Council

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

CAMBRIDGE CITY COUNCIL

October 2021

2021/22 to 2050/51

Cambridge City Council

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Section 1
Introduction and Local Context

Foreword by the Executive Councillor

The Housing Revenue Account has faced, and is facing, very significant challenges.

The coronavirus pandemic has resulted in serious social and economic costs, including multiple 'lockdowns' since March 2020, with consequences for the HRA income stream, housing management, and the business plan. And of course, the pandemic has also seen a rise in poverty in the city as residents find it harder to get work.

The climate and biodiversity emergency presents a great challenge, driving the need to build new homes, and to retrofit existing homes, to high energy efficiency standards and to aim to achieve net zero carbon wherever possible.

The government continues to pursue a path of austerity, offering totally inadequate funding and grant options to meet the scale of investment required to deliver energy efficient homes in the climate crisis context.

And it's easy to forget that Brexit is having an impact, with a shortage of labour and materials.

Cambridge City Council has met these considerable challenges head on.

The delivery of new council homes has exceeded expectations. The £70 million devolution-funded '500 homes' programme reached its target of 500 completions or start on site by March 2021 - a year early. Our housing stock is increasing, and we're creating new posts to support tenancy and building management demands.

Our '1,000 homes' programme for the next ten years has already started and, subject to securing Homes England grant funding, will be fully deliverable. Although our bid to become a Strategic Partner with Homes England was unsuccessful, we will instead apply through the Continuous Market Engagement process. Our house building programmes will significantly address the needs of those on our Housing Register, currently around 1,900 households.

We recognise the affordability crisis in Cambridge and we're determined that 'affordable' rents when applied to our new build programmes will be at no more than 60% of market rents or, if lower, the Local Housing Allowance rates, so that people who otherwise could not afford to live in our city can do so.

Our redeveloped and new-build council house programme already includes gas-free developments, Passivhaus eco-standard schemes (including Passivhaus standard flats planned for Aylesborough Close), and our first net zero carbon schemes, planned for St. Thomas's Road and Paget Road, subject to grant funding. We're also targeting a biodiversity net gain of 20% across the '1,000 homes' programme.

Retrofitting existing stock commenced in Arbury and 150 1930's houses will be fitted with external insulation and solar panels. A £5 million pilot in 2022-2023 to retrofit 50 homes across different housing types to net zero carbon will help provide an evidence base demonstrating the capacity and cost involved with which to lobby government.

Whilst rental income and RTB receipts can support the borrowing required for the new build programmes, this is not possible for the retrofit programme and government has to step up and provide a national investment strategy. Significantly more external grant and funding options are required to help meet net zero carbon goals as the council cannot invest and borrow to meet the scale of the retrofit challenge without seriously compromising the viability of the HRA Business Plan.

Nevertheless, we are committed to increasing capacity to support the energy efficiency programme and other necessary works. A permanent Energy Assessor post, three surveyor posts focussing on energy improvements, structural works and decent homes works, and a fixed term asbestos surveyor are built into the HRA MTFS.

The coronavirus pandemic has had an impact on investment in our stock, particularly internal work, with planned works and maintenance and the decent homes programme suffering from unavoidable delays and the necessary re-phasing of budgets. However, the percentage of our stock at decent homes standard has been improved (to 96%) with external structural work, based on stock condition and structural surveys, fire safety works, and estate improvements built into the investment programme. Budget requirements are met by sensible use of reserves and delivery efficiencies, and not by cutting services or programmes.

The council continues to support those affected by Universal Credit and benefit changes and tenants who have fallen into rent arrears, particularly as a result of the coronavirus pandemic. We're committed to ensuring that no tenant struggling with their rent as a result of the pandemic is evicted. We've created a dedicated Assistant Housing Officer post to provide additional support for tenants.

We are also proud of our support for people experiencing homelessness and those sleeping rough, including our development of the 'Next Steps' programme, and our plan to deliver more 'POD' modular homes.

I'd like to thank officers and our tenant and leaseholder representatives for their continued commitment and support. In particular, following structural surveys that identified the risk of disproportionate structural collapse in the extremely unlikely event of a gas explosion at Hanover and Princess Court, and Kingsway Flats, the swift action and reassurance given to residents in making the three blocks of flats safe was hugely appreciated by everyone concerned.

Councillor Mike Todd-Jones

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 biannual 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 internal or external changes, to ensure a long-term financially viable Housing Revenue Account. Both revenue and capital investment are reviewed, with the impact of any proposed changes clearly identified. A review of strategic risks facing the HRA is presented at **Appendix A**. The HRA Medium Term Financial Strategy reviews and re-states the budget for the current year, 2021/22, 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 2022/23 to 2030/31, in the context of the 30-year plan.

This report is being prepared whilst the longer-term social and financial impacts of the coronavirus pandemic are still unclear. A number of assumptions are therefore 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.

The initial impact of the coronavirus pandemic in 2020/21 was not as significant as anticipated, with the initial steep increases in rent arrears contained from June 2020 onwards. Future financial forecasts, however, do need to take account of potential longer-term impacts in not only residents' ability to pay rent and maintain their tenancies, but also potential building material shortages and associated price rises and the new ways of delivering services that have evolved since March 2020.

To allow the continued delivery of new homes, it will be necessary for the HRA to borrow significant resource over the next few years, and 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 deliver 1,000 additional rented homes over the 10-year period after the Devolution 500+ Programme has concluded. The assumptions currently incorporated are in line with a bid that was submitted to

Homes England in May 2021 to secure Strategic Partnership status in respect of grant and the delivery of new affordable homes, Although the Strategic Partnership bid was unsuccessful, the assumptions have been broadly retained assuming the authority will apply through the Continuous Market Engagement process and bid for grant on a scheme by scheme basis, with delivery timings to be reviewed as part of the HRA Budget Setting Report in January 2022. The grant bid assumed the delivery of an element of rent to buy, shared ownership and market housing alongside the rented homes to ensure financial viability and an appropriate tenure mix on larger sites, with these alternative products assumed to be let outside of the HRA. The HRA will need to borrow significantly to make this level of investment possible. The approach to earmarking resource in the business plan is retained, based upon a number of key assumptions, but noting that the detailed programme, as it is brought forward for decision may contain a different mix of site types, scheme compositions, build standards, delivery vehicles and grant levels, all of which will necessitate ongoing review of costs and the associated borrowing. 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 still key, and failure to obtain grant would necessitate a significant reduction in build standard and / or build programme.

Timetable

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

Date	Task
2021	
23 September	Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in any recommendations to Council
21 October	Council considers HRA Medium Term Financial Strategy
2022	
20 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
24 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	Actual Stock Numbers as at 1/4/2021	Estimated Stock Numbers as at 1/4/2022
General Housing – Social Rent	6,055	6,015
General Housing – Affordable Rent	409	512
Sheltered Housing	513	513
Supported Housing	17	17
Temporary Housing (Individual Units)	66	79
Temporary Housing (HMO's / EA)	24	24
Miscellaneous Leased Dwellings	19	19
Shared Ownership Dwellings	96	94
Total Dwellings	**7,199**	**7,273**

Property Type	Actual Stock Numbers as at 1/4/2021	Estimated Stock Numbers as at 1/4/2022
Bedsits	95	95
1 Bed	1,719	1,772
2 Bed	2,519	2,537
3 Bed	2,238	2,241
4 Bed	106	106
5 Bed	7	7
6 Bed	2	2
Sheltered Housing	513	513
Total Dwellings	**7,199**	**7,273**

Leasehold Stock

At 1st April 2021, the Council retained the freehold and managed the leases for 1,190 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
2020/21	7,106	(16)	(57)	0	70	7,103
2019/20	7,084	(29)	(14)	10	55	7,106
2018/19	7,103	(27)	(2)	(1)	11	7,084
2017/18	7,049	(47)	(29)	(1)	131	7,103
2016/17	7,040	(58)	(7)	(1)	75	7,049
2015/16	7,016	(42)	(4)	5	65	7,040
2014/15	7,164	(51)	(109)	(7)	19	7,016
2013/14	7,235	(60)	(45)	1	33	7,164
2012/13	7,280	(41)	0	(6)	2	7,235
2011/12	7,290	(12)	0	0	2	7,280
Total		(383)	(267)	0	463	

Section 3
The National Policy Context and External Factors

External Factors

It is critical, as part of this strategic report, that all financial assumptions are reviewed, including taking account of external factors outside of the authority's control and that the financial projections are adjusted in light of any changes or trends in these. There has been an impact on the economy as a result of the coronavirus pandemic, and this results in continued 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 18 months has been particularly volatile, with rates ranging from 0.2% to 2.1% over this period. Inflation rates fell during the early stages of the coronavirus pandemic, to 0.2% by August 2020, but have fluctuated up and down since then, with a rate of 2.0% by July 2021.

The Bank of England's Monetary Policy Report of August 2021 forecasts a level of CPI in quarter 3 of each year at 2.7% for 2021, 3.3% for 2022, 2.1% for 2023 and 1.9% by 2024. The over-arching view is that inflation will return to the target of 2% and will then fluctuate around the target level in the medium term.

The Office of Budgetary Responsibility (OBR), in their Economic and Fiscal Outlook in March 2021, forecast an increase in CPI during 2021, to return to nearer the target level of 2%, again fluctuating close to this level for the medium term.

Continued economic uncertainty, as a result of a combination of factors including the impact of our exit from the European Union and the longer-term effects of the coronavirus pandemic, make it difficult to make accurate predictions, but taking account of the views of both the Bank of England and the OBR it is considered appropriate to retain the assumption that inflation will ultimately sit at the target level of 2% in the HRA business planning assumptions from 2022/23 onwards. This will be reviewed again as part of the HRA Budget Setting Report in January 2022.

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. The Fosters contract is a lump sum priced contract, which adopts CPI as the measure of inflation. The TSG contract, which is a target price contract, is due to expire in November 2022, with a procurement underway to identify a suitable contractor. Although the basis for the new contract is not yet finalised, it should be recognised that the contract prices which the authority will initially receive are likely to be driven by anticipated increases in the building cost inflation indices and the industry predictions of what might happen to these over the minimum 5-year contract term. Other specialist contractors will price work on a project basis, also taking account of industry forecasts.

The latest projections for the BCIS Index over the next 5 years currently predict a growth rate of 3.7% by 2022, with forecasts of 3.8%, 4%, 4.1% and 3.9% over the following 4 years. Taking an average of these rates of growth for the forecast three years gives rise to an annual increase of 3.9%.

On a similar average basis, the assumptions we are adopting for CPI over the same period are 2%, a difference of 1.9%.

Recognising that existing contractor's prices will be driven by CPI and any new planned maintenance contractors are likely to set prices based upon the building industry inflation projections, the assumption has been made that 50% of the work programme will be subject to the BCIS indices and 50% by the rate of CPI for the next 5 years. A blended rate of 2.95%

(CPI plus 0.95%) has therefore been incorporated into the business plan forecasts for this period, reverting to standard CPI after this,

Pay inflation has been retained at 2% per annum from April 2022 onwards, but the allowance for incremental progression has been reviewed based upon the average percentage value of an increment and the incidence of increments awarded as at 1/4/2021. This review has resulted in the budgetary allowance being reduced from 1.5% per annum to 1% per annum, recognising the latest staff retention figures and the number of staff who are paid at the top of their pay scale.

Interest Rates

The Housing Revenue Account is entitled to claim a proportion of interest earned on cash balances invested by the authority. The rate of interest assumed for 2021/22 in the HRA Budget Setting Report was 0.6%, based upon the HRA clawing back interest from the General Fund on investments with minimal risk. This recognises that the General Fund bears the risk, but also benefits from the reward, of the higher risk investments made by the Council.

The Bank of England base rate fell to 0.1% in March 2020 and has remained at that level throughout the coronavirus pandemic. The next review is due on 23 September 2021. The continued low base rate results in corresponding low rates available for the authority for its investments.

The actual average rate of interest earned on investments that benefited the HRA for 2020/21 was 0.63%, However, since then the average rate earned on investments has fallen further to around 0.2% The HRA Medium Term Financial Strategy has therefore been constructed on the basis that the HRA claws back interest at a reduced rate of 0.2% for 2021/22, returning to 0.6% from 2022/23 on an ongoing basis. The interest rate assumptions are included in **Appendix B**.

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

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

The key risk to the HRA's ability to borrow remains the latest Local Authority Investment Guidance which states 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. Local authorities need to submit a 3 year capital investment strategy / plan to be able to borrow, and the Section 151 Officer needs to certify that none of the capital projects are classified as investments primarily for yield. Investment in housing, regeneration, preventative action (ie; buying an asset of community value) and treasury management (ie; re-financing existing debt) are acceptable, but investment for yield, such as investment in land or buildings to be let at market rates is prohibited. There is therefore the potential for any investment decisions made by the General Fund to detriment the HRA's ability to borrow from the PWLB 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 continues to impact the HRA Capital Financing Requirement, effectively increasing borrowing. Although there is now no cap on borrowing, such decisions must still be made in the knowledge of the revenue impact of transferring the land. The outcome of a government consultation which sought to allow the transfer of land between funds at nil value has concluded not to make this change due to the potential impact on Council General Funds, and therefore general Council services nationally.

The assumption is made that additional borrowing is externalised, with updated PWLB maturity loan rates for loans of a 30-year duration used. Since the last update of the HRA Business Plan in January 2021, there has been some fluctuation in PWLB lending rates, with the rates at the time of the first draft of the report standing at 2.27%, compared with the previous 1.89%. The rates have since fallen again to some degree.

Subject to having submitted a 3-Year capital Spending and Financing Plan, which is now a pre-requisite to be able to borrow from the PWLB, the standard lending rate could be reduced by 20 basis points, with a Certainty Rate of 0.2% lower therefore available to the authority. There is no guarantee that this reduction will remain indefinitely.

To mitigate the daily rate fluctuations in PWLB rates, this iteration of the business plan adopts forecasts made by Link, the Council's treasury advisors, who project that PWLB lending rates will vary between 2.2% and 2.6% over the next 3 years.

Based upon these projections, a revised average rate of 2.4% has been incorporated into any borrowing assumptions from 2021/22 onwards, excluding any assumption that the Certainty Rate will continue in the long term, for prudency. It should be noted that the PWLB rate is reviewed and can change twice each day.

Right to Buy Sales

In 2020/21, 65 right to buy applications were received and recorded, compared with 64 in 2019/20. A total of 44 applications have been received in the first 4 months of 2021/22. This demonstrates a continued steady interest in the scheme, which seems to have accelerated slightly in 2021/22 to date, potentially as a result of the end of the lockdown period and the potential emergence from the pandemic.

In 2020/21, 16 of the applications proceeded to completion of the sale of the property, compared with 29 in 2019/20. This was deemed to be lower as a result of the coronavirus pandemic and associated periods of lockdown. In the first 4 months of 2021/22, 6 sales have completed, but delays are deemed to be due in part to the backlog of searches, surveys and legal activity caused by the stamp duty holiday, which expired at its most generous level at the end of June 2021.

It is difficult to predict future sales, particularly whilst there is still such uncertainty in the economy and any period of recovery. It is considered prudent to retain the assumption of 25 sales for 2021/22 and beyond, as although completions have been marginally lower in the year to date, interest in the scheme does appear to have increased, which may result in more completions in the latter part of the year.

Right to Buy Receipts

At 31 March 2021, the authority held £7,333,432.89 of right to buy receipts under the retention agreement with CLG.

The reinvestment of retained right to buy receipts continues to need to be combined with 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 units financed using retained right to buy receipts.

With the Bank of England base rate currently at 0.1%, any penalty interest payable on receipts not re-invested appropriately is currently at a rate of 4.1%.

In March 2021, the government published the long-awaited response to their consultation on the use of right to buy receipts. The outcome of the consultation has resulted in the following changes to the pooling regime:

- Extension of the spending deadline from 3 to 5 years for all currently held and future receipts, with annual reporting instead of quarterly to reduce the administrative burden.

- Increase in the level of right to buy receipts which can be used to finance a new home from the previous cap of 30%, to 40% to make it easier for local authorities to build social rented homes rather than affordable rented homes.

- Introduction of a cap on the percentage of retained right to buy receipt investment that can be used to fund acquisitions, with a cap at 50% for 2022/23, 40% for 2023/24 and 50% from 2024/25. The first 20 units of delivery in any year will be excluded from the cap.

- Extension of the use of right to buy receipts to allow funding of shared ownership homes as well as rented.

The government concluded not to allow land held by the General Fund to be transferrable to the HRA for the delivery of affordable homes at zero value, nor to allow the transfer of receipts to be used by a housing company or ALMO.

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 after June 2023 under the new regulations.

With the extended timescales for reinvesting receipts, all newly arising receipts will be automatically retained at the end of each quarter. If the authority moves into a position that receipts are being held with less than 12 months before any penalty would be incurred, decision to retain or pay over receipts 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

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

The latest regulations (April 2020) include:

- Rent increases limited to an increase of up to CPI 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 rent increases 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.

Social Housing White Paper (Charter for Social Housing Residents)

The Social Housing White Paper 'The Charter for Social Housing Residents' published on 17 November 2020, aims to rebalance the relationship between social landlords (both local authorities and housing associations) and tenants.

The charter set out what every social housing tenant should be able to expect:

- To be safe in your home – working with industry and landlords to ensure every home is safe and secure;

- To know how your landlord is performing, including on repairs, complaints and safety, and how it spends its money, so you can hold it to account - empowering residents, ensuring voices are heard and landlords are held to account;
- To have your complaints dealt with promptly and fairly, with access to a strong Ombudsman who will give you swift and fair redress when needed;
- To be treated with respect, backed by a strong consumer regulator and improved consumer standards for tenants;
- To have your voice heard by your landlord, for example through regular meetings, scrutiny panels or being on its Board. The Government will provide help, if you want it, to give you the tools to ensure your landlord listens;
- To have a good quality home and neighbourhood to live in, with your landlord keeping your home in good repair;
- To be supported to take your first step to ownership, so it is a ladder to other opportunities, should your circumstances allow.

Although much of the responsibility for delivering against the charter sits with the landlord, the Regulator of Social Housing has been asked to lead in the provision of a strengthened consumer regulation regime, which will build upon the existing regulation that landlords are subject to and will also encompass health and safety responsibilities. There is an expectation of regular regulatory engagement with the Regulator of Social Housing to facilitate this.

The new social housing consumer regulation regime must:

1. Make a meaningful difference to tenants
2. Be deliverable by landlords, whether housing association or local authority landlords
3. Be able to be effectively regulated

To implement the changes, the Regulator of Social Housing will focus on:

- changes needed to the consumer standards that all social landlords will be required to meet
- the proactive consumer regulation activity (including, for example, a programme of inspections as outlined in the White Paper) through which the RSH will monitor and assess whether standards are being met; and

- agreeing a set of tenant satisfaction measures that will both inform regulation and help tenants hold their landlords to account.

To implement the new regime, changes to legislation will be required, and the Regulator of Social Housing expects to work with stakeholders, including local authorities and tenants, to make sure that new social housing consumer regulation is fit for purpose.

Whilst implementation of the new consumer regulation regime is expected to take time, landlords can act now to start delivering the required outcomes as set out in the Housing White Paper.

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 are working with partners and the local Jobcentre Plus, including funding a post in the Jobcentre to provide Personal Budgeting Support (PBS). This arrangement has allowed significantly more claimants to receive support in making claims.

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 saw an increase in the number of tenants transitioning to Universal Credit as individual's circumstances changed, and nationally there was a steep rise in the number of claims overall.

The authority had 1,750 HRA tenants claiming Universal Credit at the end of June 2021.

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

Other Benefit Changes

The Benefit Cap continues to impact residents, with Cambridge Citizens Advice and Cambridge Housing Society, providing support 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.

A steady number of residents are still affected by the removal of the spare room subsidy, with DHPs also used to support this group.

The HRA maintains a budget, incorporated at £21,900 for 2021/22 to provide financial support and incentive to assist tenant in downsizing. In order to support more tenants to downsize using this funding, those in receipt of DHP are also eligible to have the removal costs associated with downsizing met through DHP funding, leaving the HRA funding available to support other tenants who wish to downsize.

Limiting the child element in a benefit calculation to two children continues to impact new claimants, or those making a change to their claim in this regard.

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 4 years from April 2018. The contract sum is fixed at £180,000 per annum.

Section 4
Revenue Resources – Rent and Other Income

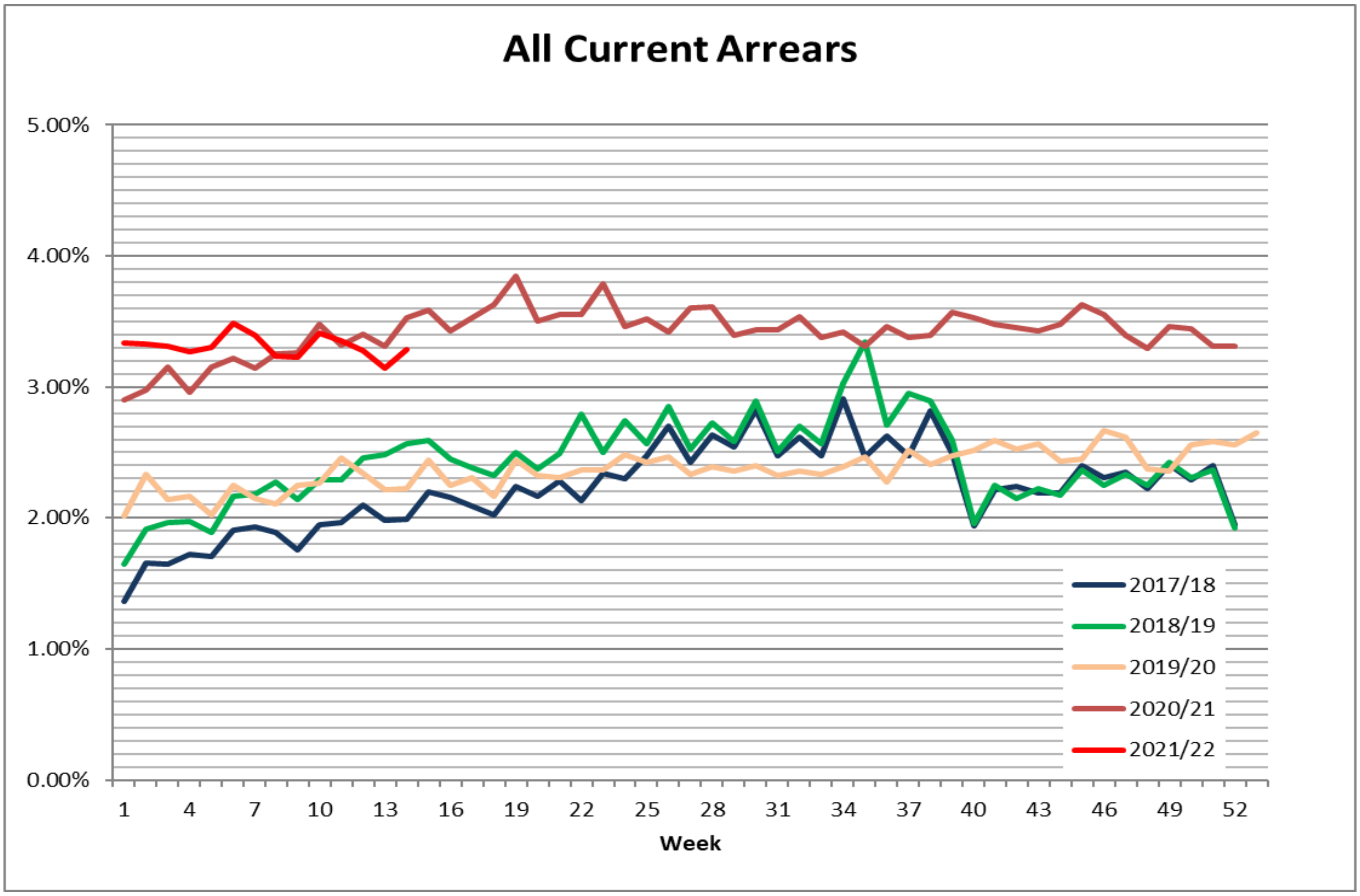
Rent Arrears and Bad Debt Provision

Rent collection performance was maintained during 2020/21 despite the difficult circumstances resulting from the coronavirus pandemic, with 98.9% of the value of rent due, collected in the year, compared with 98.8% in the previous year.

As a result of rent not collected however, arrears still increased significantly during 2020/21, with current tenant arrears of just under £1.4 million by 31 March 2021. 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)
31/3/2017	£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
31/3/2021	£1,374,167	3.3%	£925,982

Although an increase in current arrears of £283,006 was experienced during 2020/21, the level of increase was far lower than feared in the very early stages of the coronavirus pandemic, when worst case estimates of an increase of £1,140,930 in the bad debt provision for 2020/21 was predicted.



The Income Management Team have worked extensively with tenants and financial support providers to mitigate the impact of the pandemic for both the tenants themselves and the authority, ensuring that tenants seek out all financial support available to them. The team have taken advantage of the Income Analytics software, implemented in June 2020, which facilitates improved arrears management. The ongoing impact for residents of moving to direct payment is being actively managed, with an Increase in the number of claimants transitioning over the past 12 to 16 months as a result of changes in circumstances.

Using the funding already included in the budget to support the transition from housing benefit to Universal Credit, an Assistant Housing Officer dedicated to work with tenants around Universal Credit, has been appointed on a permanent basis to support not only the initial transition but also to ensure that residents are supported to claim what they are entitled to in the future.

Arrears recovery proved challenging during 2020/21, with an inability to take legal action for the majority of the year. Staff have focussed on working proactively with both current and former tenants, in an attempt to recover sums due to the authority wherever possible. A focus is needed to effectively tackle former tenant debt, recovering sums where possible, and writing off debt where recovery has been exhausted.

Resource has been incorporated, as part of this Medium-Term Financial Strategy to allow the employment of a 12 month fixed term post dedicated to recovering, or failing that, writing off, former tenant debt.

The position in respect of rent arrears has increased further in the first 4 months of 2021/22, with an increase of £86,500 in total arrears by the 4 months to the end of July 2021. If this were to continue along the same trajectory throughout the year, an increase of £260,000 could be experienced by March 2022.

The annual contribution to the bad debt provision for 2021/22, based on 1.5% of rent due, was set at £588,580 in the HRA budget approved in January 2021. The assumption has been reviewed as part of this iteration of the business plan and taking account of the current economic situation and the level of increase in arrears in the early part of 2021/22, but also recognising the proportion of rent arrears that are ultimately expected to require write off, it is proposed to retain the current assumption of 1.5% for 2021/22 and beyond. This will be reviewed again as part of the HRA Budget setting Report in January 2022.

At 31 March 2021 the total provision for bad debt stood at £1,890,056.54 representing 82% of the total debt outstanding.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2020/21 was £613,999, representing a void loss of 1.58%, compared with £635,949 in 2019/20, representing a void loss of 1.68%.

The value of rent lost through void dwellings during 2020/21 was marginally lower than in 2019/20 but was still higher than the 1% target recognised as part of the 2021/22 HRA Budget Setting Report of January 2021.

Some of the key contributors to the higher void levels in 2020/21 remained the refurbished extra care and sheltered units at Ditchburn Place, where the coronavirus pandemic halted occupation due to the vulnerable nature of the client group (£60,000) and vacant homes on redevelopment sites where full vacant possession was delayed by the coronavirus pandemic (£113,000). Homes vacated on future approved development sites (£11,000) and temporary houses in multiple occupation where full letting was not possible due to the mixing of households prohibited as a result of the coronavirus pandemic (£34,000) also contributed.

If the impact of the irregular void transactions (detailed above) are removed from the statistics, the void performance in general voids for 2020/21 would have been 1.02%.

Void performance in the first quarter of 2021/22 saw a gross void loss of 1.47%, but still includes at this stage the ongoing impact of both our redevelopment programme and the coronavirus pandemic. As a result of this, it is recommended to adjust the assumption in general voids for the current year to 1.32%, assuming some recovery during the year, whilst retaining the longer-term assumption of 1% in the business plan from 2022/23 onwards.

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, for a period of 5 years, 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.

Affordable Rents

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 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.

It has been local policy to limit affordable rents to the Local Housing Allowance level, which is notified annually in January of each year. In March 2020 the Local Housing Allowance was subject to a second annual increase in response to the coronavirus pandemic, but Cambridge City Council have not adopted this rate, but have instead used an inflated version of the pre-COVID rates to maintain affordability. The higher Local Housing Allowance level announced in March 2020 was frozen from April 2021:

Property Size	2020/21 LHA Rate January 2020	2021/22 LHA Rate April 2021 (frozen)	2021/22 Local LHA Rate (inflated by 1.5%)
Shared Room	81.89	97.00	83.12
1 Bed	135.99	178.36	138.03
2 Bed	156.40	195.62	158.75
3 Bed	181.75	218.63	184.48
4 Bed	242.43	299.18	246.07

The Greater Cambridge Housing Strategy and associated Affordable Rents Policy, approved at Housing Scrutiny Committee in June 2021, sets out the objective to ensure that rents do not exceed 60% of market rent or the published Local Housing Allowance level, whichever is the lower. The Council will adhere to this policy when setting rents for new homes in the HRA, unless any exception is relevant.

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 and Social Rents

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 continues to do this. The average target 'rent restructured' rent at the start of 2021/22 across the general housing stock was £106.13, with the average actual rent charged being £102.57. By April 2021, 31.3% of the social rented housing stock was being charged at target rent levels, compared with 29.5 in April of the previous year, so closing the gap remains a slows process.

The gap between actual and target rent levels in the general housing stock now equates to an annual loss of income of approximately £1,260,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement of 2012, where convergence was assumed.

There were 409 new build properties charged at the higher 'affordable rent' levels, equivalent to the Local Housing Allowance on 1st April 2021 and 23 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 coronavirus pandemic. The coronavirus pandemic highlighted the importance of maintaining a prudent level of reserves, allowing the authority time to respond to a crisis, without the need to make impulsive or ill thought through decisions.

A fire at Kingsway during 2020/21 is expected to result in a call on reserves of £250,000, as the cost of remedial insurance works will ultimately exceed this sum, and the authority is required to meet the first £250,000.

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 2020/21, and 2021/22 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2020/21 £'000	2021/22 £'000
Budgeted Changes in HRA Reserves		
Opening General HRA Reserves	**(15,083)**	**(18,420)**
Original Budget (Approved in February)	3,998	6,398
Carry Forwards (Approved in June)	1,431	7,598
COVID-19 Inflation Review (Approved in June)	(282)	0
MTFS Mid-Year Review (Approved in September)	836	367
MTFS Mid-Year – Review of Ear-Marked Reserves	(396)	-
Budget Setting Report Revised Budget (February)	1	-
Estimated Closing General HRA Reserves	**(9,495)**	**(4,057)**
Actual Changes in HRA Reserves		
Opening General HRA Reserves	**(15,083)**	(18,420)
Prior Year Audit Adjustment	17	-
Actual Outturn variance for the Year (Reported in June and amended during final accounts process)	(3,354)	-
Contribution from Ear-Marked Reserves	-	-
Actual Closing General HRA Reserves	**(18,420)**	**-**

The original budget for 2021/22 approved a net call on general reserves of £6,397,400, and also incorporated use of £5,858,000 previously set-aside for potential debt repayment or re-investment, to allow a total revenue contribution to fund capital expenditure of £19,133,030 for the year. After approval of carry forwards, the use of sums previously set aside for potential debt repayment or re-investment rises to £9,763,000, with a total revenue contribution to fund capital expenditure of £29,417,230.

The financial projections incorporated into this report include the effects of changes in capital scheme approvals and resources and approved carry forwards from 2020/21.

This iteration of the business plan includes changes in estimated dwelling and garage rental income for 2021/22, changes in service charge income, 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 inclusion of funding for additional project and staffing resources as detailed elsewhere in this document and to include an officer to tackle former tenant arrears for a 12-month fixed term period.

The final general HRA reserves position reported for 31 March 2021 was £18,419,724.

The revised projection of the use of general reserves in the current year (2021/22) now indicates that there is expected to be a net call on reserves of £14,362,290, which would leave a balance of £4,057,430 at 31st March 2022.

Earmarked Funds

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

Appendix I details existing balances held.

Section 5
Detailed Review of Revenue Budgets

2021/22 Mid-Year Budget Virements

As part of the HRA Budget Setting Report in January 2021, resource was incorporated to allow the authority to increase staffing resource as property numbers increase. Although new homes are taken handover of throughout each year, the increase required in staffing resource is only reviewed incrementally. As part of this Medium-Term Financial Strategy, the resource that has been incorporated into the business plan from 2021/22 onwards Is now being formally allocated to create new posts as follows:

- Assistant Housing Officer (City Homes) 37 hours per week – to support tenancy management activity for new homes.
- Lettings Officer (Estates and Facilities) 15 hours per week – to support increased turnover in homes as a result of new build schemes.
- Application Support Officer (Finance, Application Support and Business Development) 37 hours per week – to support new IT applications such as Income Analytics, Accuserv, Asset, Customer Portal.
- Administration Officer (Estates and Facilities) 37 hours per week – to support back office void and repair activity driven by increased homes and customer self-serve functionality.

The resource already incorporated into the HRA budget from 2021/22 onwards will be vired to allow the creation of, and recruitment to, these new roles.

2021/22 Mid-Year Budget Changes and Ongoing COVID-19 Impact

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

It is also considered prudent to review budgets for the current year in light of any ongoing impact of the coronavirus pandemic, recognising that recovery may take longer than originally anticipated in some areas.

The bids and savings approved as part of the 2021/22 budget process have been reviewed, to confirm the deliverability of these in the current climate. At this stage in the year, it is anticipated that all bids and saving approved can be delivered and therefore no changes are proposed as part of this iteration of the business plan.

There are however, challenges in other areas of the Housing Service, in terms of both delivery of services and recovery of income, and as a result changes incorporated for 2021/22 as part of the mid-year strategic review include:

- Recognition that income of £28,120 in respect of garages will not be realised from 2021/22 due to demolition of garages to allow the creation of POD Homes. The termination of high value central Cambridge garage tenancies by businesses due to changes in the way people are working as a result of the coronavirus pandemic, is still impacting the current year, but it is hoped that the difficulties in re-letting these will be overcome during 2021/22.

- Allocation (virement) of resource already incorporated into the HRA Business Plan to allow for the recruitment of staff as identified above.

- Inclusion of £35,150 of resource to allow for the recruitment of a 12-month fixed term Former Tenant Arrears Officer, with funding to be split equally between 2021/22 and 2022/23 recognising the post is likely to be filled from October 2021.

- Inclusion of resource to allow the fixed term Energy Assessor post to be made permanent and to allow recruitment of 3 additional surveyor level posts for the remainder of 2021/22 and the following 9 years, to aid delivery of structural works, energy works, the decent homes backlog and overall increased programme size. It should be noted that these posts will be capitalised.

- Inclusion of resource of £54,000, split equally between 2021/22 and 2022/23 to employ an Asbestos Surveyor for 12 months, with the costs fully capitalised and funded by reducing the capital budget for asbestos, where the cost of inspections is currently met. Bringing this function in-house is anticipated to be more cost effective, and the 12-month trial will allow this to be demonstrated.

- Inclusion of a £20,000 budget in 2022/23 to meet the revenue costs of the project to procure a new planned maintenance contractor, following approval of the procurement at Housing Scrutiny Committee in June 2021.

- An increase in depreciation of £127,650 based upon the latest stock projections and depreciable asset values and remaining useful lives.

- A reduction in anticipated rental income of £160,530, recognising the ongoing impact of the coronavirus pandemic on the authority's ability to re-let vacant multi-occupied properties and to take handover of some of the new build homes anticipated in 2021 on time because of labour and materials shortages, with the impact of Brexit exaccerabting this. A proportion of the reduced rent income is offset by separately identifying service charges in new build homes at the point of handover with increased service charge income then accounted for.

- A net increase of £76,020 in respect of service charges and commercial property income for 2021/22, with service charges increasing by £77,950 and commercial property income reducing by £1,930. Service charge income has increased as a result of increases from April 2021 to attempt to recover full costs, coupled with accounting for the income in respect of new build homes, where income is not split between rent and service charges until handover when final costs are known. Approximately £13,500 of the increase in service charge income offsets some of the reduction in rent income above.

- A reduction of £86,900 in the anticipated interest received on cash balances for 2021/22, with balances held higher due to underspending in 2020/21 combined with early receipt of the Devolution Grant funding from MHCLG and the Combined Authority, but with the anticipated interest rate falling from 0.6% to 0.2% for 2021/22.

- An increase of £22,540 in the budget for interest payable by the HRA so that the budget reflects the full sum payable on the HRA self-financing borrowing. This budget has historically been reduced to recognise interest due from the General Fund for short-term internal lending in respect of the purchase of the land at Cromwell Road, as the HRA financed some of the initial outlay. This interest income to the HRA is now reported in interest received.

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 ongoing programme of inspections is carried out to increase the breadth and quality of this data to help inform strategic decision making.

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

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2021 at 96%, compared with 93% achieving the desired standard at 31 March 2020. There were 279 properties that were considered to be non-decent, in addition to 1,376 refusals, where tenants had exercised their right to decline the work being completed,

Stock Investment

The HRA approved an updated 5-Year Asset Management Strategy in September / October 2019.

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, with approval given at Housing Scrutiny Committee in June 2021 to re-tender this contract over the coming months., 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.

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

Initiative / Action	**Current Status**
Implement a new rolling programme of stock condition surveys so properties are inspected every five years	This commenced in 2019/20 but has been on hold for much of 2020/21 due to COVID-19. Surveys have resumed in July 2021 and a new programme is under development that takes account of footpath surveys and new build properties
Continue the programme of structural surveys of flats blocks and implement survey programme for older flats and houses with structural concrete elements	In 2021/22 detailed surveys are being carried out at Hanover and Princess Court, flats / maisonettes in the South Arbury area and Fanshawe and Davy Road flats
Reduce the electrical inspection cycle to five years in line with best practice	This has been implemented from April 2021 and a transition plan is under way
Implementation of “Orchard Asset” asset management software – including development of the compliance and energy modules	Implementation project in progress with target completion by December 2021

Develop a methodology which identifies high cost investment properties across the stock and calculates net present values – using new software in Orchard Asset	This will follow the implementation of Orchard Asset and the housing stock performance module.
Implement a programme of estate investment projects	Estate Investment Programme in progress over a 5-year period from April 2020
Establish a programme of re-inspection of asbestos containing materials and implement a new asbestos register based within Orchard Asset	A new Risk and Compliance team is now in place to lead in this area, with an interim Risk and Compliance Manager and a fixed term Asbestos Officer in post. The new team are progressing this action
Implement an annual programme to inspect fire doors to flats and communal areas (including the replacement of non-compliant fire doors)	A fire door inspection programme has been procured and mobilisation is underway. There are 5,000 doors on the inspection schedule
Review maintenance requirements for flat roofs and sheds replacement and repair	A programme has been identified and implemented from April 2021
Develop a replacement programmes for lifts, door entry systems, communal entrance doors, fire systems, automatic doors, and communal lighting	Programmes of work have been implemented, and began in 2020/21
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	This is complete and the new 7-year cycle has been implemented

Following on from the previous year's changes to fire risk regulations, dwellings are continuing to have heat and smoke detection upgraded and the Council are still on track to deliver these works before March 2022, however, due to the coronavirus pandemic and a level of no access into properties there may be some properties that rollover into 2022/23.

The procurement for the fire alarm at Kingsway has been undertaken; there are still some clarifications that the Council are awaiting response for, but the works are expected to be delivered by September 2021. Once the works are completed at Kingsway the Council will move forward with the delivery of works at Hanover Court and Princess Court.

As part of this iteration of the business plan, £5,000,000 has been ear-marked in 2022/23 to undertake fire compartmentalisation, and other fire safety works, in specific large flat blocks should the works be required.

There are planned works to emergency lighting being carried out at Ablemarle Way and Maitland Avenue valued at £84,000 which is slippage from the 2020/21 programme, compartmentation works in houses now converted to flats of £45,000, and additional fire safety works scheduled for 2021/22 at maisonettes above 4.5 meters high at £250,000 which will be completed by March 2022.

We are continuing the programme of structural surveys of flat blocks in order to implement a programme of work for older flats and houses with structural concrete elements. Work programmes are approved at Hanover and Princess Court, Hazelwood and Molewood Close, and a number of blocks of flats in the South Arbury Area. Structural surveys and investigations are planned at the Bermuda Terrace estate in 2022/23. As well as a programme of actual structural works, we are developing a programme of structural monitoring to check on blocks where structural works have been completed to ensure structural issues have not re-emerged.

The Council is fully committed 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.

Resource was identified in the budget for 2020/21, to begin a pilot programme of energy works and to collect the data required for the development of a more detailed programme of investment in improving energy efficiency and environmental sustainability across the housing stock.

Work 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 programme of works to 150 homes (1935 build type) to improve them to a B rating by undertaking external wall insulation and solar panels is currently underway. 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.

Fielden and Mawson were engaged in 2020/21 to undertake a high level analysis of the options for improving energy performance in the housing stock. The housing stock at April 2020 was grouped into 7 broad archetypes, to allow investigation of the investment options and estimation of the costs of achieving each of these. Non-traditional properties and hostels were excluded from the initial exercise as the costs to achieve the desired standards in these were considered unpredictable with a need to explore these separately.

The costs to achieve 3 levels of improved energy efficiency and sustainability were explored, with Retrofit Plus assuming high levels of fabric performance, Gas fuelled heating and hot water, solar technology and continuous mechanical extraction. EnerPHit assumes ultra-high levels of fabric performance, heat pumps for heating and hot water, solar technology and mechanical ventilation and heat recovery. Net Zero carbon assumes ultra-high levels of fabric performance, heat pumps for heating and hot water, solar technology and mechanical ventilation and heat recovery, achieving a dwelling emission rate of 0kg CO_2/m^2.

To achieve any of these improved levels of energy efficiency, significant investment will be required, with the table below highlighting estimated costs of between £367 million and £513m depending upon the option selected. It should be noted that these costs are based upon the draft report from Fielden and Mawson.

Archetype	Description	Retrofit Plus	EnerPHit	Net Zero Carbon
1	2 Bed Maisonette	18,385,640	24,209,640	22,207,640
2	1 Bed Low rise flat	106,399,470	145,021,970	145,684,070
3	1 Bed Medium rise Flat	44,137,110	63,612,700	57,746,310
4	1 Bed Post War Bungalow	11,204,490	15,112,790	16,638,490
5	2 / 3 Bed Semi Pre 1945	103,653,020	146,610,220	151,566,820
6	2 / 3 Bed semi-detached Post 1945	74,963,050	105,329,050	105,570,050
7	2 Bed Terrace Pre 1945	9,054,440	12,039,240	13,416,840
Total		367,797,220	511,935,610	512,830,220

- Excludes 521 non-traditional properties with varying construction types and retrofit challenges that have not yet been investigated or costed.

The challenge facing the Housing Revenue Account is how to finance this required level of expenditure. The HRA does not have sufficient resource to meet this commitment and either needs to secure external financial support in the form of grants or government funding or to consider borrowing. The HRA has a significant amount of borrowing planned to facilitate the delivery of new homes, but the cost of new build borrowing is met from the rental income provided by the new homes. In respect of borrowing to finance energy works in the existing housing stock, it is foreseen the works would have no impact on the level of rent charged and therefore any additional resource to support the new borrowing. The only scope to increase social rents in recognition of this investment, would be to utilise the 5% flexibility that exists as part of the rent restructuring target rent formula, but this would only generate a fraction of the resource required to support the required borrowing, and would only be applicable at tenancy change.

Some local authorities and other housing providers are considering levying a ‘comfort’ charge as a service charge alongside the rent, recognising not only the investment being made by the landlord, but also the anticipated reduction in utility bills that will be realised by the tenant. However, to recover the average investment required to retrofit a property to Net Zero Carbon over a 30-year period, the authority would need to levy a weekly service charge of approximately £50.00, which would exceed the anticipated utility saving for the tenant.

Using the analysis provided by Fielden and Mawson, officers have modelled the impact of borrowing to deliver each of the 3 options over the period to 2030 and once this proved financially unviable, another option to deliver Net Zero Carbon in only those properties in the above data set that have an assumed EPC 'D' rating. It should be noted that many of the excluded non-traditional properties will also be 'D' rated.

Energy Investment Option	Up-Front Investment	Total Increased Borrowing Required	Business Plan Impact
Retrofit Plus	367,797,220	685,481,000	Unable to set an HRA budget from Year 17, with borrowing required to pay interest on borrowing
EnerPHit	511,935,610	879,376,000	Unable to set an HRA budget from Year 9, with borrowing required to pay interest on borrowing
Net Zero Carbon	512,830,220	880,446,000	Unable to set an HRA budget from Year 9, with borrowing required to pay interest on borrowing
Net Zero Carbon – Assumed 'D' Rated Properties in above data only	145,597,290	298,206,000	Additional borrowing requirement over and above the initial investment of £150 million to allow delivery of existing commitments

Clearly the authority is not able to finance achieving Net Zero Carbon in all of its traditional build homes. It is evident, that even if the authority only tackles the 'D' rated traditional build homes in the first instance, the HRA is not in a position to borrow to fund this level of investment without a significant negative impact on the future of the HRA.

As part of this HRA Medium Term Financial Strategy it is instead proposed to include a sum of £5,000,000 in 2022/23 to allow a pilot programme of 50 homes, both traditional and non-traditional build to be retrofit to achieve as near to Net Zero carbon as possible. This will achieve a number of objectives, it will allow the authority to prove whether the estimated costs in the Fielden and Mawson report are achievable, will allow time to lobby government and other bodies, backed by real evidence, in an attempt to secure external investment and will also allow further exploration of the potential to use the 5% flexibility in the rent restructuring formula and / or to introduce a 'comfort' charge for tenants. There is also a skills shortage in this industry currently, and the approach should also allow local providers to upskill their workforce.

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 2021.
- Re-phasing of expenditure anticipated to take place in 2020/21, into 2021/22 and beyond, as approved in June / July 2021.
- Update of the 30-year investment plan required to meet decent homes and allow other planned investment in the housing stock, based upon the current stock numbers and contract prices.
- Remove the budget of £975,000 ear-marked in 2021/22 for decent homes works to new build dwellings and adjust the sums held in future years, recognising that all properties bult up to 1/4/2021 have now been incorporated into the asset management 30-year investment plan review above.
- Adjust inflation budgets to recognise that the review of the 30-year investment plan has re-based contract prices at today's price.
- Transfer of £54,000 of resource, divided equally between 201/22 and 2022/23 from the Asbestos budget into Officer Fees to allow the recruitment of an Asbestos

Surveyor and the internalisation of some asbestos inspections to demonstrate that this will be more efficient and cost effective.

- Inclusion of £5,000,000 of resource in 2022/23 to allow a pilot programme of 50 full house retrofits to Net Zero Carbon or as near as can be achieved.
- Inclusion of £5,000,000 of resource in 2022/23 to allow fire safety works to flat blocks following fire safety reports, should the works be required.
- Increase in the capitalised officers' fees from half way through 2021/22, and for the following 9 years, to support the recruitment of 3 additional surveyor level posts to manage delivery of structural works and energy works, and the increased activity resulting from the inclusion of the decent homes backlog over this period.
- Re-allocation of £2,516,000 of decent homes backlog funding into the relevant expenditure budgets to recognise delivery in 2021/22 and re-phasing of the balance of the budget (£2,200,000) from 2021/22 into 2022/23 and beyond.
- Re-phasing of budget of £800,000 for heating works at Stanton House from 2021/22 into 2022/23, to allow these works to be considered alongside other investment needs in the scheme.

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, subsequent delegations and the future housing 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 prudency and to avoid reliance on a receipt that may not materialise.

During 2020/21, the HRA acquired three properties on the open market, outside of the existing HRA redevelopment programme and one which provided land for a proposed scheme. Two properties were acquired in 2020/21 to secure vacant possession of the redevelopment site at Colville Road and six at Campkin Road,

Other disposals or acquisitions in 2021/22 to date, including the acquisition of land for potential future development include:

Acquisition / Disposal	Comment	Status
Land at Queensmeadow	Purchase of a small land parcel in the south of the city	Complete
2 Bed Flat	Purchase of a 2 bed flat in Abbey Ward for rough sleepers	Complete
1 Bed Flat	Purchase of a 1 bed flat in the Trumpington Ward for rough sleepers	Complete
2 Bed Flat	Purchase of a 2 bed flat in Cherry Hinton for rough sleepers	Complete

Acquisition / Disposal	Comment	Status
2 Bed Flat	Purchase of a 2 bed flat in Abbey Ward for rough sleepers	Complete
10 further existing market dwellings *	Purchase of a further ten 1 bed homes on the open market to house rough sleepers as part of the MHCLG Next Steps Programme, which now has MHCLG Grant funding approval.	Grant bid approved and acquisitions in progress

* The authority was successful in the second round of the MHCLG Next Steps Grant Bid process, and has secured grant of £1,730,000, which requires use of £1,901,000 of HRA resource to be able to acquire 14 homes on the open market to accommodate rough sleepers. The grant conditions require that these homes are ear-marked for use to accommodate rough sleepers for 30 years, with residents expected to move on within a 2-year time frame to permanent accommodation. The HRA contribution of £1,901,000 of the up-front capital cost will be repaid over the life of the assets from the net revenue stream. Delegated authority was given to the Head of Finance in the HRA Budget Setting Report in January 2021 for the expenditure and grant income of any successful second round grant bid to be bult into the HRA Business Plan and budgets, allowing officers to accelerate acquisition of the additional homes as soon as any grant was awarded.

New Build

General Approach

The Council's approach to building new homes is continually evolving, with a commitment to deliver affordable, sustainable homes, which meet tenant expectations.

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.

Following on from the Devolution 500 Programme, which is now well progressed, the authority is committed to delivering a net 1,000 new homes in the period from 2022 to 2032, subject to receiving Homes England grant funding. Although a bid having to Homes England for Strategic Partnership status and grant to deliver the programme was unsuccessful, the authority can bid for Homes England Grant on a scheme-by-scheme basis instead, and this is being actively progressed now for the most advanced schemes.

The fees charged by the H.D.A are reviewed annually as part of the Medium-Term Financial Strategy, with a fee expectation in the H.D.A budgets of £355,260 for 2021/22. The proposed level of H.D.A fees for schemes approved from September 2021 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.

Future New Build

Funding to deliver 1,000 new council rented homes following completions of the 500 homes Devolution Programme has previously been incorporated into the financial forecasts. This iteration of the HRA Business Plan adjusts these assumptions in line with the speculative bid that was submitted to Homes England in May 2021 to try and secure strategic partnership status.

The bid assumed the authority would be guaranteed grant to deliver a programme of 1,091 new homes (net gain of 800), 75 shared ownership homes and 625 rent to buy dwellings, with start on site required within a 5-year period. As this was unsuccessful, the assumption is made that the authority will instead bid for Homes England grant on a scheme-by-scheme basis, with the same outcome assumptions being made in the business plan at this stage. The only change made at this stage when compared to the Strategic Partnership bid, is to remove the assumed grant from the L2 scheme, which would be unlikely to receive grant as a stand-alone scheme in its current guise.

The balance of 200 council rented homes, to achieve a net gain of 1,000 homes, are then assumed to be delivered in the following 5 years.

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

- 1,000 net additional council rented homes delivered over the 10 years from 2022.
- To deliver 800 initial net new council rented homes in mixed communities, we will deliver 1,091 gross rented homes in the first phase and develop other tenures where required (current assumption is that we will also build 75 shared ownership homes, 625 rent to buy homes and 450 market homes)
- Rent to buy homes would be purchased by a wholly owned council company, which would need registered provider status.
- Shared ownership homes would be sold to another registered provider with more experience in this market, but alternative options include retention in the HRA or purchase by the wholly owned council company.
- The balance of 200 net new homes would be delivered in a second phase.
- A range of delivery routes will be adopted, with a mix delivered via Joint Venture or Section 106, land led schemes, existing HRA sites and potentially off the shelf purchases.
- 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, has been assumed for all sites where building to Passivhaus is considered feasible.
- A land acquisition costs for land led schemes of £65,000 per plot.

- Net new homes and 50% of re-provided homes are all let at council affordable rent levels using 60% of market rent (or the Local Housing Allowance if lower) in line with policy approved at Housing Scrutiny Committee in June 2021
- 50% of the number of rented homes demolished on existing HRA sites are all totalled, with this number of new homes assumed to be let at target social rents, allowing an assumed proportion of residents to return after redevelopment.
- Homes England grant of £100,000 per unit across all affordable tenures (except L2).
- Retained right to buy receipts would continue to be available for re-investment at the rate of £2,800,000 per annum but that following the recent outcome of the RTB Consultation from 2018, that they can't be appropriately reinvested in addition to Homes England Grant, but instead would be utilised for any site where grant was not awarded.
- Borrowing has been assumed at 2.4%, based upon the PWLB rate at the time of writing this report and projections made by Link, our treasury advisors.
- Delivery of 800 phase one net council rented homes assumes the need to demolish and re-provide 291 existing properties as part of site regeneration schemes, delivering a to9tal of 1,091 rented homes.
- Investment profile is spread across the 10-year programme based upon indicative schemes incorporated into the strategic partnership grant bid for years 1 to 5.
- Annual servicing and maintenance costs have been increased by £130 per unit, recognising the need to maintain solar pv installations and a mechanical ventilation with heat recovery (MVHR) unit in each dwelling.
- Future replacement costs have been increased by an average of £457 per annum to allow for the replacement of the additional components required to deliver a Passivhaus dwelling.

This requires an estimated £352,000,000 of net borrowing in the HRA over the life of the plan,

The bid assumed a number of prospective sites to inform more accurate estimates, although in reality, not all of these sites will prove to be feasible to proceed with, and others will need to be substituted as the programme progresses. Work is still 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 continue to be brought forward for formal consideration and approval individually as opportunities arise.

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 considered possible but recognising there is an intention to move towards net zero-carbon during the life of the programme, where it is feasible and viable to do so.

The programme, as incorporated, is still dependent upon securing Homes England Grant funding, now on a scheme by scheme bid basis. The ability to replace grant with retained right to buy receipts would only help deliver a very small proportion of the planned programme. Failure to achieve grant will mean that the programme will need to be reviewed to identify alternative sources of funding, to increase the amount of market sale or shared ownership housing provided, to reduce build standards or to reduce the number of council rented homes delivered overall. In light of not being awarded Strategic Partnership status, the programme will need to be reviewed, both in terms of assumed timescales and anticipated funding.

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 reduced rates for lending to local authorities, but this rate may change significantly before the end of the 10-year programme. The authority is currently exploring other borrowing options, including the potential for bond issuance, which may be possible in light of the significant sums required.

The 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.

New Build Schemes Completed – Devolution 500 Programme

At the time of writing this report 119 new homes had been completed as part of the Devolution 500 Programme, with a net gain of 88 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%
Markham Close	September 2020	5	5	RTB Receipts & Devolution Grant	100%

Scheme	Date Completed	Total Social Housing / SO Units	Gain in Social Housing Units	External Funding Source	Percentage Social Housing on Site
Mill Road	October 2020	4	4	RTB Receipts & Devolution Grant	50%
Ventress Close	February 2021	15	13	RTB Receipts & Devolution Grant	100%
Mill Road	May 2021	1	1	RTB Receipts & Devolution Grant	50%
Akeman Street	May 2021	14	12	RTB Receipts & Devolution Grant	100%
Total		**119**	**88**		

New Build Schemes On Site – Devolution 500 Programme

Sites where work is in progress in respect of the 500 Programme 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 / S106 Funding	Net Capital Cost to the HRA
Mill Road	113 (5 taken)	113 (5 taken)	24,965,630	(7,489,690)	(17,475,940)	0
Kingsway	4	4	554,000	(166,200)	(387,800)	0
Cromwell Road	118	118	24,865,800	(5,997,920)	(17,406,060)	1,461,820
Colville Road II	67	47	14,467,580	(2,743,430)	(6,400,920)	5,323,230
Meadows and Buchan	106	106	25,929,000	(7,778,700)	(13,370,050)	4,780,250
Campkin Road	75	50	18,063,260	(3,243,250)	(1,750,000)	13,070,010
Total	**483**	**438**				

New Build Schemes On Site – New 1,000 Homes Programme

Sites where work is in progress in respect of the New 1,000 Homes Programme 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	Homes England Grant	Net Capital Cost to the HRA
Histon Road	10	10	1,978,000	(197,800)	0	1,780,200
Total	**10**	**10**				

New Build Schemes in the Pipeline- Devolution 500 Programme

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 could 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 tables 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	1	1	506,000	(151,800)	(354,200)	0
Kendal Way	1	1	524,000	(157,200)	(366,800)	0
Clerk Maxwell Road	14	14	3,046,760	(914,030)	(2,132,730)	0
Total	**16**	**16**				

New Build Schemes in the Pipeline- New 1,000 Homes Programme

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Homes England / ERDF Grant	Net Capital Cost to the HRA
L2	30	30	6,207,000	(620,700)	0	5,586,300
Colville Road III	48	32	11,780,000	0	(3,200,000)*	8,580,000
Fen Road	12	12	3,658,000	0	(1,200,000)*	2,458,000
Ditton Fields	6	6	1,918,000	0	(600,000)*	1,318,000
Aragon Close	7	7	1,850,000	0	(700,000)*	1,150,000
Sackville Close	7	7	1,850,000	0	(700,000)*	1,150,000
Borrowdale	3	3	875,000	0	(300,000)*	575,000
Aylesborough Close	72	39	19,030,000	0	(3,900,000)*	15,130,000
St Thomas's Road	8	8	2,105,000	0	(800,000)* (141,000)**	1,164,000
Paget Road	7	7	1,842,000	0	(700,000)* (124,000)**	1,018,000
Total	**200**	**151**				

*Homes England Grant is assumed in line with the 1,000 Homes Programme strategic partnership bid assumptions but no grant has yet been secured.

** Assumed European Regional Development Fund (ERDF) Grant through Eastern New Energy to build to Net Zero Carbon, with Passivhaus to be delivered if grant bid is unsuccessful.

As part of this report, scheme specific budgets have been separately identified for the HRA to redevelop existing HRA housing at Aylesborough Close and to build out two small HRA garage / in-fill sites at St Thomas's Road and Paget Road, in line with the scheme specific reports being presented to Housing Scrutiny Committee in this committee cycle.

The table below summarises changes to either approved budgets, and or anticipated numbers of units, for schemes in the current programme:

Scheme	Previous Budget Approval	Original Estimated Units	Latest Budget Approval Request	Revised Estimated Units
Colville Road III	11,103,200	47	11,780,000	48
Histon Road	1,513,000	7	1,978,000	10
Meadows and Buchan	27,318,760	106	25,929,000	106

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

Scheme	Site Type	Status	Potential New Build Units
Tedder Way	In-fill	Pre-planning	1
Kendal Way	In-fill	Pre-planning	1
Clerk Maxwell Road	Section 106 Site	Planning approved	14
L2	CIP Acquisition	Planning approved	30
Colville Road III	Existing HRA Housing	Planning submitted	48
Fen Road	Land Acquisition	Planning approved	12
Ditton Fields	Land Acquisition	Planning submitted	6
Aragon Close	Existing HRA Garages	Pre-planning	7
Sackville Close	Existing HRA Garages	Pre-planning	7

Scheme	Site Type	Status	Potential New Build Units
Borrowdale	Existing HRA Garages	Planning submitted	3
Aylesborough Close	Existing HRA Housing	Feasibility Stage	72
St Thomas's Road	Existing HRA Garages	Feasibility Stage	8
Paget Road	Existing HRA Garages	Feasibility Stage	7

Tedder Way

This scheme now anticipates delivering a single, very large, mobility adapted dwelling on the site to meet an identified need on the housing register. The ability to proceed is now subject to securing planning approval, which is anticipated to be submitted in October 2021.

Kendal Way

This scheme now anticipates delivering a single, very large, mobility adapted dwelling on the site to meet an identified need on the housing register. The ability to proceed is now subject to both resolving a historic boundary dispute and securing planning approval. A planning application is expected to be submitted by January 2022.

Clerk Maxwell

The authority will acquire 14 affordable homes from Hill Residential, on a site where planning approval has been granted. The scheme budget includes resource to improve the specification above that approved through the planning process. Start on site has been delayed following a dispute arising regarding site access between respective land holders. Work will commence as soon as this has been resolved and is anticipated by October 2021.

L2

This site was purchased by the Cambridge Investment Partnership in December 2019. Planning was approved in May 2021 for the delivery of 75 homes, with the HRA acquiring 30 (40%) affordable homes on the site. Start on site is anticipated in November 2021.

Colville Road III

This site comprised 16 HRA properties, 2 leasehold flats and 4 shops. The proposed development will deliver 48 new or replacement homes alongside the reprovision of the commercial space. At the time of writing this report 13 tenanted households had been relocated and l leasehold flat had been re-acquired, leaving 3 tenants and 1 leaseholder still to relocate.

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. The budget for the commercial aspects of the development is held within the General Fund Capital Plan, with the residential element budgeted for in the HRA, using the latest indicative scheme costs, which have increased since the scheme was given approval.

Fen Road

This site was acquired by the HRA in 2020/21. The scheme will result in the demolition of two existing buildings which previously provided shared accommodation replacing them with an anticipated 12 new homes, two of which will be larger wheelchair accessible homes. The scheme has now been granted planning approval.

Ditton Fields

This site was acquired by the HRA in 2020/21 and is a garden in-fill site. The scheme will provide an anticipated 6 new homes. The scheme has been submitted for planning, with a biodiversity offset now agreed for the site. The planning outcome is anticipated in October 2021.

Aragon Close, Sackville Close and Borrowdale

The three sites at Aragon Close, Sackville Close and Borrowdale comprise existing HRA garage and parking bay provision, with an anticipated 17 new homes to be provided across all of the sites. The scheme at Borrowdale has been submitted for planning, with outcome anticipated in November 2021. Planning submission for Aragon Close and Sackville Close is anticipated in September 2021.

Aylesborough Close

This scheme comprises the redevelopment of 33 existing tenanted and 3 leasehold properties, to deliver an anticipated 72 new homes. A scheme specific report is presented as part of this committee cycle, and subject to approval it is anticipated that this scheme, which is part of a Passivhaus for flats pilot project, will be submitted for planning in March 2022.

St Thomas's Road

This is an existing HRA garage and in-fill site, which involves the demolition of 20 garages, with a view to delivering at least 8 homes on the site. A scheme specific report is presented as part of this committee cycle, and subject to approval it is anticipated that this scheme, which will be part of a net zero carbon pilot project subject to a successful ERDF grant bid, will be submitted for planning in March 2022.

Paget Road

This is an existing HRA garage and in-fill site, which involves the demolition of 34 garages, with a view to delivering at least 7 homes on the site. A scheme specific report is presented as part of this committee cycle, and subject to approval it is anticipated that this scheme, which will be part of a net zero carbon pilot project subject to a successful ERDF grant bid, will be submitted for planning in March 2022.

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, which has now been confirmed will remain in force, any increase in this results in increased interest costs to the HRA. If General Fund sites are built out by the Cambridge Investment Partnership, with the intention of the Council being to exercise the break clause in a lease in order to acquire the affordable homes, it is considered necessary for this land to be appropriated between the General Fund and the HRA at market value, taking account of the intended use.

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 in line with the Homes England Strategic Partnership Grant Bid, including the new build schemes as identified in the tables above, recognising gross spend on each council housing scheme, land values, and any grant or 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 2021.
- Re-phasing of expenditure anticipated to take place in 2020/21 into 2021/22 and beyond, as approved in June / July 2021.
- Increase in the budget for the purchase of homes on the development site off Histon Road, in line with the decision taken at Housing Scrutiny Committee to increase the number of homes purchased from 7 to 10.
- Re-allocation of new build budget between the unallocated / generic new build budget and individual scheme specific budgets of £19,030,000 for development of the existing HRA housing at Aylesborough Close, £2,105,000 for a garage site at St Thomas's Road and £1,842,000 for a garage site at Paget Road, assuming scheme specific approval is granted at this Housing Scrutiny Committee in September 2021.

- Update to the resource incorporated to facilitate the 1,000 New Homes Programme, in line with the bid that was submitted to Homes England for Strategic Partnership status.
- Increase of £677,000 in the budget for the redevelopment of the existing HRA housing at Coville Road III, based upon the latest costs estimates available, where the initial costs estimates are now considered to be too low in the current economic climate.
- Reduction of £1,389,760 in the budget for the development of the housing on the sites at Meadows and Buchan Street, based upon the contract sums agreed. The General Fund contribution for the commercial and community centre provision has however, increased.
- Increase of £1,730,000 in the budget to allow the acquisition of 14 dwellings to move rough sleepers on to permanent accommodation, recognising that the authority has been successful in securing MHCLG Next steps Grant Funding of this value.
- 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 2022/23 will incorporate any changes proposed and agreed as part of this iteration of the business plan. The budget process will remain broadly similar to that for previous years in terms of timing and detailed administration.

The HRA faces further challenges, over and above those resulting from the coronavirus pandemic, with an increased investment need in the existing housing stock in respect of both health and safety and fire safety works, and the aspiration to significantly improve the sustainability of the dwellings by 2030. Resource has been incorporated as part of this iteration of the business plan to undertake a pilot project to fully retrofit 50 council homes to as near to net zero carbon as can be achieved.

For 2021/22 the HRA Medium Term Financial Strategy incorporates changes in the anticipated dwelling and garage rental income for the current year as a result of both increased voids, delays in the delivery of new homes and in the case of garages, demolition of a number to facilitate development. , The update also includes changes in the contribution to the bad debt provision, changes in anticipated interest earned in year from a revenue perspective and in depreciation of the housing stock, alongside some changes in operational budgets.

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 allow the programme of 1,000 net new council rented homes to be developed has been included in line with the bid to

Homes England for Strategic Partnership status, despite this being unsuccessful, with the assumptions retained to recognise the commitment to bid on a scheme by scheme basis instead.

The outcome of the government consultation on the use of retained right to buy receipts concluded to retain the rule that two forms of public subsidy could not be used to deliver the same dwelling, meaning the grant and retained right to buy receipts can't be applied as funding sources for the same homes. This means that the authority will need to decide whether to apply grant or receipts to each scheme to avoid paying any retained right to buy receipts being paid to Central Government, with the associated interest penalty.

The requirement to borrow in future years in order to deliver the 1,000 new council rented homes is incorporated into the business plan to demonstrate that the HRA can fully support the ongoing costs of borrowing with the latest assumptions made, which include an increase in the borrowing rate and in the grant ask per unit as a result. The assumption is retained, that in order to deliver 1,000 net new council rented homes, the authority will be successful in securing 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.

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. The investment need in the existing housing stock in order to improve sustainability and energy efficiency has not been incorporated currently, as the business plan is unable to support the level of borrowing that would be required without an additional future revenue stream.

In advance of the need to borrow, and to ensure prudency 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 2022/23 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 this HRA Medium Term Financial Strategy, it is recommended that although revenue savings are not required in order to set a balanced budget, that an efficiency target is retained as in previous years. 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 £147,000 per annum) efficiency target is considered prudent in light of continued uncertainty in both the economy and in a number of areas of national housing policy and also in recognition of the future investment need in the existing housing stock in terms of energy efficiency. This 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 change. The authority will need to review and evaluate its position again for 2023/24 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.

As part of the 2022/23 budget setting process, any areas of new revenue investment, will therefore 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 60% of additional investment required. Having failed to secure Strategic Partnership status with Homes England, decisions will need to be made on a scheme by scheme basis, with retained right to buy receipts applied to schemes that are less likely to be awarded Homes England grant. The value of retained right to buy receipts is no longer as great as it has been previously, and the biggest challenges the authority will now face, will be demonstrating financial viability of any scheme which does not attract grant, but for which we don't have sufficient right to buy receipts to support. Failure to invest the retained right to buy receipts within the now extended 5-year timeframe will still carry the penalty of paying them to central government with interest currently at 4.1%, calculated from the reporting period 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.

From a broader Council perspective, the authority has redesigned its transformation programme to ensure it can meet the financial challenges it faces whilst allowing it to continue delivering against its corporate objectives. The corporate transformation programme will aim to achieve annual savings of at least £2.5m from customer experience and efficiency work and will also deliver savings through better integrated delivery with communities and partners and office accommodation changes, as well as additional income from new business opportunities. Any savings achieved in relation to either housing or corporate services will be profiled as appropriate across the HRA and General Fund. At this stage no contribution to cost of change, or any share of resulting anticipated savings have been incorporated into the HRA Business Plan.

The position for the HRA will be reviewed again as part of the January 2022 HRA Budget Setting Report, with a view to continuing to maximise investment in new homes, maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst also ensuring that the existing housing stock is maintained to the latest standards, with improved levels of energy efficiency being key.

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 2021/22 and 2030/31, 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.
An increase in the assumed borrowing rate results in the need to increase the grant ask in order to demonstrate viability, and anticipated increases in building and materials costs impact the medium-term assumptions, as do increased void rates and delays in handover of new homes.

It is abundantly clear that the authority is not in a financial position to be able to deliver significantly improved energy efficiency in the existing housing stock, without external financial support or the ability to increase service charges to tenants to help meet the cost of the initial investment. Uncertainty also still exists in respect of the investment need that may arise once the review of the decent homes standard (Decent Homes 2), confirmed as part of the Housing White Paper, has concluded.

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 3 years, followed by increases at CPI plus 0.5%, 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. Although in the region of 1,750 residents are now claiming Universal Credit, approximately 2,600 are still in receipt of Housing Benefit, although the latter will include pensionable age tenants, sheltered and temporary housing residents.

Another key risk remains the authority's ability to appropriately invest retained right to buy receipts, where despite relaxation of some of the constraints, the inability to mix the resource with other forms of public subsidy will pose challenges where the authority is successful in securing Homes England grant.

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

Risk Area & Issue arising	Controls / Mitigation Action
	with, and to provide cover against unforeseen events / pressures.
Financial planning lacks appropriate levels of prudency	
Business Planning assumptions are wildly inaccurate Financial policies, in general, are not sufficiently robust Funding to support the approved Capital Plan is not available The financial impact of the coronavirus pandemic is far greater, and longer lasting, than anticipated	Council has adopted key prudency principles, reflected in: • Use of external expert opinion and detailed trend data to inform assumptions • Ongoing revenue funding for capital is reviewed for affordability as part of the 30-year modelling process • Adoption of strict medium / long-term planning • Policy on applying general capital receipts for strategic disposals only at point of receipt • Ongoing monthly review of key parameters whist the long-term impact of the coronavirus pandemic is still uncertain.
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework
Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc.	• A business decision is required for all strategic acquisitions, disposals and one-off areas of significant investment • Performance and contractor management procedures are robust and contracts are enforceable • The Council's accounts are audited on an annual basis, with assurance given that the authority is delivering economy, efficiency and effectiveness in its use of resources
Value for money in terms of investment in new build homes is challenged	• Council adopts a mix of delivery vehicles • Council employs cost consultants to demonstrate price comparability with the local market • Council has completed an independent review of new build delivery
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes

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

Appendix B

Business Planning Assumptions (Highlighting Changes)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	2%	General inflation on expenditure included at 2% ongoing, per Bank of England) forecasts of May 2021.	Retained
Capital and Planned Repairs Inflation	**CPI plus 0.95%**	**Based upon the mix of BCIS and CPI forecasts for next 5 years, using averages over this period. Reverts to CPI after 5 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% Pay Progression & Pay Inflation at 2.5% for 2021/22 then 2% from 2022/23**	**Assume allowance for increments at 1% and cost of living pay inflation at 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 3 years from 2022/23, then CPI plus 0.5% for 5 years**	**Rent increases of up to CPI plus 1% for 3 further years, reverting to inflation plus 0.5% for 5 years after this, then CPI. Assume CPI in preceding September is as above.**	**Amended**
Affordable Rent Review Inflation	CPI plus 1% for 3 years from 2022/23, then CPI from 2025/26	Affordable rents to be reviewed annually in line with inflated pre-COVID Local Housing Allowance, ensuring that they match this rate unless it rises above CPI plus 1%, in which case the lower will apply.	Retained

Key Area	Assumption	Comment	Status
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	**0.2% for 2021/22, then 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	**0.2% for 2021/22, then 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	**2.4%**	**Assumes additional borrowing using PWLB projected rates.**	**Amended**
Internal Borrowing Interest Rate	**2.4%**	**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	25 sales ongoing	Activity has begun to recover, retain previous assumption of 25 sales annually from 2021/22 ongoing.	Retained
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	**1.32% for 2021/22, then 1% ongoing**	**Assume increased void rate of 1.32% for 2021/22, then ongoing void rate of 1% from 2022/23, recognising recent standard void performance.**	**Amended**
Bad Debts	1.5% from 2021/22 ongoing	Bad debt 1.5% ongoing reflecting the requirement to collect 100% of rent directly through Universal Credit.	Retained
Savings Target	£147,000 (4% of general and repairs	Retain an efficiency target of £147,000 from 2022/23 for 5 years. Allows strategic reinvestment or alternatively a response	Retained

Key Area	Assumption	Comment	Status
	administrative expenditure)	to pressure from national housing policy change.	
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	£147,000	Housing Strategic Investment Fund included from 2022/23 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		54,012,650.36	16,203,795.11	-	-
30/06/2016	2,263,872.93	15,400,012.16	51,333,373.87		57,282,779.08	17,184,833.72	-	-
30/09/2016	1,874,821.59	17,274,833.75	57,582,779.17		61,400,261.17	18,420,078.35	-	-
31/12/2016	1,320,457.44	18,595,291.19	61,984,303.97		66,415,285.15	19,924,585.55	-	-
31/03/2017	1,313,143.16	19,908,434.35	66,361,447.83		76,190,083.40	22,857,025.02	-	-
30/06/2017	2,045,445.56	21,953,879.91	73,179,599.70		78,551,735.69	23,565,520.71	-	-
30/09/2017	1,779,600.43	23,733,480.34	79,111,601.13		83,708,423.31	25,112,526.99	-	-
31/12/2017	2,229,968.03	25,963,448.37	86,544,827.90		88,544,393.61	26,563,318.08	-	-
31/03/2018	646,869.52	26,610,317.89	88,701,059.63		95,348,564.59	28,604,569.38	-	-
30/06/2018	1,556,719.56	28,167,037.45	93,890,124.83	30/06/2023			-	-
30/09/2018	557,803.20	28,724,840.65	95,749,468.83	30/09/2023			120,271.27	400,904.24
31/12/2018	1,210,892.84	29,935,733.49	99,785,778.30	31/12/2023			1,331,164.11	4,437,213.71
31/03/2019	209,910.09	30,145,643.58	100,485,478.60	31/03/2024			1,541,074.20	5,136,914.01
30/06/2019	1,408,403.81	31,554,047.39	105,180,157.97	31/06/2024			2,949,478.01	9,831,593.38
30/09/2019	711,247.45	32,265,294.84	107,550,982.80	31/09/2024			3,660,725.46	12,202,418.21
31/12/2019	317,598.07	32,582,892.91	108,609,643.03	31/12/2024			3,978,323.53	13,261,078.44
31/03/2020	908,642.82	33,491,535.73	111,638,452.43	31/03/2025			4,886,966.35	16,289,887.84
30/06/2020	544,986.29	34,036,522.02	113,455,073.40	30/06/2025			5,431,952.64	18,106,508.81
30/09/2020	-10,762.28	34,025,759.74	113,419,199.13	30/09/2025			5,421,190.36	18,070,634.54
31/12/2020	1,492,681.41	35,518,441.15	118,394,803.83	31/12/2025			6,913,871.77	23,046,239.24
31/03/2021	419,561.12	35,938,002.27	119,793,340.90	31/03/2026			7,333,432.89	24,444,776.31

Appendix D

2021/22 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2021/22 Budget (£)	Budget Amendment in 2022/23 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		**13,995,700**		
HRA General Management				
Former Tenant Arrears Officer	Creation of a dedicated FTA Officer for 12 months to recover, or failing that, write off former tenant debt	17,570	17,570	One-off funding over 2 years
Increased Staffing (General)	Creation of Assistant Housing Officer, Lettings Officer (p/t) and Application Support officer posts	0	0	Funding already included in business plan
Total HRA General Management		**17,570**	**17,570**	
HRA Repairs				
Increased Staffing (Repairs)	Creation of Estates and Facilities Works Administrator post	0	0	Funding already included in business plan
Increased Staffing (Major Works)	Creation of 3 new Surveyor level posts recognising increased investment over the next 10 years	73,000	145,000	Fully capitalised
Capitalised Officer's Fees	Capitalisation of 3 new Surveyor level posts to deliver energy, decent homes backlog and structural works	(73,000)	(145,000)	See above
Increased Staffing (Asbestos)	Creation of a 12 month Asbestos Surveyor post to internalise inspections currently outsourced	27,000	27,000	Fully capitalised
Capitalised Officer's Fees	Capitalisation of Asbestos Surveyor post, recognising tis work was previously outsourced through the Asbestos budget	(27,000)	(27,000)	See above
Planned Maintenance Tender Project	The decision to re-procure the planned maintenance contract results in the need to fund some project related expenditure	0	20.000	One-off
Total HRA Repairs		**0**	**20,000**	

Area of Income / Expenditure	Description	Budget Amendment in 2021/22 Budget (£)	Budget Amendment in 2022/23 Budget (£)	Comment
HRA Summary Account				
Bad Debt Provision	Reduction in bad debt provision based on latest assumptions	(700)	0	One-off additional contribution
Rent Income	Reduction in rental income for 2021/22 due to continued coronavirus related voids and delays in new build handover	160,530	Incorporated into base assumptions	Built into base for future years
Garage Rent	Reduction in garage rent recognising garages demolished in 2020/21 for redevelopment purposes	28,120	Incorporated into base assumptions	Built into base for future years
Service Charges	Increased service charges based upon latest costs and taking account of new build additions	(76,020)	Incorporated into base assumptions	Built into base for future years
Dwelling Depreciation	Increase in the estimated level of depreciation based upon the latest stock numbers and property values	127,650	Incorporated into base assumptions	Built into base for future years
Interest earned on HRA Balances	The HRA will receive a lower interest receipt despite higher cash balances because of a rate reduction to an estimated 0.2% for 2021/22.	86,900	One-off loss	Impact built into base for future years
Interest paid on Borrowing	Increase in interest paid to match the sum due under the self-financing borrowing, moving the interest due from the General Fund to show as interest received	22,540	Incorporated into base assumptions	Built into base for future years
Total HRA Summary		**349,020**		
Revised use of / (contribution to) HRA Reserves post MTFS		**14,362,290**		

Appendix E

2021/22 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**85,859**	**100,129**	**93,094**	**90,288**	**90,119**
General Fund Housing					
No change	0	0	0	0	0
Decent Homes and Other HRA Stock Investment					
Re-profile decent homes budget based upon latest stock numbers, contract prices and stock condition data and reallocate decent homes backlog to workstreams:					
Kitchens	316	(201)	(192)	(214)	(414)
Bathrooms	500	(314)	(108)	(490)	(41)
Central Heating / Boilers	(800)	356	(847)	(1,233)	277
Insulation / Energy Efficiency / Wall Finishes	0	93	11	136	148
Energy Efficiency Pilot / Retrofit	0	5,000	0	0	0
External Doors	1,200	(51)	(10)	(36)	44
PVCU Windows	300	241	(618)	230	(524)
Wall Structure	0	(200)	(13)	17	(247)
Roof Structure	200	0	0	0	0
Roof Covering (including chimneys)	0	879	(492)	(1,238)	340
Electrical / Wiring	0	(190)	(80)	(149)	186
HHSRS Contingency	0	50	400	200	0
Other Health and Safety Works	0	0	0	(50)	(50)
Capitalised Officer Fees - Decent Homes	73	175	175	175	175
Decent Homes Backlog	(4,716)	(292)	(292)	(292)	(292)
Decent Homes Planned Maintenance Contractor Overheads	0	699	(214)	(311)	(30)
Decent Homes New Build Allocation	(975)	(395)	(218)	(39)	93
Re-profile other investment in HRA stock budget based upon latest stock numbers, contract prices and stock condition data:					
Reduce Asbestos budget to reflect internalisation of asbestos inspections	(27)	(27)	0	0	0
Communal Entrance / Enclosure Doors + Glazing	0	45	(15)	50	(19)
Lifts and Door Entry Systems	0	9	(38)	10	(47)

Area of Expenditure And Change	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Increase Officer's Fee's budget to allow internalisation of Asbestos inspections	27	27	0	0	0
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	0	114	83	7	(6)
Include funding for additional fire safety works	0	5,000	0	0	0
New Build					
Re-phase budget for Tedder Way	(441)	400	41	0	0
Re-phase budget for Kendal Way	(441)	400	41	0	0
Re-phase budget for Cromwell Road	(164)	(16)	180	0	0
Rephase budget for Colville Road II	(1,960)	1,960	0	0	0
Re-phase budget for Meadows and Buchan Street	(5,483)	1,075	1,893	1,125	0
Re-phase budget for Clerk Maxwell	(1,112)	1,112	0	0	0
Re-phase budget for Campkin Road	(573)	(359)	932	0	0
Re-phase and increase budget for Histon Road to acquire 3 additional homes	(619)	1,084	0	0	0
Rephase budget for L2	(1,208)	960	248	0	0
Rephase and increase budget for Colville Road III	(1,456)	272	1,633	228	0
Re-phase budget for Fen Road	(971)	621	350	0	0
Re-phase budget for Ditton Fields	(619)	291	328	0	0
Re-phase budget for Aragon Close	(623)	325	298	0	0
Re-phase budget for Sackville Close	(624)	325	299	0	0
Re-phase budget for Borrowdale	(236)	213	23	0	0
Inclusion of scheme specific budget for Aylesborough Close	1,145	3,295	9,203	5,387	0
Inclusion of scheme specific budget for St Thomas's Road	82	690	1,333	0	0
Inclusion of scheme specific budget for Paget Road	72	604	1,166	0	0
Re-allocation of 1,000 homes budget in line with Homes England Strategic Partnership bid	1,205	(36,655)	(31,283)	55,128	100,569
Increase budget for Rough Sleeper Next Steps Acquisitions in recognition of successful MHCLG grant bid	1,730	0	0	0	
Sheltered Housing					
No changes	0	0	0	0	0
Other HRA Spend					
No changes	0	0	0	0	0
Inflation Allowance					
Adjust inflation allowed to reflect new base and revised inflation assumptions	(1,005)	(540)	(126)	1,828	5,299
Total Housing Capital Plan Expenditure post HRA MTFS	**68,656**	**87,204**	**77,185**	**150,757**	**195,580**

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2021/22 £'0000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
New Build / Acquisition / Re-Development Cash Expenditure										
Anstey Way	93	0	0	0	0	0	0	0	0	0
Tedder Way	50	400	41	0	0	0	0	0	0	0
Kendal Way	50	400	41	0	0	0	0	0	0	0
Queensmeadow	1	0	0	0	0	0	0	0	0	0
Wulfstan Way	1	0	0	0	0	0	0	0	0	0
Akeman Street	95	0	0	0	0	0	0	0	0	0
Ventress Close	50	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	1	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	2,783	0	0	0	0	0	0	0	0	0
Gunhild Way	1	0	0	0	0	0	0	0	0	0
Cromwell Road	3,684	3,247	378	0	0	0	0	0	0	0
Kingsway Clinic Conversion	368	0	0	0	0	0	0	0	0	0
Colville Road II	7,157	4,024	0	0	0	0	0	0	0	0
Meadows and Buchan Street	3,589	9,075	8,893	3,025	0	0	0	0	0	0
Clerk Maxwell Road	1,817	1,212	0	0	0	0	0	0	0	0
Campkin Road	7,490	5,982	932	0	0	0	0	0	0	0
L2	2,730	3,227	248	0	0	0	0	0	0	0
Colville Road III	1,605	5,315	4,572	228	0	0	0	0	0	0
Histon Road	230	1,614	0	0	0	0	0	0	0	0
Fen Road	800	2,400	350	0	0	0	0	0	0	0

New Build / Re-Development Scheme	2021/22 £'0000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Ditton Fields	350	1,200	328	0	0	0	0	0	0	0
Aragon Close	350	1,200	298	0	0	0	0	0	0	0
Sackville Close	350	1,200	299	0	0	0	0	0	0	0
Borrowdale	250	600	23	0	0	0	0	0	0	0
Aylesborough Close	1,145	3,295	9,203	5,387	0	0	0	0	0	0
St Thomas's Road	82	690	1,333	0	0	0	0	0	0	0
Paget Road	72	604	1,166	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	3,631	0	0	0	0	0	0	0	0	0
POD Homes	10	0	0	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	648	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	3,705	11,409	31,953	120,886	166,327	200,169	90,954	22,641	16,250	16,250
Total New Build/ Re-Development Expenditure	**43,188**	**57,094**	**60,058**	**129,526**	**166,327**	**200,169**	**90,954**	**22,641**	**16,250**	**16,250**
New Build Devolution Grant Funding / MHCLG Rough Sleeper Next Steps Grant Funding / Assumed Homes England Grant / Assumed ERDF Grant										
Anstey Way	(34)	0	0	0	0	0	0	0	0	0
Tedder Way	(35)	(280)	(29)	0	0	0	0	0	0	0
Kendal Way	(35)	(280)	(29)	0	0	0	0	0	0	0
Queensmeadow	(1)	0	0	0	0	0	0	0	0	0
Wulfstan Way	(1)	0	0	0	0	0	0	0	0	0
Akeman Street	(23)	0	0	0	0	0	0	0	0	0
Ventress Close	(30)	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	(1)	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(1,948)	0	0	0	0	0	0	0	0	0
Gunhild Way	(1)	0	0	0	0	0	0	0	0	0
Cromwell Road	(2,579)	(2,273)	(265)	0	0	0	0	0	0	0
Kingsway Clinic Conversion	(258)	0	0	0	0	0	0	0	0	0
Colville Road	(3,514)	(1,976)	0	0	0	0	0	0	0	0

New Build / Re-Development Scheme	2021/22 £'0000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Meadows and Buchan Street	(2,512)	(6,353)	(3,562)	0	0	0	0	0	0	0
Clerk Maxwell Road	(1,272)	(848)	0	0	0	0	0	0	0	0
L2	0	0	0	0	0	0	0	0	0	0
Colville Road III	0	(1,600)	(1,600)	0	0	0	0	0	0	0
Fen Road	0	(600)	(600)	0	0	0	0	0	0	0
Ditton Fields	0	(300)	(300)	0	0	0	0	0	0	0
Aragon Close	0	(350)	(350)	0	0	0	0	0	0	0
Sackville Close	0	(350)	(350)	0	0	0	0	0	0	0
Borrowdale	0	(150)	(150)	0	0	0	0	0	0	0
Aylesborough Close	0	(1,950)	0	(1,950)	0	0	0	0	0	0
St Thomas's Road	0	(447)	(494)	0	0	0	0	0	0	0
Paget Road	0	(391)	(433)	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	(1,730)	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	0	(11,948)	(13,619)	(53,721)	(55,612)	0	0	0	0	0
Total New Build / Re-Development Funding	**(13,975)**	**(30,096)**	**(21,781)**	**(55,671)**	**(55,612)**	**0**	**0**	**0**	**0**	**0**
Use of Retained Right to Buy Funding										
Anstey Way	(15)	0	0	0	0	0	0	0	0	0
Tedder Way	(15)	(120)	(12)	0	0	0	0	0	0	0
Kendal Way	(15)	(120)	(12)	0	0	0	0	0	0	0
Queensmeadow	0	0	0	0	0	0	0	0	0	0
Wulfstan Way	0	0	0	0	0	0	0	0	0	0
Akeman Street	(10)	0	0	0	0	0	0	0	0	0
Ventress Close	(13)	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	0	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(835)	0	0	0	0	0	0	0	0	0
Gunhild Way	0	0	0	0	0	0	0	0	0	0
Cromwell Road	(368)	(325)	(38)	0	0	0	0	0	0	0

New Build / Re-Development Scheme	2021/22 £'0000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Kingsway Clinic Conversion	(110)	0	0	0	0	0	0	0	0	0
Colville Road	(1,506)	(847)	0	0	0	0	0	0	0	0
Meadows and Buchan Street	(1,077)	(2,722)	(2,669)	(907)	0	0	0	0	0	0
Clerk Maxwell Road	(545)	(364)	0	0	0	0	0	0	0	0
L2	(273)	(323)	(25)	0	0	0	0	0	0	0
Campkin Road	(1,476)	(1,197)	(187)	0	0	0	0	0	0	0
Colville Road III	0	0	0	0	0	0	0	0	0	0
Histon Road	(23)	(161)	0	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	0	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	0	0	0	0	0	0	0	(4,875)	(4,875)	(4,875)
Total Use of Retained Right to Buy Funding	**(6,281)**	**(6,178)**	**(2,942)**	**(907)**	**0**	**0**	**0**	**(4,875)**	**(4,875)**	**(4,875)**
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	**22,932**	**18,569**	**17,077**	**26,552**	**28,597**	**27,195**	**90,954**	**17,766**	**11,375**	**2,298**
Total HRA Borrowing	**0**	**2,250**	**18,258**	**46,397**	**82,117**	**172,974**	**0**	**0**	**0**	**9,077**

Appendix G (1)

HRA Summary Forecast 2021/22 to 2025/26

Description	2021/22 £0	2022/23 £0	2023/24 £0	2024/25 £0	2025/26 £0
Income					
Rental Income (Dwellings)	(38,917,150)	(41,182,590)	(44,325,030)	(46,666,650)	(48,864,260)
Rental Income (Other)	(1,271,080)	(1,296,500)	(1,322,430)	(1,348,880)	(1,375,860)
Service Charges	(3,116,730)	(3,183,590)	(3,243,470)	(3,304,540)	(3,366,830)
Contribution towards Expenditure	(575,730)	(587,240)	(598,990)	(610,970)	(623,190)
Other Income	(458,110)	(466,540)	(475,870)	(485,390)	(495,090)
Total Income	**(44,338,800)**	**(46,716,460)**	**(49,965,790)**	**(52,416,430)**	**(54,725,230)**
Expenditure					
Supervision & Management - General	4,106,690	4,047,900	4,210,510	4,392,620	4,542,700
Supervision & Management - Special	3,172,880	3,170,610	3,243,330	3,317,780	3,394,010
Repairs & Maintenance	9,435,180	8,216,390	8,569,050	8,918,130	9,309,360
Depreciation – to Major Repairs Res.	10,920,460	11,280,490	11,854,650	12,365,280	12,814,530
Debt Management Expenditure	0	0	0	0	0
Other Expenditure	4,061,200	4,198,730	4,352,770	4,497,990	4,644,300
Total Expenditure	**31,696,410**	**30,914,120**	**32,230,310**	**33,491,800**	**34,704,900**
Net Cost of HRA Services	**(12,642,390)**	**(15,802,340)**	**(17,735,480)**	**(18,924,630)**	**(20,020,330)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(118,860)	(185,570)	(112,250)	(122,690)	(142,580)
(Surplus) / Deficit on the HRA for the Year	**(12,761,250)**	**(15,987,910)**	**(17,847,730)**	**(19,047,320)**	**(20,162,910)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,469,310	7,511,770	7,752,780	8,498,160	10,005,930
Housing Set Aside	(9,763,000)	(4,941,510)	0	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0
Direct Revenue Financing of Capital	29,417,230	14,473,830	9,851,280	10,188,280	9,700,400
(Surplus) / Deficit for Year	**14,362,290**	**1,056,180**	**(243,670)**	**(360,880)**	**(456,580)**
Balance b/f	(18,419,720)	(4,057,430)	(3,001,250)	(3,244,920)	(3,605,800)
Total Balance c/f	**(4,057,430)**	**(3,001,250)**	**(3,244,920)**	**(3,605,800)**	**(4,062,380)**

Appendix G (2)

HRA 10 Year Summary Forecast 2021/22 to 2030/31

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Rental Income (Dwellings)	(38,917)	(41,183)	(44,325)	(46,667)	(48,864)	(51,057)	(53,662)	(56,350)	(58,726)	(60,452)
Rental Income (Other)	(1,271)	(1,296)	(1,322)	(1,349)	(1,376)	(1,403)	(1,431)	(1,460)	(1,489)	(1,519)
Service Charges	(3,117)	(3,184)	(3,244)	(3,304)	(3,367)	(3,430)	(3,499)	(3,569)	(3,640)	(3,713)
Contribution towards Expenditure	(576)	(587)	(599)	(611)	(623)	(636)	(648)	(661)	(675)	(688)
Other Income	(458)	(466)	(476)	(485)	(495)	(505)	(515)	(526)	(536)	(547)
Total Income	**(44,339)**	**(46,716)**	**(49,966)**	**(52,416)**	**(54,725)**	**(57,031)**	**(59,755)**	**(62,566)**	**(65,066)**	**(66,919)**
Expenditure										
Supervision & Management - General	4,107	4,048	4,210	4,393	4,543	4,710	4,883	5,061	5,244	5,391
Supervision & Management - Special	3,173	3,171	3,243	3,318	3,394	3,472	3,552	3,634	3,718	3,803
Repairs & Maintenance	9,435	8,216	8,569	8,918	9,309	9,754	10,021	10,525	10,898	11,270
Depreciation – to Major Repairs Res.	10,921	11,280	11,855	12,365	12,815	13,232	13,659	14,193	14,743	15,081
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	4,061	4,199	4,353	4,498	4,644	4,794	4,953	5,118	5,281	5,438
Total Expenditure	**31,697**	**30,914**	**32,230**	**33,492**	**34,705**	**35,962**	**37,068**	**38,531**	**39,884**	**40,983**
Net Cost of HRA Services	**(12,642)**	**(15,802)**	**(17,736)**	**(18,924)**	**(20,020)**	**(21,069)**	**(22,687)**	**(24,035)**	**(25,182)**	**(25,936)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(118)	(186)	(112)	(123)	(142)	(168)	(221)	(254)	(217)	(174)
(Surplus) / Deficit on the HRA for the Year	**(12,760)**	**(15,988)**	**(17,848)**	**(19,047)**	**(20,162)**	**(21,237)**	**(22,908)**	**(24,289)**	**(25,399)**	**(26,110)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										
Loan Interest	7,469	7,512	7,753	8,498	10,006	12,945	14,706	13,620	13,071	13,148

Housing Set Aside	(9,763)	(4,942)	0	0	0	0	0	0	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0	0	0	0	0
Direct Revenue Financing of Capital	29,417	14,474	9,851	10,188	9,700	7,082	0	9,644	20,983	15,368
(Surplus) / Deficit for Year	**14,363**	**1,056**	**(244)**	**(361)**	**(456)**	**(1,210)**	**(8,202)**	**(1,025)**	**8,655**	**2,406**
Balance b/f	(18,420)	(4,057)	(3,001)	(3,245)	(3,606)	(4,062)	(5,272)	(13,474)	(14,499)	(5,844)
Total Balance c/f	**(4,057)**	**(3,001)**	**(3,245)**	**(3,606)**	**(4,062)**	**(5,272)**	**(13,474)**	**(14,499)**	**(5,844)**	**(3,438)**

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	707	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	**902**	**902**	**902**	**902**	**902**	**902**	**902**	**902**	**902**	**902**
HRA Capital Spend										
Decent Homes										
Kitchens	1,011	265	429	539	722	1,383	688	1,328	1,226	1,581
Bathrooms	967	176	50	160	612	609	149	54	391	1,007
Central Heating / Boilers	2,016	2,912	1,678	1,442	2,179	2,712	1,477	1,121	1,937	3,394
Insulation / Energy Efficiency	1,933	900	687	655	568	424	960	179	1,176	792
Energy Efficiency Pilot / Retrofit	1,500	6,000	0	0	0	0	0	0	0	0
External Doors	1,252	21	10	22	96	76	48	17	63	247
PVCU Windows	949	482	237	768	538	949	377	324	1,099	772
Wall Structure	3,758	6	6	19	3	270	92	541	682	1,126
External Painting	430	357	357	357	357	357	357	357	357	357
Roof Structure	500	300	300	300	300	300	300	300	300	300
Roof Covering	1,160	1,079	200	682	1,987	1,645	1,000	1,061	898	416
Electrical / Wiring	355	255	308	334	395	160	262	4	19	403

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sulphate Attacks	102	102	102	102	102	102	102	102	102	102
HHSRS Contingency	296	150	500	300	100	100	100	100	100	100
Other Health and Safety Works	103	50	50	0	0	3	0	0	0	0
Capitalised Officer Fees - Decent Homes	403	505	505	505	505	505	505	505	505	505
Decent Homes Backlog	0	4,424	4,424	4,424	4,424	4,424	3,875	3,875	3,875	3,875
Decent Homes Planned Maintenance Contractor Overheads	1,495	1,436	540	625	876	1,000	650	604	918	1,166
Decent Homes New Build Allocation	0	789	1,328	1,804	2,244	2,700	3,174	3,666	3,860	4,059
Total Decent Homes	**18,230**	**20,209**	**11,711**	**13,038**	**16,008**	**17,719**	**14,116**	**14,138**	**17,508**	**20,202**
Other Spend on HRA Stock										
Garage Improvements	100	100	100	100	100	100	100	100	100	100
Asbestos Removal	54	23	50	50	50	50	50	50	50	50
Disabled Adaptations	1,008	808	808	808	808	808	808	808	808	808
Communal Areas Uplift	182	100	100	100	100	100	100	100	100	100
Communal Electrical Installations / Fire Systems / Communal Lighting	296	150	150	150	150	150	150	150	150	150
Communal Entrance / Enclosure Doors + Glazing	400	121	121	121	121	145	121	121	121	121
Fire Prevention / Fire Safety Works	929	5,050	50	50	50	50	50	50	50	50
Hard surfacing on HRA Land - Health and Safety Works	282	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	124	9	0	38	28	75	0	0	40	40
Estate Investment	1,753	1,000	806	0	0	0	0	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	141	141	114	114	114	114	114	114	114	114

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	399	296	276	192	191	198	187	187	192	192
Total Other Spend on HRA stock	**5,768**	**8,123**	**2,900**	**2,048**	**2,037**	**2,115**	**2,005**	**2,005**	**2,050**	**2,050**
HRA New Build / Re-Development										
Anstey Way	93	0	0	0	0	0	0	0	0	0
Tedder Way	50	400	41	0	0	0	0	0	0	0
Kendal Way	50	400	41	0	0	0	0	0	0	0
Queensmeadow	1	0	0	0	0	0	0	0	0	0
Wulfstan Way	1	0	0	0	0	0	0	0	0	0
Akeman Street	95	0	0	0	0	0	0	0	0	0
Ventress Close	50	0	0	0	0	0	0	0	0	0
Colville Road (Garage Site)	1	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	2,783	0	0	0	0	0	0	0	0	0
Gunhild Way	1	0	0	0	0	0	0	0	0	0
Cromwell Road	3,684	3,247	378	0	0	0	0	0	0	0
Kingsway Clinic Conversion	368	0	0	0	0	0	0	0	0	0
Colville Road Phase II	7,157	4,024	0	0	0	0	0	0	0	0
Meadows and Buchan Street	3,589	9,075	8,893	3,025	0	0	0	0	0	0
Clerk Maxwell Road	1,817	1,212	0	0	0	0	0	0	0	0
Campkin Road	7,490	5,982	932	0	0	0	0	0	0	0
Histon Road	230	1,614	0	0	0	0	0	0	0	0
L2	2,730	3,227	248	0	0	0	0	0	0	0
Colville Road Phase III	1,605	5,315	4,572	228	0	0	0	0	0	0
Fen Road	800	2,400	350	0	0	0	0	0	0	0

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ditton Fields	350	1,200	328	0	0	0	0	0	0	0
Aragon Close	350	1,200	298	0	0	0	0	0	0	0
Sackville Close	350	1,200	299	0	0	0	0	0	0	0
Borrowdale	250	600	23	0	0	0	0	0	0	0
Aylesborough Close	1,145	3,295	9,203	5,387	0	0	0	0	0	0
St Thomas's Road	82	690	1,333	0	0	0	0	0	0	0
Paget Road	72	604	1,166	0	0	0	0	0	0	0
Acquisition or New Build (Unallocated)	648	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	3,705	11,409	31,953	120,886	166,327	200,169	90,954	22,641	16,250	16,250
Hill POD Homes	10	0	0	0	0	0	0	0	0	0
Rough Sleeper Acquisitions	3,631	0	0	0	0	0	0	0	0	0
Total HRA New Build	**43,188**	**57,094**	**60,058**	**129,526**	**166,327**	**200,169**	**90,954**	**22,641**	**16,250**	**16,250**
Sheltered Housing Capital Investment										
No current schemes	0	0	0	0	0	0	0	0	0	0
Total Sheltered Housing Capital Investment	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other HRA Capital Spend										
Orchard Replacement / Mobile Working	238	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	50	30	30	30	30	30	30	30	30
Total Other HRA Capital Spend	**568**	**350**	**330**	**330**	**330**	**330**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**67,754**	**85,776**	**74,999**	**144,942**	**184,702**	**220,333**	**107,405**	**39,114**	**36,138**	**38,832**

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Total Housing Capital Spend at Base Year Prices	**68,656**	**86,678**	**75,901**	**145,844**	**185,604**	**221,235**	**108,307**	**40,016**	**37,040**	**39,734**
Inflation Allowance and Stock Reduction Adjustment for Future Years	0	526	1,284	4,913	9,976	16,421	10,363	4,720	5,081	6,192
Total Inflated Housing Capital Spend	**68,656**	**87,204**	**77,185**	**150,757**	**195,580**	**237,656**	**118,670**	**44,736**	**42,121**	**45,926**
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	(11,199)	(24,649)	(11,854)	(12,366)	(12,816)	(13,232)	32,731	29,978	(14,743)	(15,081)
Direct Revenue Financing of Capital	(29,417)	(14,474)	(9,851)	(10,188)	(9,700)	(7,082)	0	(9,644)	(20,983)	(15,368)
Other Capital Resources (Grants / Shared Ownership / R&R Funding)	(2,138)	(5,432)	(11,487)	(24,038)	(34,145)	(43,178)	(150,211)	(59,005)	(300)	(300)
Devolution Grant / Homes England Grant (assumed)	(13,974)	(30,008)	(21,603)	(55,671)	(55,612)	0	0	0	0	0
Retained Right to Buy Receipts	(6,281)	(6,178)	(2,942)	(907)	0	0	0	(4,875)	(4,875)	(4,875)
Disabled Facilities Grant	(707)	(707)	(707)	(707)	(707)	(707)	(707)	(707)	(707)	(707)
Prudential Borrowing	0	(2,250)	(18,258)	(46,397)	(82,117)	(172,974)	0	0	0	(9,077)
Total Housing Capital Resources	**(64,190)**	**(84,176)**	**(77,185)**	**(150,757)**	**(195,580)**	**(237,656)**	**(118,670)**	**(44,736)**	**(42,121)**	**(45,926)**
Net (Surplus) / Deficit of Resources	4,466	3,028	0	0	0	0	0	0	0	0
Capital Balances b/f	**(8,577)**	**(4,111)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**
Use of / (Contribution to) Balances in Year	4,466	3,028	0	0	0	0	0	0	0	0

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Balances c/f	**(4,111)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**	**(1,083)**
Other Capital Balances (Opening Balance 1/4/2021)										
Major Repairs Reserve	(13,647)	Utilised in future years to fund investment in the housing stock								
Retained 1-4-1 Right to Buy Receipts	(7,333)	Utilised in 2021/22 and 2022/23 above								
Right to Buy Receipts for Debt Redemption	(10,121)	Retained for future debt repayment								
Devolution Grant	(28,140)	Utilised between 2021/22 and 2023/24 above								
Total Other Capital Balances	**(59,241)**									

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to July	Current Balance
General Management	(751.1)	(69.7)	0.0	(820.8)
Special Services	(1,245.4)	(147.4)	12.4	(1,380.4)
Repairs and Maintenance	(537.8)	(48.4)	0.0	(586.2)
Total	**(2,534.3)**	**(265.5)**	**9.2**	**(2,799.8)**

Tenants Survey

	Opening Balance	Contributions	Expenditure to July	Current Balance
Tenants Survey	(28.3)	(6.4)	0.0	(34.7)

Debt Set-Aside (Revenue)

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

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to July	Current Balance
Debt Set-Aside	(10,121.3)	0.0)	0.0	(10,121.3)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to July	Current Balance
MRR	(13,646.9)	0.0	0.0	(13,646.9)

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Rents Inflation	CPI plus 1% for 3 further years from 2021/22, followed by CPI plus 0.5% for 5 years, then CPI	Although confirmed by government, for the next 3 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 £43 million during the life of the plan and interest payments by £10 million.
Direct Payments (Universal Credit)	Bad Debts at 1.5%	Evidence from the pilot authorities for direct payment indicated that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2022/23.	Borrowing increases by £72 million during the life of the plan, with £52 million bad debt and £20m in additional interest payments.
Cost of HRA New Build 1,000 Programme	Homes England Grant assumed for all affordable tenures at £100,000	Assume that the authority fails to secure Homes England Grant to support the delivery of new homes	Borrowing increases by £276 million during the life of the plan and interest payments increase by £129 million.
General Inflation	CPI assumed to be at 2% ongoing	As a efficiency measure, assume that general inflation at 2% is only applied to pay and contractual budgets at 1/4/2022 and that other budgets are frozen for one year at 2020/21 levels.	An ongoing saving of £65,800 would be realised from 2022/23.

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 saw a halt / reduction in activity in 2020/21. Initial indications are that this has accelerated again in early 2021/22, but uncertainty in the economy, and particularly the job market, may impact future 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 in the short-term, but appropriate investment of the resource is subject to schemes proceeding to anticipated timescales and the ability to deliver these schemes alongside any that are in receipt of grant. Potential interest that will be payable if the receipts are not utilised within the agreed 5-year period has not been incorporated into the HRA revenue projections.
COVID-19 Ongoing Impact
It is unclear whether there will be any longer-term impact of the coronavirus pandemic for the HRA, and at this stage nothing has been included post 2021/22.
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. Delays on site are also being experienced as a result of labour and materials shortages as a result of the coronavirus pandemic and Brexit, which impacts rental income negatively.

Housing Revenue Account – Revenue Uncertainties

Welfare Reforms

The negative impact that the early years of 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 White Paper confirmed 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 routine 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 3 years from April 2022, there is no certainty over what will happen from April 2025.

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 was to address the defect when the property was void, although this has not worked effectively in recent years. Currently 12 of the 110 properties potentially affected have been rectified. Reduced funding of approximately £1.1m 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. Work is to be commissioned to revisit this issue and review the current asset management approach.

Disabled Facilities Grants and Private Sector Housing Grants and Loans

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 until 2020/21, when it reduced 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 5 years of the receipt period, with this funding meeting no more than 40% of the cost of a dwelling. Once Devolution Grant is exhausted, the authority will be required to identify the 70% top up funding itself or through borrowing, with this assumption currently incorporated as an alternative to Homes England grant. Receipts may need to be paid over to central government at the end of each year, if delays in the delivery of new homes mean that deadlines are breached.

Fire Safety Act and Works in Flatted Accommodation

The authority still awaits full information on the changes to fire safety and building 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.

Decent Homes 2

Following publication of the Social Housing White Paper at the end of 2021, the authority still awaits details of the outcome of the review of the Decent Homes Standard, with future investment needs expected to alter as a result.

Energy Improvement Works

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