our business plan makes the assumption that the legislation will be repealed in due course, and completely removes the expectation that any levy will be payable.

Welfare Reforms

Universal Credit

Universal Credit full service in Cambridge started 17th October 2018. New tenants, and existing tenants who have a change in circumstances, need to apply for Universal Credit. To support existing Housing Benefit claimants (unless temporary or supported accommodation) with the transition to Universal Credit, an additional payment of two weeks Housing Benefit is made.

Tenants in temporary, specified or supported accommodation continue to receive Housing Benefit for their housing costs.

Cambridge City Council continues to work with partners and the local Jobcentre Plus, including the funding of a post in the Jobcentre to provide Personal Budgeting Support (PBS). This arrangement has seen significant increases in the numbers receiving support compared to before the initiative started.

From April 2019, the DWP has been funding Citizens Advice through a national partnership to assist people with applying for Universal Credit. However, this does not include the PBS currently funded by Cambridge City Council.

The coronavirus pandemic has seen an increase in the number of tenants transitioning to Universal Credit as individual's circumstances change, and nationally there has been a steep rise in the number of claims overall as a direct result of the situation.

The authority had 1,437 HRA tenants claiming Universal Credit at the beginning of August 2020, with 912 (63%) of these demonstrating rent arrears at an average arrear of £835.21.

From early 2020 to December 2023, a process of managed migration will move the remaining Housing Benefit claimants to Universal Credit. Details of how and when are still being considered by government.

Benefit Cap

Those impacted by the Benefit Cap continue to be supported by Cambridge Citizens Advice and Cambridge Housing Society, who look at ways to help those affected into work. Others receive short term Discretionary Housing Payments (DHPs) to support them until they are able to improve their circumstances. DHPs are still used extensively to support those affected by welfare reforms and are typically awarded with conditionality, the purpose of which is to assist the tenant in no longer being subject to the Benefit Cap. A big part of this is the work carried out by City Homes, who assist tenants to find solutions that work for them.

Removal of the Spare Room Subsidy

Numbers of customers affected by the removal of the spare room subsidy remains steady. DHPs continue to be also used to support tenants affected by the Removal of the Spare Room Subsidy, with similar conditionality that seeks to assist the tenant in no longer being subject to the Spare Room Subsidy.

Limiting the Child Element to two children

From 1 April 2017, new benefit claims and current benefit claims which increase the family element above two children, do not have additional child elements included in the Housing Benefit calculation. There are some exemptions for multiple births, result of abuse and adoption, or similar. It will not impact on current claimants with more than two children, unless

they have more children, then the child allowances will not increase, subject to the above exemptions.

Support for Vulnerable People

Cambridge City Council remains in contract with the County Council for the delivery of tenure neutral support services to older people across the city as a whole, with a term of up to 4 years from April 2018. The contract sum is fixed at £180,000 per annum.

The authority is no longer contracted to deliver care and support services in the extra care housing at Ditchburn Place. The contract was awarded to Radis from the end of February 2020 and council staff transferred under the TUPE regulations to work for Radis from 24 February 2020. The City Council has worked proactively with Radis to ensure a smooth transition for both residents and staff and continues to work with Radis as landlord for the properties.

Section 4

Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

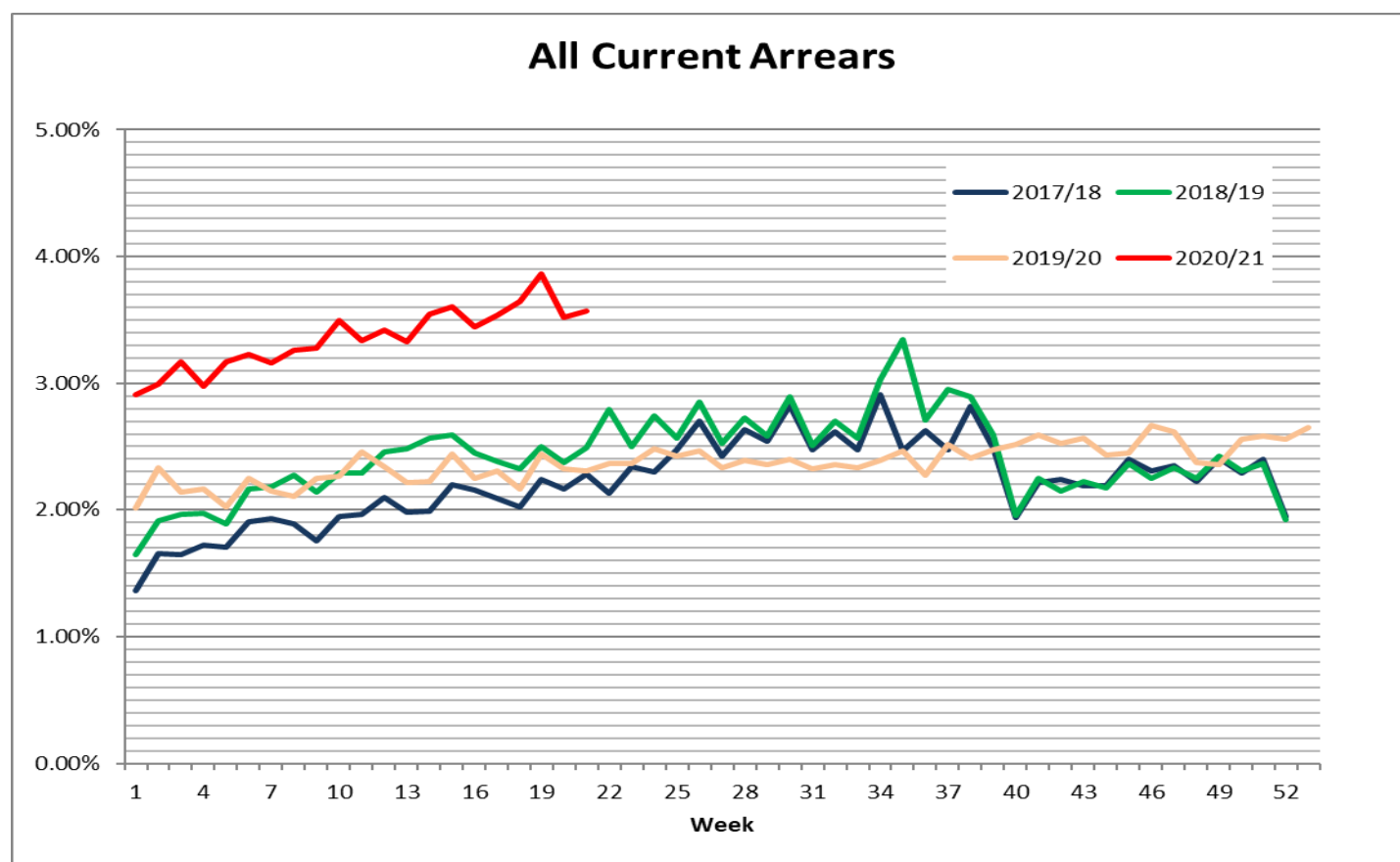
Rent collection performance dipped in 2019/20, with 98.8% of the value of rent due, collected in the year, compared with 99.6% in the previous year.

As a result, the level of arrears at year end increased quite significantly during 2019/20, with arrears of just under £1.1 million at 31 March 2020. 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)
31/3/2016	£598,820	1.51%	£735,539
31/3/2017	£645,398	1.63%	£728,050
31/3/2018	£779,904	1.96%	£871,620
31/3/2019	£776,961	1.93%	£932,156
31/3/2020	£1,091,161	2.7%	£915,885

Performance in the collection of current tenant debt dipped by 31 March 2020, in part as a result of the transition from Housing Benefit to Universal Credit for a number of tenants. The impact for residents of direct payment is being actively managed, with increased staffing in this area, focussed on working with residents to mitigate the ongoing impact on arrears levels.

The position has worsened much further during the early part of 2020/21, anticipated to be as a direct result of the coronavirus pandemic, with arrears increasing to in the region of £1.5 million (3.57% of the annual rent due) by August 2020.



The Income Management Team continue to work proactively with all tenants, but particularly with those affected by the benefit changes or impacted by the coronavirus pandemic

As part of the Orchard Housing Management System Implementation Project, the authority has now gone live with Income Analytics, which is an analysis and rent arrears recovery tool. The tool helps to identify high risk arrears and identify trends at a very early stage, facilitating staff sending bulk texts or e-mails to tenants who fall into particular arrears categories, making chasing arrears more efficient. The system went live at the beginning of June 2020, and officers are monitoring its effectiveness.

The Income Management Team has been expanded in recent years as the rollout of Universal Credit picks up pace. An additional part-time officer is being recruited currently for a fixed term period to provide dedicated additional support to those transitioning from Housing Benefit to Universal Credit. Funding is also retained to meet the additional direct costs of collecting the rent directly, ie; cash collection costs.

Tackling former tenant arrears continues to be challenging, but with the level of former tenant arrears being maintained at similar levels in March 2020, to those experienced in March 2019. Debt that is not realistically collectable is still recommended for write off and provision is currently made in the Housing Revenue Account to write off 88.1% of former tenant debt. Any decision to do this is not taken until all avenues for collection have been exhausted.

The annual contribution to the bad debt provision was 1.5% from 2020/21 when the HRA budget was set in January 2020. The assumption has been reviewed as part of this iteration of the business plan, taking account of the current social and economic situation, with the resulting recommendation to increase the level of contribution to the bad debt provision for 2020/21 to 4.5%, before returning to the previous assumption of 1.5% from 2021/22. The level of provision for the longer term will be reviewed again once the authority has more experience of payment performance locally after the full rollout of Universal Credit.

At 31 March 2020 the total provision for bad debt stood at £1,482,310.47 representing 74% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2019/20 was £635,949 representing a void loss of 1.68%, compared with £723,954 in 2018/19, representing a void loss of 1.91%.

The value of rent lost through void dwellings during 2019/20 was lower than in 2018/19 but was still higher than the 1% target recognised as part of the 2019/20 HRA Budget Setting Report of January 2020.

Some of the key contributors to the higher void levels in 2019/20 remained the completion of refurbishment works at Ditchburn Place coupled with the transfer of care services to Radis (£83,000), the hard to sell shared ownership housing at Virido, which was later converted to council rented accommodation (£48,000), and vacant homes on redevelopment sites (£62,000), which are held vacant or used on a temporary basis until the entire scheme vacated.

If the impact of the irregular void transactions (detailed above) are removed from the statistics, the void performance in general voids for 2019/20 would have been 1.2%. As a result of this, it is recommended to increase the longer-term assumption of 1% to 1.2% in this iteration of the business plan.

The Repairs Review, with the resulting restructure being implemented during 2020/21 seeks to improve general void performance, and the long-term assumption will be reviewed again in future iterations of the plan when any improvement can be demonstrated.

Rent Setting

Rent levels continue to be set in January of each year, with the Executive Councillor for Housing having authority to make the decision, following pre-scrutiny by Housing Scrutiny Committee. From April 2020, the authority returned to a position where rents can 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.

In respect of affordable rented homes, the same inflation plus 1% ruling applies for existing tenants, with the ability to re-set the rent at up to 80% of market rent when a property is vacated, should the authority so choose. Affordable rents at up to 80% of market rent must combine both the rent and service charges levied for any property. However, local policy is to limit affordable rents to the Local Housing Allowance level from the point of introduction.

The Local Housing Allowance is usually reviewed annually with new rates notified to the authority on 31 January each year. As a direct result of the coronavirus pandemic, there was

a second review of the rates for 2020/21, announced in late March 2020, with the charges summarised in the table below:

Property Size	2019/20 LHA Rate	2020/21 LHA rate January 2020	2020/21 LHA rate March 2020
Shared Room	80.52	81.89	97.00
1 Bed	133.72	135.99	178.36
2 Bed	153.79	156.40	195.62
3 Bed	178.71	181.75	218.63
4 Bed	238.38	242.43	299.18

The additional increase in March 2020 saw an average increase of 24% applied to the original 2020/21 rates, bringing rates much closer to market rent levels in an attempt by government to mitigate the impact on private renters and landlords. The increase in rates was intended to ensure that those claiming financial assistance towards their rent could claim at a level nearer to the market rent that they may be paying and was not a lever for landlords to increase the rents that they are charging.

In the HRA, the rents charged for 2020/21 have continued to be based upon the original Local Housing Allowance levels announced in January 2020 to ensure that the rents remain as affordable as possible for those who are not entitled to government financial assistance through Housing Benefit or Universal Credit. Consideration will need to be given to the level that rent and charges are capped at in respect of future new build sites, striking a balance between financial viability for the Council and affordability for tenants.

All local authority rent levels are now governed by the Regulator of Social Housing instead of being controlled by DWP through the limit rent system as they were previously.

Rent Restructuring

Property specific target social rents under the rent restructuring regime still apply.

The authority has the ability to close the gap between target social rent and the actual rent being charged for a dwelling, only when a property becomes void, and actively does this.

The average target 'rent restructured' rent at the start of 2020/21 across the general housing stock was £104.48, with the average actual rent charged being £100.86. By April 2020, 29.5% of the social rented housing stock was being charged at target rent levels, compared with 25% in April of the previous year, so closing the gap remains a slow process.

The gap between actual and target rent levels in the general housing stock now equates to an annual loss of income of approximately £1,271,600 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement of 2012, where convergence was assumed.

There were 351 new build properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance at 1st April 2020 and 24 affordable shared ownership homes.

Reserves

Housing Revenue Account 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 the recent coronavirus pandemic. The coronavirus pandemic has highlighted the forethought in the prudent level of reserves that the HRA holds, allowing the authority time to respond to the crisis, without the need to make impulsive or ill thought through decisions.

Reserves are also used to fund investment which is anticipated to deliver savings in the longer-term. For the Housing Revenue Account, the target level of reserves is £3,000,000, with a minimum level of reserves of £2,000,000. HRA reserves are currently held at levels above target, to allow funding of re-provision of existing homes on development sites, where retained right to buy receipts and devolution funding can't be used for this purpose.

The impact on HRA reserves for 2019/20, and 2020/21 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2019/20 £'000	2020/21 £'000
Opening General HRA Reserves	(11,620)	(15,083)
Budgeted Changes in HRA Reserves		
Original Budget (Approved in February)	(1,404)	3,998
Carry Forwards (Approved in June)	772	1,431
COVID-19 Inflation Review (Approved in June)	0	(282)
MTFS Mid-Year Review (Approved in September)	499	836
MTFS Mid-Year – Review of Ear-Marked Reserves	0	(396)
Budget Setting Report Revised Budget (February)	(146)	-
Estimated Closing General HRA Reserves	(11,899)	(9,496)
Actual Changes in HRA Reserves		
Opening General HRA Reserves	(11,620)	
Actual Outturn variance for the Year (Reported in June and amended during final accounts process)	(3,463)	-
Contribution from Ear-Marked Reserves	-	-
Actual Closing General HRA Reserves	(15,083)	-

The original budget for 2020/21 approved a net call on general reserves of £3,997,780, and also incorporated use of £3,905,000 previously set-aside for potential debt repayment or re-investment, to allow a total revenue contribution to fund capital expenditure of £14,182,120 for the year.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources, approved carry forwards from 2019/20, and the anticipated financial impact of the coronavirus for the HRA, with changes either already approved, or proposed as part of this review, in an attempt to help mitigate the impact.

This iteration of the business plan includes changes in estimated rental income for 2020/21, in interest due for the year based upon revised cash balance and interest rate assumptions, in the level of depreciation assumed to be chargeable to the HRA and in the bad debt provision

required for the year, based upon the latest estimates. Changes have also been incorporated to reflect the latest retrospective pay offer for 2020/21 of 2.75%, and to incorporate some changes in response to the coronavirus pandemic. Additional resource has also been incorporated in respect of the repairs service.

The final general HRA reserves position reported at 31 March 2020 was £15,082,981.

The revised projection of the use of general reserves in the current year (2020/21) now indicates that there is expected to be a net call on reserves of £5,983,200, which would leave a balance of £9,495,691 at 31st March 2021 after the transfer of £395,910 of ear-marked reserves into general reserves as highlighted above.

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.

In response to the coronavirus pandemic, these reserves have been reviewed to determine whether there is scope to release any of the reserve to help mitigate the impact on the HRA in 2020/21, without materially affecting services being delivered.

One area where the review has highlighted the potential to return funds to general reserves is in respect of some of the repairs and renewals funds, where items due for replacement from the fund have lasted longer than their estimated life, and as such the fund accumulated is more than may be required to replace the item. See **Appendix D (1)** for the results of the review and **Appendix I** for detail of existing balances held.

Section 5

Detailed Review of Revenue Budgets

COVID-19 Impact and 2020/21 Mid-Year Budget Changes

As part of the HRA Medium Term Financial Strategy, there is not usually 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, any major in-year changes in expenditure, income or financing arrangements as a direct result of changes in the capital programme.

However, as a direct result of the coronavirus pandemic, it has been necessary to review the HRA revenue budget for 2020/21 to explore ways in which the authority can mitigate the financial impact for the HRA. An increase in rent arrears, and therefore potentially the bad debt that is likely to result from this, is the biggest single factor affecting the HRA. This is of course, coupled with the impact of additional costs in respect of PPE and health and safety equipment and the impact on the business of reduced services delivered within the home, such as repairs.

A small number of staff have been furloughed across the HRA, in respect of both the repairs service, where only emergency repairs were being undertaken during April and May and in respect of the cashiering function at 171 Arbury Road, where the building has been shut to the public. For the period to August 2020, the HRA claimed £115,000 through the government's furlough scheme, with only one member of staff still furloughed at the end of that period.

As part of the 2019/20 HRA Outturn Report, presented to Housing Scrutiny Committee in June 2020, permission was sought to remove inflation from the 2020/21 non-pay and non-

contractual budgets. Following approval, these changes were made, resulting in a reduction in the HRA revenue budgets for 2020/21 of £281,860 on an ongoing basis.

As highlighted in Section 4, a review of all ear-marked reserves was also undertaken, with proposals incorporated as part of this report to return £395,910 of resource to general reserves.

The bids and savings approved as part of the 2020/21 budget process have also been reviewed, with a view to removing or delaying investment in any bids that may not be business critical and challenging whether savings approved are still deliverable considering the pandemic.

A number of changes have been identified, which include:

- Removal of the £52,000 over-provision in pension deficit costs that was verbally identified when the budget was approved in January 2020 once final figures were known, and where a delegation to the Section 151 Officer to make the budgetary amendments was given.
- Delaying the recruitment of the Tenancy Auditor until 2021/22, recognising that access to tenants' homes will be limited for some time, and that the pilot should be undertaken when results can be accurately measured.
- Recognition that increased income in respect of garages (£35,670) and service charges (£18,100) will not be realised in 2020/21 due to difficulties in letting void properties during the pandemic.

Other changes that have been incorporated for 2020/21 as part of the mid-year strategic review include:

- A reduction in depreciation of £324,300 based upon the latest stock projections and depreciable asset values.
- An increase in anticipated rental income of £64,050, recognising the impact of the coronavirus pandemic on both the authority's ability to re-let vacant properties, the delay in taking handover of some of the new build homes anticipated in early 2020/21

and the retention and continued use, of homes ear-marked for vacation and demolition for redevelopment.

- An increase in the value of contribution to the bad debt provision for 2020/21, recognising the anticipated impact of the coronavirus pandemic upon the authority's ability to fully recover rent.
- An increase in the base level of pay assumed for 2020/21, assuming the latest offer by the employer of 2.75% is agreed following consultation with unions, followed by 2.5% for 2021/22, before returning to the previous assumption of 2% per annum.
- A reduction in the anticipated interest received on cash balances for 2020/21, as although the level of balances held is higher due to underspending in 2019/20, the rates of interest available to the authority have fallen and the cashflow impact of rent deemed uncollectable in 2020/21 needs to be factored into the forecasts.
- A reduction in the level of interest payable by the HRA, with internal borrowing from the General Fund reduced until the completion of the scheme at Cromwell Road due to the accounting treatment of the land value and land transfer.
- An increase of £81,800 in the budget from 2020/21 onwards to allow expansion of an annual programme of 5,729 fire door inspections in HRA properties and associated communal areas to confirm that each door is operating as expected. If changes in legislation require these inspections to be undertaken more frequently (quarterly for example) a bid will be made as part of the HRA budget process for 2021/22, assuming the legislation has been passed.
- Inclusion of £360,000 in 2021/22 to expand the programme of heat detector installations, to ensure that they are inter-linked with smoke detectors in all properties. In some instances, this requires the replacement of the smoke detector at the same time to ensure compatibility.

These changes are detailed in **Appendix D** and are incorporated into the HRA Summary Forecasts at **Appendix G (1)** and **Appendix G (2)**.

Section 6

Capital and Planned Revenue - Existing Stock

Stock Condition / Decent Homes

The authority holds validated stock condition data for its housing stock, which is continually being updated. An exercise has been ongoing to increase the breadth and quality of this data to help inform strategic decision making.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2020 at 93%, compared with 89% achieving the desired standard at 31 March 2019. There were 515 properties that were considered to be non-decent (in addition to 1,022 refusals), with another 217 estimated to become non-decent during 2020/21.

Stock Investment

A major review of the investment need in the housing stock was undertaken in 2019/20, culminating in the approval of an updated 5-Year Asset Management Strategy in September / October 2019.

Within the Asset Management Strategy, the authority confirmed a commitment to return to a partial investment standard across the housing stock, as opposed to working towards the previously adopted basic decent homes standard, alongside a commitment to improving the energy efficiency of the stock thus reducing the carbon footprint. A return to a partial investment standard saw the lives of doors to flats reduced from 40 to 30, pitched roof coverings reduced from 60 to 50 and both PVCU and timber windows in flats reduced from 40 to 30 years.

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):

- Implement a new rolling programme of stock condition surveys so properties are inspected every five years
- Continue the programme of structural surveys of flats blocks and implement survey programme for older flats and houses with structural concrete elements
- Reduce the electrical inspection cycle to five years in line with best practice
- Implementation of “Orchard Asset” asset management software – including development of the compliance and energy modules
- Develop a methodology which identifies high cost investment properties across the stock and calculates net present values – using new software in Orchard Asset
- Implement a programme of estate investment projects
- Establish a programme of re-inspection of asbestos containing materials and implement a new asbestos register based within Orchard Asset
- Implement an annual programme to inspect fire doors to flats and communal areas (including the replacement of non-compliant fire doors)
- Review maintenance requirements for flat roofs and sheds replacement and repair
- Develop a replacement programmes for lifts, door entry systems, communal entrance doors, fire systems, automatic doors, and communal lighting.
- Review the cyclical decoration programme and reduce the external masonry painting programme to a 7- year cycle to tie in with the painting and repair cycle.

Following updated Fire Risk Assessments and revised fire safety regulations, a number of measures are being implemented to improve fire safety. All dwellings are having heat detectors installed in kitchens and this programme is expected to be completed by March 2022. We are also increasing the level of fire protection in upstairs maisonettes and installing emergency lighting in blocks of flats.

The installation of heat detectors in all properties over a three-year period necessitates additional work to existing fire detection systems in dwellings. This includes replacing and

interlinking existing smoke detectors. Additional revenue resource of £360,000 has been requested as detailed in Section 5 of this report to complete the programme of work by the end of March 2022.

Funding of £450,000 (£200,000 in 2020/21 and £250,000 in 2021/22) has also been incorporated into this iteration of the business plan to allow for enhanced fire alarm systems to be installed at Kingsway, Princess Court and Hanover Court, following the recommendations for the latest fire risk assessments.

Additional capital resource of £3,000,000 (inclusive of contractor overheads) is also requested in 2021/22, as part of this HRA Medium Term Financial Strategy, to undertake remedial structural works to balconies and walkways at blocks of flats at Princess and Hanover Court and a number of blocks of flats in the South Arbury area including Cockerel Road, Rutland Close, Brackley Close, Fordwich Close, and Perse Way. There is the potential for similar investment to be required in other blocks of similar age and construction, but until further specialist surveys have been completed, this can't be confirmed or quantified. Further capital bids will need to be made as part of the 2021/22 budget process to allow further works to be undertaken if they are required.

Further analysis is still required on a property by property basis, to identify individual properties or blocks of flats where there is a significant investment need anticipated over and above that driven by the decent homes standard. For these assets there will be decisions to make about their overall contribution to the business plan, and whether they should be retained and improved, or alternatively disposed of or demolished and re-developed.

From a delivery perspective 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 been extended to November 2022, and the contract with Fosters runs until July 2022, with the potential to extend for a further 3 years. A significant amount of work is procured via one-off contracts and this includes large structural works projects and energy efficiency works.

The Council declared a climate change emergency in February 2019 and has called on government, industry and regulars to make changes to enable Cambridge to reach net zero carbon by 2030. There is a clear commitment to increasing energy efficiency, reducing the carbon footprint and improving sustainability across the asset portfolio, with the HRA stock representing a proportion of the portfolio. Government plans for a Future Homes Standard and other policy changes and initiatives are also likely to impact the housing stock and maintenance of it in the future.

Additional resources were identified in the budget for 2020/21, to accelerate work on our stock and to collect the data required for the development of up a more detailed programme of investment in improving energy efficiency and environmental sustainability of our Council housing stock. This will inform a strategy for the improvement of energy in Council homes and consideration of future policies, for example in relation to heating sources. Although at this stage the financial impact of such a strategy cannot be included in the MTFs, there has been significant work undertaken to start collecting and analysing energy efficiency data across the housing stock.

Across the stock, we have not yet modelled a full programme for all of the existing stock. The scale of the task is very large indeed, and the Council is likely to need to enter into borrowing to be able to deliver on its aspirations in relation to existing Council rented homes. The Asset Management Team have been working closely with the Housing Development Team to analyse the performance and associated maintenance and tenant based costs of the renewable technologies being considered for heating sources within the new build properties to establish what might be viable to replace gas as a heating source in our existing homes.

Work has started to identify and put in place measures to raise Council dwellings with the lowest energy efficiency ratings (EPC rating of E, F and G) to at least a C rating in 2020/21. We are also implementing projects to identify the work and associated costs to improve the energy efficiency of all our older solid wall properties (the majority of these are currently D rated.) A separate report to Housing Scrutiny Committee in this committee cycle identifies a programme of works to 70 homes (1935 build type) to improve them to a B rating by undertaking external wall insulation and solar panels. There are in the region of 1,000 further homes that could

benefit from this investment, subject to proof of concept and approval of resource in future years. Work is underway to better understand the challenges posed by other building types in Cambridge, and what is possible in terms of improving the SAP rating (ideally to B), reducing carbon emissions and tenant bills.

It must be noted though, that upgrading existing homes does not lead to an increase in rental income, unlike the new build programme where the costs of borrowing can be met by new income from the newly constructed homes.

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 2020.
- Re-phasing of expenditure anticipated to take place in 2019/20, into 2020/21 and beyond, as approved in June / July 2020.
- Inclusion of £200,000 in 2020/21 (for Kingsway) and £250,000 in 2021/22 (for Princess and Hanover Courts) to install fire alarms in line with the latest fire risk assessment recommendations.
- Inclusion of £3,000,000 (including contractor overheads of £298,000) of resource in 2021/22 to allow remedial structural works to be carried out in identified flat blocks across the city.
- Re-phasing of budget of £1,625,000 for heating and boiler installations between 2020/21 and 2021/22 or 2023/24 in line with revised project delivery timelines.
- Virement between decent homes budgets for heating, doors and HHSRS in 2020/21 in line with works orders raised in year.

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

Section 7

Capital & Asset Management – New Build & Re-Development

Asset Management

Consideration continues to be given to the strategic acquisition or disposal of assets, in line with the current HRA Acquisition and Disposal Policy and the planned development programme.

Receipts from individual asset disposals are currently recognised in the HRA's reserves at the point of receipt and after all relevant costs have been provided for, to ensure prudence and to avoid reliance on a receipt that may not materialise.

During 2019/20, the HRA did not acquire or dispose of any properties on the open market, outside of the HRA redevelopment programme. Three properties were acquired in 2019/20 as part of the redevelopments at Colville Road and Campkin Road, with a further four having completed in 2020/21 to date. There were still four properties left to acquire on these sites at the time of writing this report.

Other disposals or acquisitions in 2020/21 to date, including the acquisition of land for potential future development include:

Acquisition / Disposal	Comment	Status
2 Bed House	Sale of 2 bedroom property in the south of the city to secure vacant possession of a development site	In progress
1 Bed Flat	Purchase on open market of a 1 bedroom flat in an existing HRA block in the south of the city	Complete
Land at Fen Road	Purchase of a plot in the north of the city - 3,000 square metres of land with development potential	Complete

Acquisition / Disposal	Comment	Status
Land at Ditton Fields	Purchase of a property and adjoining land plot in the south of the city with planning permission for a single dwelling on the land plot	Complete
Land at Queensmeadow	Purchase of a small land parcel in the south of the city	In progress
10 existing market dwellings and 10 POD's *	Purchase of 10 homes on the open market and the purchase and placement of 10 POD's to house rough sleepers as part of the MHCLG Next Steps Programme, subject to MHCLG Grant approval.	Grant bid submitted

* At the time of writing this report, a bid had been submitted to MHCLG for the acquisition of 10 existing market dwellings and 10 POD's, at a total capital cost of £4,474,200, with a request for grant of £2,573,700. This leaves the HRA to meet £1,900,500 of the up-front capital cost, which will be repaid over the life of the assets from the net revenue stream. The budget has been incorporated into the capital plan to allow officers to proceed if the grant bid is successful, but expenditure will not be incurred if the grant is not awarded. If the scheme progresses, the units will be let at either social rents, or the higher (post COVID) Local Housing Allowance rates, depending upon what is agreed as part of the grant approval. Once the bid outcome is known, potential sites for the location of the POD's will be considered, in line with the delegation process for the existing POD programme, which allows approval of location by the Strategic Director, subject to Executive Councillor and Ward Councillor consultation.

New Build

General Approach

The Council's approach to building new homes is continually evolving, with consideration being given to the building and energy efficiency standards against which the authority will build going forward.

All new build housing in the HRA is managed by the Housing Development Agency (HDA), with a number of options considered for the delivery of new homes.

The Council has recently commissioned a review of the housing delivery to date and the delivery vehicles adopted to achieve the delivery of new homes. Outcomes of the review will be reported to Housing Scrutiny Committee in January 2021 and will inform recommendations on the delivery of the next New Homes Programme, for the period from 2022 onwards.

The fees charged by the H.D.A have been reviewed as part of this Medium-Term Financial Strategy. The proposed level of H.D.A fees for schemes approved from September 2020 onwards are:

- HRA housing schemes delivered using CIP – 2%
- HRA housing schemes delivered by H.D.A directly – 3%
- Optional 1% can be added to each of the above if scheme includes re-development

Potential new build schemes are identified and strategically considered, with initial communication to potentially affected residents taking place. Once detailed feasibility work has been carried out, schemes are presented to Housing Scrutiny Committee for formal consideration and approval, based upon indicative costs. 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.

As part of the HRA Budget Setting Report or HRA Medium Term Financial Strategy, the latest scheme appraisal costs available at the time are incorporated into the financial models, and therefore the Housing Capital Investment Plan. These costs will not always be the finally agreed contractual sums that the authority enters into in all cases but ensures that the most up to date data is being utilised.

New Build Schemes Completed – Devolution 500 Programme Onwards

At the time of writing this report 80 new homes had been completed since the beginning of 2018 as part of the Devolution 500 Programme, with a net gain of 53 council rented homes.

The table below details the new build schemes completed as part of this programme to date:

Scheme	Date Completed	Total Social Housing / SO Units	Gain in Social Housing Units	External Funding Source	Percentage Social Housing on Site
Uphall Road	February 2018	2	2	RTB Receipts & Devolution Grant	100%
Nuns Way/Cameron Road	September 2019	7	7	RTB Receipts & Devolution Grant	100%
Wiles Close	September 2019	3	3	RTB Receipts & Devolution Grant	100%
Ditchburn Place	September 2019	2	2	RTB Receipts & Devolution Grant	100%
Queensmeadow	June 2020	2	2	RTB Receipts & Devolution Grant	100%
Anstey Way	June 2020	56	29	RTB Receipts & Devolution Grant	100%
Colville Road Garages	July 2020	3	3	RTB Receipts & Devolution Grant	100%
Gunhild Way	July 2020	2	2	RTB Receipts & Devolution Grant	100%
Wulfstan Way	September 2020	3	3	RTB Receipts & Devolution Grant	100%
Total		80	53		

New Build Schemes On Site

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

Scheme	Approved Indicative Social Housing Units	Gain in Affordable Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Devolution Grant	Net Capital Cost to the HRA
Mill Road	118	118	24,965,630	(7,489,690)	(17,475,940)	0
Markham Close	5	5	1,186,650	(355,990)	(830,660)	0
Kingsway	4	4	410,000	(123,000)	(287,000)	0
Akeman Street	14	12	4,526,720	(910,680)	(2,124,920)	1,491,120
Ventress Close	15	13	3,689,920	(783,910)	(1,828,600)	1,077,410
Cromwell Road	118	118	24,865,800	(7,459,740)	(17,406,060)	0
Total	274	270				

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. These schemes include HRA sites, General Fund sites and land acquisition or section 106 sites, where the intention is for the HRA to deliver or purchase the affordable housing.

The table below details 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. The latest budget approvals for sites identified for transfer to CIP are based upon the most recent cost estimates provided by CIP but will not be finalised until the Affordable Housing Agreement or design and build contract is entered into.

Scheme	Approved Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Devolution Grant / Section 106 Funding	Net Capital Cost to the HRA
Tedder Way	2	2	389,000	(116,700)	(272,300)	0
Kendal Way	2	2	374,000	(112,200)	(261,800)	0
Colville Road II	69	49	15,690,580	(3,040,130)	(7,093,200)	5,557,250
Meadows and Buchan	106	106	27,318,760	(3,958,930)	(13,141,130)	10,218,700
Clerk Maxwell Road	14	14	2,746,760	(824,030)	(1,922,730)	0
Campkin Road	75	50	17,421,260	(3,114,990)	(1,750,000)	12,556,270
L2	30	30	6,207,000	0	0	6,207,000
Colville Road III	47	29	11,103,200	0	0	11,103,200
Histon Road	7	7	1,513,000	0	0	1,513,000
Total	352	289				

As part of this report, scheme specific budgets have been separately identified for the HRA to acquire the affordable housing on the site at L2, to redevelop the site to be referred to as Colville Road III, and to acquire 7 affordable homes as part of a development in Histon Road, in line with the scheme specific reports being presented to Housing Scrutiny Committee in this committee cycle. These schemes could be counted towards the new programme from 2022 onwards.

The table below confirms the current status for each pipeline scheme:

Scheme	Site Type	Status	Potential New Build Units
Tedder Way	In-fill	Awaiting planning date	2
Kendal Way	In-fill	Planning expired	2

Scheme	Site Type	Status	Potential New Build Units
Colville Road II	Existing HRA Housing	Planning approved	69
Meadows and Buchan	Community Facility	Planning resolution	106
Clerk Maxwell Road	Section 106 Site	Planning approved	14
Campkin Road	Existing HRA Housing	Planning approved	75
L2	CIP Acquisition	Pre-planning	30
Colville Road III	Existing HRA Housing	Site Feasibility	47
Histon Road	Section 106 Site	Planning approved	7

Tedder Way

This scheme is under review due to access and boundary issues but will be subject to external tender to allow delivery once a planning decision has been made.

Kendal Way

An unresolved boundary dispute has been ongoing for sufficient time that the planning permission for this site has now lapsed. The scheme is now subject to review.

Colville Road II

To secure vacant possession for the re-development of the site at Colville Road, it is necessary to re-locate a total of 20 tenants, with all of the secure households having moved at the time of writing this report, and to buy back 4 leasehold flats, with 3 of these purchases having completed to date.

The scheme was granted planning by the Planning Committee on 6 November 2019 and start on site is anticipated by October 2020.

Meadows and Buchan Street

This scheme sees the re-development of two General Fund sites at Buchan Street and the Meadows, where both are currently entirely community provision. The scheme proposes new homes on both sites, with the community provision combined and re-provided on the Meadows site, and some new retail space at Buchan Street. The cost of the retail units and community centre re-provision will be met by the General Fund.

Following a second public consultation the revised scheme has now received planning committee approval.

Clerk Maxwell

This scheme would see the HRA acquire the 14 affordable homes on an existing Hill Residential development site. The scheme was re-submitted for planning in December 2019, and planning approval has now been granted.

Campkin Road

To secure vacant possession for the re-development of the site at Campkin Road it is necessary to re-locate a total of 25 tenants, with 21 of the secure households having moved at the time of writing this report, and to buy back 7 leasehold flats, with 4 of these purchases having completed to date.

The scheme was granted planning permission in May 2020. Start of site is anticipated in October 2020, subject to having secured vacant possession.

L2

This site was purchased by the Cambridge Investment Partnership in December 2019, with planning permission for 64 homes. It is anticipated that the scheme can be revised to deliver up to 75 homes, with the HRA acquiring the 30 (40%) affordable homes on the site. Subject to obtaining revised planning consent, it is estimated that start on site could be in April 2021.

Colville Road III

This site currently comprises 15 tenanted HRA properties, 2 leasehold flats, a flat that has already been repurchased by the HRA and is being let on a temporary basis and 4 shops. The proposed development, which is the subject of a separate report in this committee cycle would see the provision of 47 new or replacement homes alongside the reprovision of the commercial space.

It should be noted that the commercial property that currently exists on the site of the Colville Road III development is held in the Council's General Fund, with the benefit of the rental income also being recorded there. Officers are exploring the most appropriate route to both identify the true costs that should be borne by the General Fund and to subsequently account for and finance this expenditure. At this stage the full scheme cost has been incorporated into the HRA Medium Term Financial Strategy and Housing Capital Plan, to allow the scheme to proceed. A delegation to the Section 151 Officer, in consultation with the Executive Councillor for Strategy and Resources and the Executive Councillor for Housing, is requested in the scheme specific report to allow the most appropriate valuation basis, funding route and accounting treatment for the value of the commercial units being provided to be determined.

Histon Road (The Mews)

This site is being developed by Laragh Homes, to deliver 17 private and 10 affordable homes off Histon Road. Cambridge City Council have been offered the opportunity to acquire 7 of the affordable homes, all 2 bedroom properties, with the other 3 affordable homes forming part of the Cambridgeshire and Peterborough Combined Authority £100,000 home programme.

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. The potential for land to be transferred from the General Fund to the HRA at nil value is still awaiting the outcome of a government consultation. 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 existing use value prior to lease to the Cambridge Investment Partnership.

Future New Build

After completion of the Devolution 500 Programme, the authority is committed to continue a programme to deliver new homes. Following the abolition of the HRA Borrowing Cap, it is now possible to increase the supply of new homes that can be delivered, assuming that the authority is content to borrow to achieve this, that the business plan can support the costs of borrowing and that suitable land sites can be identified to achieve this.

Considerable work has been done to begin to develop the new build housing programme which will follow after the completion of the Devolution 500 Programme, with an aspirational target to deliver 1,000 net additional rented homes over the following 10 years.

A number of options are being explored to give an indication of what may be possible, which include a mix of developing HRA or Council owned land, acquiring land on the open market, acquiring the affordable housing on Section 106 sites and working with a development partner or as part of a joint venture to develop larger sites in the city. A number of scenarios are also under consideration to demonstrate how a net 1,000 council rented homes could be delivered, using a mix of market sale, shared ownership and council rented homes to ensure financial viability. Differing levels of energy efficiency have also been explored, with options for building to Passivhaus standards costed into the assumptions currently, so that the impact of the additional up-front investment can be clearly articulated. The scenarios modelled also include assumptions about whether the authority may be able to secure Homes England grant to help finance the delivery of new homes.

A separate report is presented to the committee cycle in respect of the principles for the potential 1,000 New Build Programme, and some high-level assumptions from modelled scenarios have been modelled as part of this iteration of the business plan.

This MTFS includes provision for one new build scenario, whilst recognising that further work needs to be done on exploring options, including in relation to the sites available. As such, this report provides the financial underpinning of a broad strategic commitment to the delivery of a 1,000 homes new-build programme from 2022, and set of key strategic aims, using the assumptions below.

The key assumptions made in respect of the modelling for the purpose of this plan are as follows:

- 1,000 net additional council rented homes are delivered over the 10-year period following the Devolution 500 Programme
- To deliver 1,000 net new council rented homes in mixed communities, we will deliver 1,200 gross rented homes and develop other tenures where required (current assumption is that we will also build and own 233 shared ownership homes and build 500 homes for market sale)
- We will develop using a range of tools with our modelled assumption including a mix of 37% delivered via Joint Venture or Section 106, 21% land led schemes, 33% built on existing HRA sites and 8% of the shelf purchases
- A build cost of £2,950 per square metre, which assumes building to Passivhaus standards, by allowing a £500 uplift per square metre on the standard rate of £2,450
- A land acquisition costs for land led schemes of £75,000 per plot
- New homes are all let at council affordable rent levels using the pre-COVID-19 Local Housing Allowance levels as a cap in line with current policy
- Retained right to buy receipts would continue to be available for re-investment at the rate of £2,800,000 per annum and that they can be used in addition to Homes England Grant. (This will require a positive outcome from the MHCLG RTB Consultation)
- Borrowing has been assumed at 1.7%, based upon the current PWLB HRA Certainty Rate

- Initial modelling by Redloft has been undertaken on the assumption that 1,200 gross council rented homes are built and this assumption has been complimented in the HRA business plan with the assumption that in order to deliver 400 of these new homes on HRA land, there would be a need to demolish 200 existing properties as part of the site regeneration schemes. The loss of 200 existing homes has been built into the HRA financial forecasts, delivering a net gain of 1,000 rented homes
- Investment profile is spread equally across the 10-year programme (bar £3,000,000 incorporated into 2020/21 and 2021/22 for land acquisition and early investment)

Assumptions for the financial modelling for this iteration of the business plan – 1,200 (1,000 net) Council Rented and 233 Shared Ownership homes at Passivhaus Standard, with Homes England Grant of £70,000 per unit for rented and £28,000 per unit for shared ownership homes.

- This would require £335,000,000 of borrowing, against total investment of approximately £658,000,000, to deliver the new homes but would still allow set-aside of resource in line with the current policy over the life of the plan to redeem 25% of the original HRA Self-Financing housing debt.

Work is ongoing to identify and explore potential HRA sites and land acquisition opportunities that could be included within the 1,000 Programme. Sites and schemes will be brought forward for formal consideration and approval individually as opportunities arise.

This iteration of the business plan has incorporated this option, for the purpose of ensuring that resource is ear-marked to provide a framework to allow the 1,000 Programme to be further developed. This does not provide assurance that the programme will be delivered in accordance with the assumptions made initially and will require revision as the programme develops and detailed decisions are taken.

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 to Passivhaus standard wherever possible, but there is an

intention to move towards zero-carbon during the life of the programme, where it is feasible and viable to do so.

This proposal is however dependent upon securing Homes England Grant funding for all of the council rented and shared ownership units, and failure to achieve this will mean that the programme will need to be reviewed to identify alternative sources of funding, to increase the amount of market sale or shared ownership housing provided, to reduce build standards or to reduce the number of council rented homes delivered overall.

Any opportunity to secure additional future funding through the Combined Authority, Homes England or MHCLG is being fully explored, as this will mitigate the amount of resource that the HRA needs to borrow.

The need for the HRA to borrow significant sums of money over the 10-year period requires a review of borrowing options. Currently, the PWLB is offering a preferential rate for lending to the HRA, but this resource may be limited in value or may expire before the end of the 10-year programme. It is prudent for the authority to explore other borrowing routes to ensure that any borrowing decisions are made with the benefit of comprehensive market information.

The initial resource ear-marked in the business plan will be reviewed and re-profiled as the programme develops, with detailed borrowing options being explored and decisions being made as part of the medium term financial strategy or budget setting process for any year in which borrowing is deemed necessary. The first year that borrowing is currently anticipated is 2022/23.

The Housing Capital Investment Plan, an updated version of which is attached at **Appendix H**, incorporates the funding for the net 1,000 new homes and the new build schemes as identified in the tables above, recognising gross spend on each council housing scheme, land values, grant and any right to buy receipts separately, arriving at the net cost to the Council as per the table above. For these purposes the use of retained right to buy receipt is treated as an external funding source, recognising that failure to utilise it as statutorily required, would result in the need to pay the receipt over to Central Government.

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

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 2020.
- Re-phasing of expenditure anticipated to take place in 2019/20 into 2020/21 and beyond, as approved in June / July 2020.
- Re-allocation of new build budget between the unallocated / generic new build budget and individual scheme specific budgets of £6,207,000 for the acquisition of the affordable housing on the site at L2, assuming scheme specific approval is granted at this Housing Scrutiny Committee in September 2020.
- Inclusion of resource to facilitate the new 1,000 New Homes Programme, recognising that significant borrowing will be required to allow this to happen.
- Inclusion of budget of £11,104,000 to facilitate the development of the existing HRA site at Colville Road III, with the scheme to be the first scheme identified as part of the new 1,000 homes programme. The scheme will utilise the last of the 2021/22 £10,000,000 of resource identified for new build homes, with the balance to be funded from resource ear-marked as part of the new programme from 2022/23.
- Inclusion of budget of £1,513,000 to acquire 7 affordable homes on a development site off Histon Road, assuming scheme specific approval is granted at this Housing Scrutiny Committee in September 2020.
- Inclusion of a budget of £4,474,200, with assumed MHCLG grant of £2,573,700 towards this, to allow the acquisition of 10 dwellings and 10 POD's to move rough sleepers on from hotel accommodation.
- As part of this HRA Medium Term Financial Strategy, approval to re-phase budgets in respect of a number of new build sites, as detailed in **Appendix E**, with the

resulting changes incorporated into the Housing Capital investment Plan at **Appendix H**, is also being sought.

- Capital financing has been updated in respect of revised assumptions in right to buy and other capital receipts, grants, revenue funding of capital expenditure, use of Section 106 resources and borrowing requirements.

Section 8

Summary and Conclusions

HRA Budget Strategy

The Budget Process

The HRA budget for 2021/22 will incorporate the changes both agreed and proposed as part of this iteration of the business plan, to help to mitigate the financial impact of the coronavirus pandemic. The budget process itself will remain broadly similar to that for previous years in terms of timing and detailed administration.

Incorporation of savings in both revenue and capital expenditure from 2019/20 at the outturn position improved the base position for the HRA from April 2020. Unfortunately, and as is the case for many businesses, the coronavirus pandemic has negatively impacted the financial projections for 2020/21 and beyond.

Further challenges have been identified, over and above those resulting from the pandemic, with an increased investment need in the existing housing stock in respect of both health and safety and fire safety works. Resource has been incorporated as part of this iteration of the business plan to inspect fire doors, install heat detectors that are linked to smoke detectors and to tackle structural failures in some flat blocks.

For 2020/21 the HRA Medium Term Financial Strategy incorporates changes in the anticipated rental income for the current year, in the contribution to the bad debt provision as a result of an increase in rent arrears, changes in anticipated interest earned in year from a revenue perspective and in depreciation of the housing stock, alongside some changes in operational budgets.

The report also proposes release of some ear-marked reserves back into general reserves and some changes in operational budgets, in mitigation of the impact of the coronavirus pandemic.

Changes in the capital programme in respect of the budget now required for specific new build schemes have been incorporated, with budgets adjusted or re-phased as schemes reach the next milestone in the development process. Budget to create a framework to allow the programme of 1,000 net new council rented homes to be developed further has also been incorporated as part of this iteration of the business plan.

This ensures that the level of investment is more than sufficient for that required to avoid paying any retained right to buy receipts to Central Government, with the associated interest penalty, instead ensuring these receipts can be re-invested in the locality.

The requirement to borrow in future years in order to deliver the 1,000 new council rented homes that the HRA is seeking to provide has been incorporated into the business plan to demonstrate that the HRA can fully support the ongoing costs of borrowing with the initial assumptions made. As borrowing is required, borrowing routes need to be explored and clear assumptions need to be made around whether the existing borrowing should be repaid at maturity or re-financed. These decisions will materially impact the financial forecasts for the HRA and drive the requirement to identify any savings in future iterations of the business plan. The HRA needs to be able to clearly demonstrate that borrowing is undertaken in order to finance a new asset, and not simply to plug a budget gap.

There is an assumption built into this iteration of the business plan, that in order to deliver 1,000 new council rented homes, the authority will be successful in securing significant sums of grant funding from Homes England. Failure to achieve this will require a significant review of both the proposed development programme and the HRA business plan.

In advance of the need to borrow, and to ensure prudence in an uncertain financial climate, this report proposes retention of a budget strategy where efficiency savings are sought to ensure that value for money can be demonstrated and that tenants and leaseholders

continue to receive services at the best price possible, whilst also incorporating a strategic investment fund, which will allow re-direction of resources into key areas of the Housing Service to meet the ongoing challenges that providers of affordable housing continue to face.

The robust approach to financial management for the HRA, where efficiencies are sought wherever possible, enables strategic re-direction of resource into other areas of investment, such as new build housing, if all of the financial pressures are not as originally anticipated.

The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2021/22 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 in the 2019/20 HRA Medium Term Financial Strategy, it is recommended that a savings target is retained, but in the form of an efficiency target. It is also proposed to continue to include a corresponding strategic reinvestment fund.

The continued inclusion of a 4% of general management and repairs administration expenditure (now £136,000 per annum) efficiency target is considered prudent in light of continued uncertainty in both the economy generally and in a number of areas of national housing policy, and allows resource to be identified for strategic reinvestment in other areas of the housing service. Inclusion of an efficiency target, and an associated strategic reinvestment fund ensures that the authority is best placed to respond to any change. The authority will need to review and evaluate its position again for 2022/23 onwards, once the longer-term impacts of the pandemic are clear and there is further clarity at a national level around housing policy.

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

Retention of strategic reinvestment funding, now at £136,000 per annum, funded from any efficiency savings identified, for the next 5 year period, from 2021/22, allows the authority to

either redirect resource into key areas or alternatively to hold off in the event of financial pressure, allowing the efficiency savings identified to contribute to an overall reduction in HRA expenditure in response to any crisis or national policy announcements. There is also the option in any one year, if efficiency savings are not identifiable, to waive any strategic reinvestment, thus negating the need to make savings which may detrimentally impact the delivery of key housing services.

As part of the 2021/22 budget setting process, any areas of new revenue investment, will need to be offset by the identification of savings or increased income generation elsewhere across the HRA.

There is sufficient resource available to match fund retained right to buy receipts with the 70% of additional investment required. A key challenge, exacerbated by the delays caused by the coronavirus pandemic, remains the ability to bring forward enough new build housing in quick enough timeframes to allow the investment of these resources within the currently prescribed timeframes. Failure to invest the retained right to buy receipts within the required 3-year timeframe will still carry the penalty of paying them to central government with interest currently at 4.1%, calculated from the quarter in which they were originally received.

Once the borrowing options have been explored in order to facilitate the delivery of new council homes, the longer-term assumption that the authority attempts to set-aside resource for the repayment at least 25% of the self-financing housing debt by the point at which the loan portfolio begins to reach maturity will be reviewed. The authority will review and reconsider its approach to debt set-aside once the detailed borrowing requirements for the future new build programme have been confirmed, retaining the base assumption in the interim.

The position for the HRA will be reviewed again as part of the January 2021 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.

Base Assumptions

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

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

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

Appendix G summarises the revenue budget position for the HRA for the period between 2020/21 and 2029/30, based upon inclusion of the amended financial assumptions that form part of the update to the Self-Financing Business Plan.

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

HRA MTFS Conclusions

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

The need to react to the negative impact of the coronavirus pandemic has resulted in recognition that there will be an increase in rent arrears and associated bad debt, with budgets having been reviewed and reduced in some areas in an attempt to mitigate the initial impact. The position will need to be reviewed again once any longer-term impact is clear.

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 a further 4 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 in an attempt to mitigate the impact initially being felt, and the increasing impact anticipated. The transition from Housing Benefit to Universal Credit has been accelerated by the coronavirus pandemic, which has prompted new claims and an increase in changes of circumstance.

Another key risk remains the authority's ability to invest retained right to buy receipts within the required timescales, with the anticipated relaxing of these constraints not yet confirmed. Sufficient schemes are approved in the pipeline to ensure that receipts can be reinvested, but there are still risks if schemes are delayed in any way, with recent events having exacerbated this.

A key uncertainty still exists in respect of the investment need that may arise once the review of the decent homes standard identified as part of the Housing Green Paper, has concluded.

The incorporation of an initial budget to allow the development of a programme to deliver 1,000 new council rented homes identifies the need to ensure that the HRA can borrow as efficiently as possible and demonstrate affordability for the borrowing over the life of the business plan.

Although delivery of significant savings in the short to medium term is not critical to the success of the business plan, the inclusion of an efficiency target, offset by a corresponding strategic reinvestment fund is still considered to be a prudent approach to ensuring that resources are targeted to the areas that most need them, and that flexibility is maintained to allow response to both local demands and national housing policy change.

Appendix A

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
<p>Implications of new legislation / regulation or changes to existing are not identified</p>	<ul style="list-style-type: none"> • Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted
<p>Delays in announcement of detail surrounding housing policy change negatively impacts decisions taken at a local level</p>	<ul style="list-style-type: none"> • Decisions taken in the context of a business plan which recognises the uncertainty. Savings taken have impacts exemplified to ensure impact is mitigated
<p>Funding is not identified to meet the costs associated with changes in statutory requirements</p>	<ul style="list-style-type: none"> • 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
<p>Changes in national housing or rent policy impact the ability to support the housing debt or deliver against planned investment programmes</p>	<ul style="list-style-type: none"> • 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
<p>Implementation of Fixed Term Tenancies carries administrative cost and would dictate the need for system change at a time when the Housing Management Information System has just been replaced</p>	<ul style="list-style-type: none"> • Project Board for system replacement are aware of the potential need for further changes to IT systems and have discussed this with suppliers as part of the implementation process • Fixed term tenancies may now not be compulsory, depending upon outcome of Housing Green Paper

Risk Area & Issue arising	Controls / Mitigation Action
Housing Portfolio & Spending Plans	
<p>The Council approves plans which are not sustainable into the future, leading to increasing problems in balancing budgets</p>	<ul style="list-style-type: none"> • Council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in context of long-term impact • The Business Plan includes long-term trend analysis on key cost drivers • 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 prudence	
<p>Business Planning assumptions are wildly inaccurate</p> <p>Financial policies, in general, are not sufficiently robust</p> <p>Funding to support the approved Capital Plan is not available</p> <p>The financial impact of the coronavirus pandemic is far greater, and longer lasting, than anticipated in 2020/21</p>	<p>Council has adopted key prudence principles, reflected in:</p> <ul style="list-style-type: none"> • 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 • Ongoing monthly review of key parameters whilst the impact of the coronavirus pandemic is uncertain.

Risk Area & Issue arising	Controls / Mitigation Action
Use of resources is not effectively managed	
<p>There is ineffective use of the resources available to the HRA</p> <p>Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc.</p> <p>Value for money in terms of investment in new build homes is challenged</p>	<ul style="list-style-type: none"> • Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework • A business case 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 • Council adopts a mix of delivery vehicles • Council employs cost consultants to demonstrate price comparability with the local market • Council has procured an independent review of new build delivery

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
<p>Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure</p>	<ul style="list-style-type: none"> • 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
<p>Rent and service charge arrears increase, and bad debt rises, as a direct result of the Welfare Benefit Reforms or the Coronavirus pandemic</p>	<ul style="list-style-type: none"> • Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
<p>Rent income is under-achieved due to a major incident in the housing stock</p>	<ul style="list-style-type: none"> • Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
<p>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</p>	<ul style="list-style-type: none"> • Sensitivities modelled so potential impacts are understood • Business plan is regularly reviewed allowing reallocation of resource or consideration of borrowing if required
<p>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</p>	<ul style="list-style-type: none"> • Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity
<p>Volatility and competition in the property market impacts the ability to fund planned capital investment from the sale of assets</p>	<ul style="list-style-type: none"> • 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

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	0.9% for 2021/22, then 2% ongoing	General inflation on expenditure included at 0.9% for 2021/22, then 2% ongoing, per Bank of England) forecasts of May 2020.	Amended
Capital and Planned Repairs Inflation	CPI plus 1.1%	Based upon the mix of BCIS and CPI forecasts for next 2 years, using averages over this period. Reverts to CPI after 2 years.	Amended
Debt Repayment	Set-aside 25% to Repay Self-Financing Debt	Assumes surplus is re-invested in income generating assets, with 25% of resource set-aside to repay debt as loans reach maturity dates, pending review of the set-aside policy in conjunction with any borrowing being considered.	Retained
Capital Investment	Partial Investment Standard	Base model assumes a partial investment standard in the housing stock, compared with a basic decent homes standard.	Retained
Pay Inflation	1.5% Pay Progression & Pay Inflation at 2.75% for 2020/21, 2.5% for 2021/22 then 2% from 2022/23	Assume allowance for increments at 1.5% and cost of living pay inflation at 2.75% for 2020/21, 2.5% for 2021/22, 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	CPI plus 1% for 4 years from 2021/22, then CPI plus 0.5% from 2025/26	Rent increases of up to CPI plus 1% for 4 further years, reverting to inflation plus 0.5% after this. Assume CPI in preceding September is as above.	Retained
Affordable Rent Review Inflation	CPI plus 1% for 4 years from 2021/22, then	Affordable rents to be reviewed annually in line with Local Housing Allowance, ensuring that they match the LHA unless	Retained

Key Area	Assumption	Comment	Status
	CPI plus 0.5% from 2025/26	it rises above CPI plus 1%, in which case the lower will apply.	
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties directly to target rent.	Retained
External Lending Interest Rate	0.6%	Interest rates based on latest market projections, recognising that the HRA will benefit from low risk investments only	Amended
Internal Lending Interest Rate	0.6%	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	1.69%	Assumes additional borrowing using PWLB HRA certainty rates.	Amended
Internal Borrowing Interest Rate	1.69%	Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.	Amended
HRA Minimum Balances	£2,000,000	Maintain HRA minimum balance at £2,000,000, pending a review once the business plan and asset investment strategy has been fully reviewed.	Retained
HRA Target Balances	£3,000,000	Maintain HRA target balance at £3,000,000, pending a review once the business plan and asset investment strategy has been fully reviewed.	Retained
Right to Buy Sales	22, then 25 sales ongoing	The impact of the coronavirus pandemic is expected to result in a decline in activity for 2020/21. Assume 22 in 2020/21 then 25 sales annually 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	1.2% ongoing	Assume a higher ongoing void rate of 1.2% from 2020/21, recognising recent standard void performance.	Amended
Bad Debts	4.5% for 2020/21, then 1.5% from	Bad debt provision increased to 4.5% for 2020/21 as a result of the coronavirus pandemic, then 1.5% ongoing reflecting	Amended

Key Area	Assumption	Comment	Status
	2021/22 ongoing	the requirement to collect 100% of rent directly through Universal Credit .	
Savings Target	£136,000 (4% of general and repairs administrative expenditure)	Retain an efficiency target of £136,000 from 2021/22 for 5 years. Allows strategic reinvestment or alternatively 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	£136,000	Housing Strategic Investment Fund included from 2021/22 for 5 years at the same value as the savings target.	Retained

Appendix C

Retained 1-4-1 Right to Buy Receipts

Quarter date for Receipt	Retained 1-4-1 Receipt Value (Per Quarter)	Retained 1-4-1 Receipt Value (Cumulative)	Amount of New Build Expenditure Required (Cumulative)	Deadline for Receipt to be spent on New Dwelling	Qualifying Spend by Deadline (Cumulative)	Retained 1-4-1 Receipt Spent (Cumulative)	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)	Further New Build Spend Required by Deadline (Cumulative)
31/03/2016	1,591,834.76	13,136,139.23	43,787,130.78	31/03/2019	54,012,650.36	16,203,795.11	-	-
30/06/2016	2,263,872.93	15,400,012.16	51,333,373.87	30/06/2019	57,282,779.08	17,184,833.72	-	-
30/09/2016	1,874,821.59	17,274,833.75	57,582,779.17	30/09/2019	61,400,261.17	18,420,078.35	-	-
31/12/2016	1,320,457.44	18,595,291.19	61,984,303.97	31/12/2019	66,415,285.15	19,924,585.55	-	-
31/03/2017	1,313,143.16	19,908,434.35	66,361,447.83	31/03/2020	76,190,083.40	22,857,025.02	-	-
30/06/2017	2,045,445.56	21,953,879.91	73,179,599.70	30/06/2020	79,116,964.89	23,735,089.47	-	-
30/09/2017	1,779,600.43	23,733,480.34	79,111,601.13	30/09/2020			-	-
31/12/2017	2,229,968.03	25,963,448.37	86,544,827.90	31/12/2020			2,228,358.90	7,427,863.01
31/03/2018	646,869.52	26,610,317.89	88,701,059.63	31/03/2021			2,875,228.42	9,584,094.75
30/06/2018	1,556,719.56	28,167,037.45	93,890,124.83	30/06/2021			4,431,947.98	14,773,159.95
30/09/2018	557,803.20	28,724,840.65	95,749,468.83	30/09/2021			4,989,751.18	16,632,503.95
31/12/2018	1,210,892.84	29,935,733.49	99,785,778.30	30/12/2021			6,200,644.02	20,668,813.41
31/03/2019	209,910.09	30,145,643.58	100,485,478.60	31/03/2022			6,410,554.11	21,368,513.71
30/06/2019	1,408,403.81	31,554,047.39	105,180,157.97	30/06/2022			7,818,957.92	26,063,193.08
30/09/2019	711,247.45	32,265,294.84	107,550,982.80	30/09/2022			8,530,205.37	28,434,017.91
31/12/2019	317,598.07	32,582,892.91	108,609,643.03	30/12/2022			8,847,803.44	29,492,678.15
31/03/2020	908,642.82	33,491,535.73	111,638,452.43	31/03/2023			9,756,446.26	32,521,487.55
30/06/2020	544,986.29	34,036,522.02	113,455,073.40	30/06/2023			10,301,432.55	34,338,108.51

Appendix D

2020/21 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2020/21 Budget (£)	Budget Amendment in 2021/22 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		5,147,220		
HRA General Management				
Tenancy Auditor	Defer appointment of Tenancy Auditor until 2021/22, when access to homes may be easier	(44,300)	44,300	One-off funding
Pay Review 2020/21	Funding to allow for 2.75% pay award for 2020/21 as per the latest employer offer	22,640	22,640	Built into base for future years
Pension Deficit Funding	Reduce pension deficit funding in line with contribution levels confirmed by pension provider	(52,000)	(52,000)	Built into base for future years
Total HRA General Management		(73,660)		
HRA Repairs				
Fire Door Inspections	Funding to allow for a one-off inspection of fire doors to ensure effective operation	81,800	81,800	Built into base for future years
Heat and Smoke Detectors	Increased funding for smoke detectors to allow linking to the new heat detectors for maximum effectiveness of operation	0	360,000	One-off funding
Total HRA Repairs		81,800		
HRA Summary Account				
Bad Debt Provision	Increase in bad debt provision linked to increase in arrears resulting from the coronavirus pandemic	1,140,930	0	One-off additional contribution
Rent Income	Increase in rental income for 2020/21 due to retention and continued temporary re-let of homes identified for demolition and redevelopment	(64,050)	Incorporated into base assumptions	Built into base for future years
Dwelling Depreciation	Reduction in the estimated level of depreciation based upon the	(324,300)		Built into base for future years

Area of Income / Expenditure	Description	Budget Amendment in 2020/21 Budget (£)	Budget Amendment in 2021/22 Budget (£)	Comment
	latest stock numbers and property values		Incorporated into base assumptions	
Interest earned on HRA Balances	The HRA will benefit from a lower rate of interest based upon current market projections	76,000	Incorporated into base assumptions	Built into base for future years
Interest paid on Borrowing	Reduction in interest used for calculation of interest payable on notional internal borrowing from the General Fund, with borrowing reduced until Cromwell Road is completed	(54,510)	Incorporated into base assumptions	Built into base for future years
Service Charges	Reduction in service charges predominantly due to reduced building cleaning services as a result of the coronavirus pandemic	18,100	0	One-off
Garage Rent	Reduction in garage rent due to inability to let vacant garages for a period during lockdown as a result of the coronavirus pandemic	35,670	0	One-off
Total HRA Summary		827,840		
Revised use of / (contribution to) HRA Reserves post MTFS		5,983,200		

Appendix D (1)

2020/21 HRA Mid-Year Ear-Marked Reserves Budget Adjustments

HRA Ear-Marked Reserve	Revenue / Capital Reserve	Description	Balance as at 1/4/2020	Potential use of reserve	Impact of use of reserve or justification for retention
Repairs & Renewals Funds	Revenue Reserve	Funds set-aside predominantly for the refurbishment of HRA offices, for the replacement of furniture, fixtures and fittings in HRA offices and for the replacement of housing IT.	2,504,845	395,910	A high-level review of IT and office investment requirements indicates the ability to reduce the reserve balances held. This reduction does assume no reconfiguration of the reception area at 171 Arbury Road is undertaken, with any future changes agreed being subject to a bid as part of the HRA MTFs or HRA BSR.
Tenants Survey	Revenue Reserve	Funds accumulated to allow a periodic tenants survey to be conducted, with a survey to be undertaken during 2020/21.	47,490	0	Survey currently being tendered for 3-year contract, with 2 surveys to be conducted within the 3-year period. Review as part of HRA BSR once final prices are known.
Debt Set-Aside or Re-Investment Reserve	Revenue Reserve	Rental surpluses from prior years, set-aside to allow for redemption of debt or re-investment in council housing.	14,704,510		Resource is fully committed to fund the future decent homes and new build investment programmes.
Major Repairs Reserve	Capital Reserve	Funds accumulated by virtue of the statutory requirement to depreciate the housing stock, with the fund required to be invested in council housing (existing stock or new supply).	9,787,889	0	Fund is fully committed to fund the future decent homes and new build investment programmes.

Debt Set-Aside or Re-Investment Reserve	Capital Reserve	Element of right to buy receipts that the authority is permitted to retain to allow redemption of the HRA self-financing debt on the dwelling sold. Can be used to redeem debt or re-invest in council housing.	9,855,562	0	Use of fund is statutorily limited. Current assumption is that the fund is set-aside towards redemption of HRA debt. The resource could alternatively be used to invest in new build homes, reducing the need to borrow, but recognising the need to re-finance existing debt at maturity instead.
			36,900,296	395,910	

Appendix E

2020/21 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	66,358	61,110	41,705	30,449	31,709
General Fund Housing					
Adjustment to budget for DFG's in line with Better Care Fund Grant received	(31)	25	25	25	25
Decent Homes and Other HRA Stock Investment					
Re-phase investment in heating and boilers in line with works procured	(1,625)	950	0	675	0
Vire budget for heating and boilers into other decent homes work elements in line with work orders raised in 2020/21	(325)	0	0	0	0
Vire budget to HHSRS from heating and boilers line with work orders raised in 2020/21	189	0	0	0	0
Vire budget to Doors from heating and boilers line with work orders raised in 2020/21	136	0	0	0	0
Include budget for additional wall structure and balcony works in flat blocks	0	2,702	0	0	0
Include budget for fire alarms at Kingsway, Princess and Hanover Court	200	250	0	0	0
Adjust funding for Contractor Overheads following re-phasing of heating and boiler budgets and addition of balcony works budget	(178)	429	0	74	0
Adjustment to allocation for new build decent homes work to recognise delays and additions in the programme	(144)	178	(39)	202	331
New Build					
Re-phase budget for Tedder Way	(378)	378	0	0	0
Re-phase budget for Kendal Way	(300)	300	0	0	0
Re-phase budget for Akeman Street	115	(115)	0	0	0
Re-phase budget for Cromwell Road	46	(1,088)	844	198	0
Re-phase budget for Colville Road	(7,699)	4,060	3,639	0	0
Re-phase budget for Meadows and Buchan Street	531	(541)	(494)	504	0
Re-phase budget for Clerk Maxwell	(1,539)	1,539	0	0	0
Re-phase budget for Campkin Road	(3,575)	(1,650)	5,225	0	0
Include scheme specific budget for L2	1,303	3,104	1,800	0	0

Area of Expenditure And Change	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Include scheme specific budget for Colville Road III	1,017	2,522	5,043	2,522	0
Include scheme specific budget for Histon Road	151	832	530	0	0
Include budget for Rough Sleeper Next Steps Acquisitions	4,474	0	0	0	0
Remove previously ear-marked resource for new build to allow L2, Colville Road III and new 1,000 Programme	0	(10,000)	(10,000)	(10,000)	(10,000)
Include budget for new 1,000 Programme	1,000	2,000	57,715	63,236	65,758
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	0	(106)	(336)	(597)	208
Total Housing Capital Plan Expenditure post HRA MTFS	59,726	66,879	105,657	87,288	88,031

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2020/21 £'0000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
New Build / Acquisition / Re-Development Cash Expenditure										
Anstey Way	100	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	10	378	0	0	0	0	0	0	0	0
Kendal Way	45	300	0	0	0	0	0	0	0	0
Queensmeadow	28	0	0	0	0	0	0	0	0	0
Wulfstan Way	289	0	0	0	0	0	0	0	0	0
Akeman Street	2,566	68	0	0	0	0	0	0	0	0
Ventress Close	1,479	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	113	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	8,899	2,747	0	0	0	0	0	0	0	0
Gunhild Way	129	0	0	0	0	0	0	0	0	0
Markham Close	116	0	0	0	0	0	0	0	0	0
Cromwell Road	3,503	3,791	3,263	198	0	0	0	0	0	0
Kingsway Clinic Conversion	331	0	0	0	0	0	0	0	0	0
Colville Road	2,940	8,000	3,639	0	0	0	0	0	0	0
Meadows and Buchan Street	3,373	11,077	10,336	1,847	0	0	0	0	0	0
Clerk Maxwell Road	604	2,143	0	0	0	0	0	0	0	0
Campkin Road	4,560	6,995	5,225	0	0	0	0	0	0	0
Hill POD Homes	140	0	0	0	0	0	0	0	0	0
L2	1,303	3,104	1,800	0	0	0	0	0	0	0

New Build / Re-Development Scheme	2020/21 £'0000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Colville Road III	1,017	2,522	5,043	2,522	0	0	0	0	0	0
Histon Road	151	832	530	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	4,474	0	0	0	0	0	0	0	0	0
Keepmoat Defect Management	28	0	0	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	2,482	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	1,000	2,000	57,715	63,236	65,758	65,758	65,758	65,758	65,758	65,758
Total New Build/ Re-Development Expenditure	39,680	43,957	87,551	67,803	65,758	65,758	65,758	65,758	65,758	65,758
New Build Devolution Grant Funding / MHCLG Rough Sleeper Next Steps Grant Funding										
Anstey Way	(36)	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites	(7)	(265)	0	0	0	0	0	0	0	0
Kendal Way	(31)	(210)	0	0	0	0	0	0	0	0
Queensmeadow	(20)	0	0	0	0	0	0	0	0	0
Wulfstan Way	(202)	0	0	0	0	0	0	0	0	0
Akeman Street	(1,191)	(12)	0	0	0	0	0	0	0	0
Ventress Close	(876)	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	(79)	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(6,229)	(1,923)	0	0	0	0	0	0	0	0
Gunhild Way	(90)	0	0	0	0	0	0	0	0	0
Markham Close	(81)	0	0	0	0	0	0	0	0	0
Cromwell Road	(2,452)	(2,654)	(2,284)	(139)	0	0	0	0	0	0
Kingsway Clinic Conversion	(232)	0	0	0	0	0	0	0	0	0
Colville Road	(1,139)	(3,977)	(1,809)	0	0	0	0	0	0	0
Meadows and Buchan Street	(2,361)	(7,754)	(2,193)	(353)	0	0	0	0	0	0
Clerk Maxwell Road	(423)	(1,500)	0	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	(2,574)	0	0	0	0	0	0	0	0	0
Total New Build / Re-Development Funding	(18,024)	(18,295)	(6,286)	(492)	0	0	0	0	0	0

New Build / Re-Development Scheme	2020/21 £'0000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Use of Retained Right to Buy Funding										
Anstey Way	(16)	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites	(3)	(113)	0	0	0	0	0	0	0	0
Kendal Way	(14)	(90)	0	0	0	0	0	0	0	0
Queensmeadow	(8)	0	0	0	0	0	0	0	0	0
Wulfstan Way	(87)	0	0	0	0	0	0	0	0	0
Akeman Street	(511)	(5)	0	0	0	0	0	0	0	0
Ventress Close	(375)	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	(34)	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(2,670)	(824)	0	0	0	0	0	0	0	0
Gunhild Way	(39)	0	0	0	0	0	0	0	0	0
Markham Close	(35)	0	0	0	0	0	0	0	0	0
Cromwell Road	(1,051)	(1,137)	(979)	(59)	0	0	0	0	0	0
Kingsway Clinic Conversion	(99)	0	0	0	0	0	0	0	0	0
Colville Road	(488)	(1,704)	(775)	0	0	0	0	0	0	0
Meadows and Buchan Street	(1,011)	(367)	(2,016)	(361)	0	0	0	0	0	0
Clerk Maxwell Road	(181)	(643)	0	0	0	0	0	0	0	0
Campkin Road	(601)	(1,399)	(1,045)	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	(360)	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	0	0	0	(2,400)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
Total Use of Retained Right to Buy Funding	(7,583)	(6,282)	(4,815)	(2,820)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	14,073	19,380	19,141	33,873	33,005	32,716	35,522	34,902	32,617	28,034
Total HRA Borrowing	0	0	57,309	30,618	29,953	30,242	27,436	28,056	30,341	34,924

Appendix G (1)

HRA Summary Forecast 2020/21 to 2024/25

Description	2020/21 £0	2021/22 £0	2022/23 £0	2023/24 £0	2024/25 £0
Income					
Rental Income (Dwellings)	(38,006,650)	(39,182,680)	(40,968,380)	(44,184,180)	(46,470,970)
Rental Income (Other)	(1,256,680)	(1,303,980)	(1,330,060)	(1,356,660)	(1,383,800)
Service Charges	(3,028,520)	(3,071,990)	(3,128,870)	(3,186,880)	(3,246,060)
Contribution towards Expenditure	(658,690)	(664,610)	(677,910)	(691,470)	(705,290)
Other Income	(460,530)	(458,120)	(467,280)	(476,620)	(486,160)
Total Income	(43,411,070)	(44,681,380)	(46,572,500)	(49,895,810)	(52,292,280)
Expenditure					
Supervision & Management - General	3,928,910	3,858,240	3,914,030	4,143,410	4,332,760
Supervision & Management - Special	3,153,450	3,206,810	3,283,510	3,362,190	3,442,890
Repairs & Maintenance	8,147,100	8,404,000	8,134,690	8,429,360	8,664,020
Depreciation – to Major Repairs Res.	10,636,970	10,792,810	11,170,170	11,802,360	12,310,670
Debt Management Expenditure	0	0	0	0	0
Other Expenditure	5,277,990	4,304,430	4,460,390	4,642,430	4,815,210
Total Expenditure	31,144,420	30,566,290	30,962,790	32,379,750	33,565,550
Net Cost of HRA Services	(12,266,650)	(14,115,090)	(15,609,710)	(17,516,060)	(18,726,730)
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(375,920)	(239,540)	(134,400)	(109,020)	(112,770)
(Surplus) / Deficit on the HRA for the Year	(12,642,570)	(14,354,630)	(15,744,110)	(17,625,080)	(18,839,500)
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,452,250	7,471,700	7,927,750	8,697,340	9,209,270
Housing Set Aside	(3,905,000)	(2,858,000)	(7,941,510)	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0
Direct Revenue Financing of Capital	15,078,520	16,238,030	15,544,720	8,847,770	9,635,130
(Surplus) / Deficit for Year	5,983,200	6,497,100	(213,150)	(79,970)	4,900
Balance b/f	(15,478,891)	(9,495,691)	(2,998,591)	(3,211,741)	(3,291,711)
Total Balance c/f	(9,495,691)	(2,998,591)	(3,211,741)	(3,291,711)	(3,286,811)

Appendix G (2)

HRA 10 Year Summary Forecast 2020/21 to 2029/30

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Rental Income (Dwellings)	(38,007)	(39,183)	(40,969)	(44,184)	(46,471)	(48,425)	(50,445)	(52,533)	(54,692)	(56,924)
Rental Income (Other)	(1,257)	(1,304)	(1,330)	(1,357)	(1,384)	(1,411)	(1,440)	(1,469)	(1,498)	(1,528)
Service Charges	(3,029)	(3,072)	(3,129)	(3,187)	(3,246)	(3,306)	(3,372)	(3,440)	(3,509)	(3,579)
Contribution towards Expenditure	(659)	(664)	(678)	(692)	(705)	(719)	(734)	(748)	(763)	(779)
Other Income	(460)	(458)	(467)	(476)	(486)	(496)	(506)	(516)	(526)	(537)
Total Income	(43,412)	(44,681)	(46,573)	(49,896)	(52,292)	(54,357)	(56,497)	(58,706)	(60,988)	(63,347)
Expenditure										
Supervision & Management - General	3,929	3,858	3,914	4,144	4,333	4,507	4,705	4,909	5,120	5,337
Supervision & Management - Special	3,153	3,207	3,284	3,362	3,443	3,526	3,611	3,698	3,787	3,879
Repairs & Maintenance	8,147	8,404	8,135	8,429	8,664	8,970	9,179	9,555	9,916	10,258
Depreciation – to Major Repairs Res.	10,637	10,793	11,170	11,802	12,310	12,671	13,041	13,421	13,810	14,210
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	5,278	4,304	4,460	4,643	4,815	4,988	5,166	5,351	5,542	5,740
Total Expenditure	31,144	30,566	30,963	32,380	33,565	34,662	35,702	36,934	38,175	39,424
Net Cost of HRA Services	(12,268)	(14,115)	(15,610)	(17,516)	(18,727)	(19,695)	(20,795)	(21,772)	(22,813)	(23,923)
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(375)	(240)	(134)	(109)	(113)	(117)	(120)	(124)	(128)	(131)
(Surplus) / Deficit on the HRA for the Year	(12,643)	(14,355)	(15,744)	(17,625)	(18,840)	(19,812)	(20,915)	(21,896)	(22,941)	(24,054)
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										
Loan Interest	7,452	7,472	7,928	8,697	9,209	9,717	10,205	10,672	11,164	11,709

Housing Set Aside	(3,905)	(2,858)	(7,942)	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	15,079	16,238	15,545	8,848	9,636	10,033	10,674	11,156	11,693	12,238
(Surplus) / Deficit for Year	5,983	6,497	(213)	(80)	5	(62)	(36)	(68)	(84)	(107)
Balance b/f	(15,479)	(9,496)	(2,999)	(3,212)	(3,292)	(3,287)	(3,349)	(3,385)	(3,453)	(3,537)
Total Balance c/f	(9,496)	(2,999)	(3,212)	(3,292)	(3,287)	(3,349)	(3,385)	(3,453)	(3,537)	(3,644)

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	935	707	707	707	707	707	707	707	707	707
Private Sector Housing Grants and Loans	195	195	195	195	195	195	195	195	195	195
Total General Fund Housing Capital Spend	1,130	902	902	902	902	902	902	902	902	902
HRA Capital Spend										
Decent Homes										
Kitchens	682	303	466	621	753	1,136	747	1,474	1,367	1,799
Bathrooms	1,049	188	47	158	650	653	146	67	363	1,222
Central Heating / Boilers	1,888	2,816	2,050	2,525	2,675	1,902	2,129	2,315	1,685	3,711
Insulation / Energy Efficiency	1,384	891	807	676	519	420	970	181	1,184	807
Energy Efficiency Pilot / Retrofit	500	1,000	1,000	0	0	0	0	0	0	0
External Doors	270	52	72	20	58	52	75	57	58	162
PVCU Windows	689	467	241	855	538	1,062	380	328	1,111	776
Wall Structure	2,567	2,708	6	19	2	250	94	505	681	1,057
External Painting	357	357	357	357	357	357	357	357	357	357
Roof Structure	300	300	300	300	300	300	300	300	300	300
Roof Covering	869	1,106	200	690	1,918	1,647	994	1,058	935	398
Chimneys	2	0	0	2	2	0	0	0	7	0

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Electrical / Wiring	296	274	445	388	483	209	266	4	19	559
Sulphate Attacks	102	102	102	102	102	102	102	102	102	102
HHSRS Contingency	457	100	100	100	100	100	100	100	100	100
Other Health and Safety Works	90	50	50	50	50	50	50	50	50	50
Other External Works	0	0	0	0	0	0	0	0	0	0
Capitalised Officer Fees - Decent Homes	330	330	330	330	330	330	330	330	330	330
Decent Homes Backlog	0	4,716	4,716	4,716	4,716	4,716	3,811	3,811	3,811	3,811
Decent Homes Planned Maintenance Contractor Overheads	1,308	1,096	576	754	936	906	738	759	915	1,254
Decent Homes New Build Allocation	0	908	965	1,286	1,500	1,723	1,953	2,192	2,439	2,993
Total Decent Homes	13,140	17,764	12,830	13,949	15,989	15,915	13,542	13,990	15,814	19,788
Other Spend on HRA Stock										
Garage Improvements	100	100	100	100	100	100	100	100	100	100
Asbestos Removal	50	50	50	50	50	50	50	50	50	50
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	150	150	150	150	150	150	150	150	150	150
Communal Entrance / Enclosure Doors + Glazing	329	71	76	136	71	140	71	73	185	161
Fire Prevention / Fire Safety Works	954	300	50	50	50	50	50	50	50	50
Hard surfacing on HRA Land - Health and Safety Works	225	225	225	225	225	225	225	225	225	225
Communal Areas Floor Coverings	100	100	100	100	100	100	100	100	100	100
Lifts and Door Entry Systems	231	9	0	38	28	75	0	0	40	40
Estate Investment	1,238	970	1,000	806	0	0	0	0	0	0

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capitalised Officer Fees - Other HRA Stock Spend	114	114	114	114	114	114	114	114	114	114
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	344	183	182	193	185	197	182	182	199	196
Total Other Spend on HRA stock	4,743	3,180	2,955	2,870	1,981	2,109	1,950	1,952	2,121	2,094
HRA New Build / Re-Development										
Anstey Way	100	0	0	0	0	0	0	0	0	0
2015/16 Garage & In-Fill Sites (Nuns & Cameron / Wiles / Teddar)	10	378	0	0	0	0	0	0	0	0
Kendal Way	45	300	0	0	0	0	0	0	0	0
Queensmeadow	28	0	0	0	0	0	0	0	0	0
Wulfstan Way	289	0	0	0	0	0	0	0	0	0
Akeman Street	2,566	68	0	0	0	0	0	0	0	0
Ventress Close	1,479	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	113	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	8,899	2,747	0	0	0	0	0	0	0	0
Gunhild Way	129	0	0	0	0	0	0	0	0	0
Markham Close	116	0	0	0	0	0	0	0	0	0
Cromwell Road	3,503	3,791	3,263	198	0	0	0	0	0	0
Kingsway Clinic Conversion	331	0	0	0	0	0	0	0	0	0
Colville Road II	2,940	8,000	3,639	0	0	0	0	0	0	0
Meadows and Buchan Street	3,373	11,077	10,336	1,847	0	0	0	0	0	0
Clerk Maxwell Road	604	2,143	0	0	0	0	0	0	0	0
Campkin Road	4,560	6,995	5,225	0	0	0	0	0	0	0
Hill POD Homes	140	0	0	0	0	0	0	0	0	0

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
L2	1,303	3,104	1,800	0	0	0	0	0	0	0
Colville Road III	1,017	2,522	5,043	2,522	0	0	0	0	0	0
Histon Road	151	832	530	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	4,474	0	0	0	0	0	0	0	0	0
Keepmoat Defect Management	28	0	0	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	2,482	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	1,000	2,000	57,715	63,236	65,758	65,758	65,758	65,758	65,758	65,758
Total HRA New Build	39,680	43,957	87,551	67,803	65,758	65,758	65,758	65,758	65,758	65,758
Sheltered Housing Capital Investment										
Ditchburn Place	15	0	0	0	0	0	0	0	0	0
Total Sheltered Housing Capital Investment	15	0	0	0	0	0	0	0	0	0
Other HRA Capital Spend										
Orchard Replacement / Mobile Working	422	0	0	0	0	0	0	0	0	0
Shared Ownership Repurchase	300	300	300	300	300	300	300	300	300	300
Commercial and Administrative Property	30	30	30	30	30	30	30	30	30	30
Total Other HRA Capital Spend	752	330	330	330	330	330	330	330	330	330
Total HRA Capital Spend	58,330	65,231	103,666	84,952	84,058	84,112	81,580	82,030	84,023	87,970
Total Housing Capital Spend at Base Year Prices	59,460	66,133	104,568	85,854	84,960	85,014	82,482	82,932	84,925	88,872
Inflation Allowance and Stock Reduction Adjustment for Future Years	266	746	1,089	1,434	3,071	4,702	6,088	7,783	9,707	11,982
Total Inflated Housing Capital Spend	59,726	66,879	105,657	87,288	88,031	89,716	88,570	90,715	94,632	100,854

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Capital Resources										
Right to Buy Receipts	(474)	(478)	(483)	(483)	(483)	(483)	(483)	(483)	(513)	(518)
Other Capital Receipts (Land and Dwellings)	0	0	0	0	0	0	0	0	0	0
Major Repairs Reserve	(8,156)	(23,073)	(11,169)	(11,802)	(12,310)	(12,671)	(13,041)	(13,421)	(13,810)	(14,210)
Direct Revenue Financing of Capital	(15,079)	(16,238)	(15,545)	(8,848)	(9,635)	(10,033)	(10,674)	(11,156)	(11,693)	(12,238)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(4,908)	(300)	(9,343)	(31,518)	(32,143)	(32,780)	(33,429)	(34,092)	(34,768)	(35,457)
Devolution Grant	(15,450)	(18,295)	(6,286)	(492)	0	0	0	0	0	0
Retained Right to Buy Receipts	(7,583)	(6,282)	(4,815)	(2,820)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
Disabled Facilities Grant	(651)	(707)	(707)	(707)	(707)	(707)	(707)	(707)	(707)	(707)
Prudential Borrowing	0	0	(57,309)	(30,618)	(29,953)	(30,242)	(27,436)	(28,056)	(30,341)	(34,924)
Total Housing Capital Resources	(52,301)	(65,373)	(105,657)	(87,288)	(88,031)	(89,716)	(88,570)	(90,715)	(94,632)	(100,854)
Net (Surplus) / Deficit of Resources	7,425	1,506	0	0	0	0	0	0	0	0
Capital Balances b/f	(10,006)	(2,581)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)
Use of / (Contribution to) Balances in Year	7,425	1,506	0	0	0	0	0	0	0	0
Capital Balances c/f	(2,581)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)
Other Capital Balances (Opening Balance 1/4/2020)										
Major Repairs Reserve	(9,801)	Utilised in future years to fund investment in the housing stock								

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/0
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Retained 1-4-1 Right to Buy Receipts	(10,635)	Utilised between 2020/21 and 2021/22 above								
Right to Buy Receipts for Debt Redemption	(9,856)	Retained for future debt repayment								
Total Other Capital Balances	(30,292)									

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management *	(873.5)	(69.1)	1.8	(940.8)
Special Services	(1,141.5)	(146.1)	22.4	(1,265.2)
Repairs and Maintenance *	(489.9)	(47.9)	0.0	(537.8)
Total	(2,504.9)	(263.1)	24.2	(2,743.8)

* Subject to approval, the balance of this reserve will be reduced by £395,910, with the funds transferred to general HRA reserves.

Tenants Survey

	Opening Balance	Contributions	Expenditure to July	Current Balance
Tenants Survey	(47.5)	(6.3)	0.0	(53.8)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Use	Current Balance
Debt Set-Aside	(14,704.5)	0.0	3,905.00	(10,799.5)

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(9,855.6)	(118.1)	0.0	(9,973.7)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(9,800.7)	0.0	0.0	(9,800.7)

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Rents Inflation	CPI plus 1% for 4 further years from 2021/22, followed by CPI plus 0.5%	Although confirmed by government, for the next 4 years, there is 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 the resource available for debt redemption at the end of the business is £58 million lower, with the need to re-finance earlier loans in the portfolio.
Direct Payments (Universal Credit)	Bad Debts at 1.5% (4.5% for 2020/21 due to coronavirus)	Evidence from the pilot authorities for direct payment indicated that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2021/22.	Borrowing increases by £55 million during the life of the plan and the resource available for debt redemption at the end of the business plan is £33 million lower, with the need to re-finance earlier loans in the portfolio.
Cost of HRA New Build 1,000 Programme	Homes England Grant assumed for both rented (£70,000) and shared ownership (£28,000) homes	Assume that the authority fails to secure Homes England Grant to support the delivery of 1,200 council rented and 233 shared ownership homes	Borrowing increases by £133 million during the life of the plan and the resource available for debt redemption at the end of the business plan is £46 million lower, with the need to re-finance earlier loans in the portfolio.

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

Appendix K

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties

HRA Borrowing

Future uncertainty exists about the borrowing route which the HRA will pursue to fund the delivery of 1,000 affordable rented homes and the ability to manage the cashflow and service / re-pay the debt in a self-financing environment. Despite the end of 4 years of rent cuts, rents are still 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 stabilised until the recent impact of the coronavirus pandemic which has seen a halt / reduction in activity. Uncertainty in the economy, and particularly the job market, may result in an ongoing decline in sales, although this is impossible to predict accurately.

Right to Buy Retention Agreement

Resource retained in respect of 1-4-1 receipts must be appropriately re-invested in the HRA, with reliance on the £70 million Devolution Grant currently. At present, sufficient investment is incorporated into the HRA financial model to avoid penalty, but appropriate investment of the resource is subject to schemes proceeding to anticipated timescales. Potential interest that will be payable if the receipts are not utilised within the agreed 3-year period has not been incorporated into the HRA revenue projections.

COVID-19 Ongoing Impact

It is evident that the coronavirus pandemic will have a negative financial impact for the HRA in 2020/21, with mitigation incorporated into this iteration of the business plan where possible. What is unclear is whether there will be any longer-term impact for the HRA, and at this stage nothing has been included post March 2021.

HRA Commercial Property

Stock condition surveys and investment profiles are still required in respect 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.

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.

Housing Revenue Account – Revenue Uncertainties

Welfare Reforms

The negative impact that the initial rollout of Universal Credit is having on the level of rent arrears and bad debts within the HRA is still unquantifiable in totality, although expectations are that we will see a significant further increase in arrears levels.

Repairs Legislation

The Housing Green Paper identified the need for a review of legislation surrounding the decency and maintenance standards of the housing stock. We await the outcome of the review, but there is a view that there will be an increase in the amount of inspections required in respect of alarms, fire doors, etc

National Rent Policy

The change in national rent policy, with what was previously rent guidance, now being legislation, removes all local control over the setting of rent levels. Although a return to increases of CPI plus 1% is in place for the next 4 years from April 2021, there is no certainty over what will happen from April 2025.

Compulsion to Sell Higher Value Homes Levy

The Housing and Planning Act allowed the introduction of an annual levy, representative of the proportion of high value homes which may become vacant in any one year. In addition to the loss of rental income, the process to dispose of a large number of assets in any one year would be costly and administratively burdensome. It is now assumed, based upon the content of the Housing Green Paper that the primary legislation will be repealed, but until this has formally happened there is still an inherent risk in business planning.

Housing Revenue Account - Capital Uncertainties

Sulphate Attack

Sulphate attack was identified a number of years ago in a few council dwellings, resulting in the potential need to invest £1.87m to eradicate the problem. Following a risk assessment, the approach taken has been to address the defect when the property is void. Currently 12 of the 110 properties potentially affected have been rectified. Reduced funding of approximately £1m is included in the Housing Capital Programme over the next 10 years to continue to fund this risk-based approach. This will not meet the remedial costs of all sites where sulphate has been identified and 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.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

Although DFG's are currently fully funded by the Better Care Fund, any future top up investment by the authority in DFG's or funding for Private Sector Housing Grants and Loans, is wholly dependent upon the generally available element of right to buy receipts in any year, with funding dependent upon 25% of the first 10 to 17 right to buy sale receipts per annum, as assumed to be available for general use in the self-financing settlement. This could put at significant risk the desired level of investment in this area, particularly if funding via the Better Care Fund were to reduce.

Right to Buy Sales and Retained Right to Buy Receipts

Interest in right to buy had stabilised over the last two years but has fallen in 2020/21 as a result of the coronavirus pandemic and lockdown. Under the agreement with CLG, the authority is committed to invest the receipts in new homes within 3 years of the date of the receipt, with this funding meeting no more than 30% 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 incorporated. Receipts may need to be paid over to central government at the end of each quarter, if delays in the delivery of new homes mean that deadlines are breached.

Fire Safety Works in Flatted Accommodation

The authority still awaits information on the potential for changes to fire safety regulations, which may 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.