CAMBRIDGE
CITY COUNCIL

HSC Final

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

CAMBRIDGE
CITY COUNCIL

September 2022

2022/23 to 2051/52

Cambridge City Council

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Appendices

Section 1
Introduction and Local Context

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 or policy for the business, following review of key assumptions and consideration of any material internal or external changes, to ensure a long-term financially viable Housing Revenue Account. Both revenue and capital investment are reviewed, with the impact of any proposed changes clearly identified. A review of strategic risks facing the HRA is presented at **Appendix A**. The HRA Medium Term Financial Strategy reviews and re-states the budget for the current year, 2022/23, 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 2023/24 to 2031/32, in the context of the 30-year plan.

This report is being prepared with the longer-term social and financial impacts of the coronavirus pandemic and Russia's invasion of Ukraine still unclear. It is clear however, that we are experiencing an unprecedented increase in costs at the present time, with utility prices, fuel costs, labour rates and materials prices increasing significantly. Inflation is currently running at an all time high, with CPI for July 2022 at 10.1%. This report incorporates changes required to both revenue and capital budgets to accommodate the recent increase in inflation but includes an assumption that these levels will peak by the end of 2022 and will then reduce to return to target levels in the medium-term.

To allow the continued delivery of new homes, it is necessary for the HRA to borrow significant resource over the next few years, 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 retains the assumption that the HRA will deliver 1,000 new rented homes over the 10-year period after the Devolution 500+ Programme has concluded. The assumptions currently incorporated have been updated to include the latest cost assumptions and to reflect the experience of early engagement with Homes England as part of the Continuous Market Engagement process in respect of grant levels assumed. The programme now assumes the delivery of a mix of social rented and affordable rented homes with affordable rent levels at both 60% and 80% of market rent. 80% market rents will only apply in respect of homes delivered above the 40% affordable housing planning requirement on any site. The delivery of market homes, or shared ownership housing, on some development sites will still be necessary to demonstrate financial viability, particularly in the current challenging economic climate.

The approach to earmarking resource in the business plan is based upon a number of updated key assumptions, but it should be noted that the detailed programme, as it is brought forward for decision may contain a different mix of site types, scheme compositions, build standards, delivery vehicles and grant levels, all of which will necessitate ongoing review of costs and the associated borrowing. As the programme progresses, existing HRA sites, land acquisitions, off the shelf purchase opportunities and joint venture developments are all being explored and brought froward for decision. The specific scheme detail allows the authority to determine the build standard which each site can be built to, taking into consideration any site constraints. The success of the authority in obtaining grant to support the delivery of these homes is still key, and failure to obtain grant would necessitate a significant reduction in build standard and build programme.

Timetable

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

Date	Task
2022	
22 September	Executive Councillor for Housing considers HRA Medium Term Financial Strategy incorporating Housing Scrutiny Committee views in any recommendations to Council and approves the revenue aspects of the report
20 October	Council considers HRA Medium Term Financial Strategy and approves capital aspects of the report
2023	
24 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
23 February	Council considers HRA Budget Setting Report and approves capital aspects of the 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 1/4/2022	Estimated Stock Numbers as at 1/4/2023
General Housing – Social Rent	6,008	5,928
General Housing – Affordable Rent	479	752
Sheltered Housing	514	522
Supported Housing	17	17
Temporary Housing (Individual Units)	92	98
Temporary Housing (HMO's / EA)	26	26
Miscellaneous Leased Dwellings	19	19
Shared Ownership Dwellings	91	91
Total Dwellings	**7,246**	**7,453**

Property Type	Actual Stock Numbers as at 1/4/2022	Estimated Stock Numbers as at 1/4/2023
Bedsits	94	94
1 Bed	1,751	1,876
2 Bed	2,531	2,616
3 Bed	2,240	2,237
4 Bed	107	107
5 Bed	7	7
6 Bed	2	2
Sheltered Housing	514	514
Total Dwellings	**7,246**	**7,453**

Leasehold Stock

At 1st April 2022, the Council retained the freehold and managed the leases for 1,191 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
2021/22	7,103	(34)	0	0	86	7,155
2020/21	7,106	(16)	(57)	0	70	7,103
2019/20	7,084	(29)	(14)	10	55	7,106
2018/19	7,103	(27)	(2)	(1)	11	7,084
2017/18	7,049	(47)	(29)	(1)	131	7,103
2016/17	7,040	(58)	(7)	(1)	75	7,049
2015/16	7,016	(42)	(4)	5	65	7,040
2014/15	7,164	(51)	(109)	(7)	19	7,016
2013/14	7,235	(60)	(45)	1	33	7,164
2012/13	7,280	(41)	0	(6)	2	7,235
Total		(405)	(267)	0	547	

Section 3

The National Policy Context and External Factors

External Factors

As part of this strategic report, all financial assumptions are reviewed, including taking account of external factors outside of the authority's control and 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 both the coronavirus pandemic and the conflict in Ukraine, and this results in continued uncertainty in the forecast of external factors in this iteration of the HRA Business Plan.

A table detailing all 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 2 years has been particularly volatile, with the last 15 months in particular seeing an unprecedented rise in CPI from 1.5% in April 2021 to 10.1% in July 2022. The rate in June 2022, when MTFS initial forecasts were arrived at was 9.4%. Huge inflationary increases have been seen in both utility and fuel prices, alongside steep rises in other operating costs.

The Bank of England's Monetary Policy Report of May 2022 forecasts a level of CPI in quarter 2 of each year at 9.1% for 2022, 6.6% for 2023, 2.1% for 2024 and 1.3% by 2025. In their August 2022 report, quarter 3 inflation is predicted to be 9.9% for 2022, 9.5% for 2023, 2% for 2024 and 0.8% by 2025. The over-arching view is that although inflation is at an all-time high currently and expected to peak at around 10% in quarter 4 of 2022, it will fall over the medium term, and will settle at around, or even below, the target level of 2%.

The Office of Budgetary Responsibility (OBR), in their Economic and Fiscal Outlook in March 2022, forecast an increase in CPI during 2022 to 7.4%, reducing to 4% in 2023, before returning to nearer the target level of 2%, reducing to 1.5% in 2024, and then fluctuating close to the 2% target 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, the longer-term effects of the coronavirus pandemic and the Russia / Ukraine conflict, make it difficult to accurately predict future rates, but taking account of the views of both the Bank of England and the OBR it is considered appropriate to include the assumption that costs will rise by the June 2022 level of CPI (9.4%) for 2023/24, but will ultimately sit at the target level of 2% in the medium term, with this rate adopted from 2024/25 onwards. This will be reviewed again as part of the HRA Budget Setting Report in January 2023.

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

The latest projections for the BCIS Index over the next 5 years currently predict a growth rate of 7.4% by 2023, with forecasts of 2.9%, 4.1%, 3.7% and 3.8% over the following 4 years. Taking an average of these rates of growth for the forecast five years gives rise to an annual increase of 4.4%.

On a similar average basis, the assumptions we are adopting for CPI over the same period are 3.5%, a difference of 0.9%.

Recognising the combination of planned maintenance price increases being driven by CPI and BCIS, the assumption has been made that 50% of the work programme will be subject to the BCIS indices and 50% by the rate of CPI for the next 5 years. A blended average rate of 3.95% (CPI plus 0.45%) has therefore been incorporated into the business plan forecasts for this period, reverting to standard CPI after this,

The pay award from April 2022 is yet to be agreed, but based upon the offer made by the employer, pay inflation has been increased to reflect a pay award of £1,925 per full time equivalent employee for 2022/23 and 3% for 2023/24, before returning to the previous assumption of 2% from 2024/25. The allowance for incremental progression has been retained at 1% per annum, recognising staff retention figures and the number of staff who are currently paid at the top of their pay scale.

Interest Rates

The Housing Revenue Account recovers a proportion of the interest earned on cash balances invested by the authority. The rate of interest assumed for 2022/23 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 was increased to 1.75% in August 2022, the highest it has been in over 10 years. The next review is due on 15 September 2022. The base rate has increased steadily over the past six months, and we are beginning to see a corresponding increase in investment rates, but a sharper increase in borrowing rates.

The actual average rate of interest earned on investments that benefited the HRA for 2021/22 was 0.24%, but the assumption had been retained in the HRA Budget Setting Report that there would be some recovery in rates by 2022/23, with 0.6% assumed. With the base rate at 1% for the first quarter of 2022/23, the average rate earned on investments was approximately 0.5%. With an increase to 1.25% in June 2022, a rate of 0.75% could reasonably be assumed going forward. The HRA Medium Term Financial Strategy has therefore been constructed on the basis that the HRA claws back interest at a blended rate of 0.69% for 2022/23, and 0.75% from

2023/24 on an ongoing basis. A further increase in the base rate to 1.75% was announced in August 2022, but assumptions have not been adjusted again at this stage, as it is unclear how long it will take for higher investment rates to follow the base increase. 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.

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

The assumption is made that additional borrowing is externalised, with updated PWLB maturity loan rates for loans of a 30-year duration used. Since the last update of the HRA Business Plan in January 2022, there has been a significant increase in PWLB lending rates, with the rates at the time of the drafting of the report standing at 3.66%, compared with the rate of 2.5%

assumed in the construction of the HRA Budget Setting Report in January 2022. It should be noted that the PWLB rate is reviewed and can change twice each day, with rates continuing to increase currently.

Subject to having submitted a 30-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 also considers forecasts made by Link, the Council's treasury advisors, who project that PWLB lending rates will fluctuate between 3.5% and 3.7% over the next 2 years.

Based upon current rates and these projections, a revised average rate of 3.46% (3.66% - 0.2%) has been incorporated into any borrowing assumptions from 2022/23 onwards, including the assumption that the Certainty Rate will continue for the medium term at least to assist local authorities in new build delivery.

Right to Buy Sales

In 2021/22, 89 right to buy applications were received, compared with 65 in 2020/21. A total of 22 applications were received in the first 3 months of 2022/23, demonstrating continued steady interest in the scheme.

In 2021/22, 34 applications proceeded to a sale completion, compared with 16 in 2020/21, which was lower as a result of the coronavirus pandemic and associated periods of lockdown. In the first 3 months of 2021/22, 8 sales have completed, indicating that sales for the year may be similar to those in 2021/22.

Predicting future sales, particularly whilst there is still such uncertainty in the economy, is difficult. However, it is considered prudent to increase the assumed sales in 2022/23 to 32, based upon activity in 2021/22 and the first quarter of 2022/23, before returning to the assumption of 25 sales per annum from 2023/24 onwards. There is no guarantee that sales will continue at these levels, particularly with the cost of living increase being experienced currently.

Right to Buy Receipts

At 31 March 2022, the authority held £7,243,745.20 of right to buy receipts under the retention agreement with DLUHC.

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

Retained right to buy receipts must be reinvested within 5 years, can be used to finance up to 40% of a new rented or shared ownership dwelling. Where used to finance the acquisition of an existing market dwelling a cap applies to ensure that the provision of new homes is prioritised, with a cap at 50% for 2022/23, 40% for 2023/24 and 30% from 2024/25. The first 20 units of delivery in any year will be excluded from the cap.

With the Bank of England base rate now at 1.75%, any penalty interest payable on receipts not re-invested appropriately is payable at a higher rate of 5.75%.

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 March 2026 under the new regulations.

All newly arising receipts are 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.

However, with the level of CPI for July 2022 being 10.1%, the government issued a consultation on 31 August 2022, with proposals to introduce a ceiling or cap on rent increase from April 2023, to avoid social rent increases of in excess of 10%.

The consultation seeks views on:

- the introduction of a ceiling (cap) on social rent increase for 2023/24
- a preferred ceiling at 5%, but with views sought on both 3% and 7% as alternatives
- whether the ceiling should also apply to 2024/25
- whether first lets and re-lets should have the ceiling applied
- whether there should be any exceptions for particular categories of social housing

Pending the outcome of this consultation, the Medium Term Financial Strategy is constructed on the basis of the government's long-term view that CPI will be 2%, plus the 1% uplift allowed for in the rent standard.

A 3% overall rent increase has therefore been incorporated into the business plan assumptions, with the impact of other levels of rent increase explored in later sections of the document.

This significantly impacts the business plan projections, as operational costs are assumed to increase by 9.4% from April 2023, and if income increases do not mirror cost increases, the base financial position for the HRA is fundamentally worse than previously assumed.

The Charter for Social Housing Residents

The Charter for Social Housing Residents aims to rebalance the relationship between social landlords (both local authorities and housing associations) and tenants.

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

- To be and feel safe in your
- To have information from your landlord about the service they provide
- To have any complaints dealt with quickly and fairly
- To be treated with respect
- To be able to speak up and have your voice heard
- To have a good quality home and neighbourhood to live in
- To be supported to be able to own our own home

Following publication of the charter, the Queen's Speech in May 2022 commits to the introduction of legislation to fulfil the commitments of the charter and to improve the regulation of social housing, to strengthen the rights of tenants and ensure better quality, safer homes.

The government has committed to halving the number of non-decent social homes by 2030, requires social housing landlords to install smoke alarms and carbon monoxide alarms by October 2022. The government has also concluded stage 1 of the Decent Homes Standard Review with the expectation that stage 2 will now seek to deliver a refreshed Decent Homes Standard later in 2022.

The Regulator of Social Housing has consulted on the proposed tenant satisfaction measures to both inform regulation and help tenants hold their landlords to account.

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

Welfare Reforms

Universal Credit

New tenants, and existing tenants who have a change in circumstances, now need to apply for Universal Credit, unless in temporary or supported accommodation. Tenants in temporary, specified or supported accommodation continue to receive Housing Benefit for their housing costs.

The authority had 2,049 HRA tenants identified as claiming Universal Credit at the end of July 2022, based upon accounts that have been flagged in the Housing Management Information System. This will not be 100% accurate as the data is reliant upon the authority being notified by the tenant that they are in receipt of Universal Credit or have ceased to be eligible, or by the DWP, who requires landlords to validate the sums being stated in a new or re-assessed claim.

Between now and 31 December 2024, a process of managed migration will begin to move the remaining Housing Benefit claimants to Universal Credit, with completion of the transition for all by 31 March 2025.

Other Benefit Changes

The Benefit Cap continues to impact residents, with some claimants receiving short term Discretionary Housing Payments (DHPs) to support them until they are able to gain employment or improve their financial 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 £22,340 for 2022/23 to provide financial support and incentive to assist tenants 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.

Support for Vulnerable People

Cambridge City Council expects to continue to be engaged by the County Council for the delivery of tenure neutral support services to older people across the city as a whole, with a new contract anticipated to be in place from September 2022. The contract sum is currently £183,600 per annum.

Section 4

Revenue Resources – Rent and Other Income

Rent Arrears and Bad Debt Provision

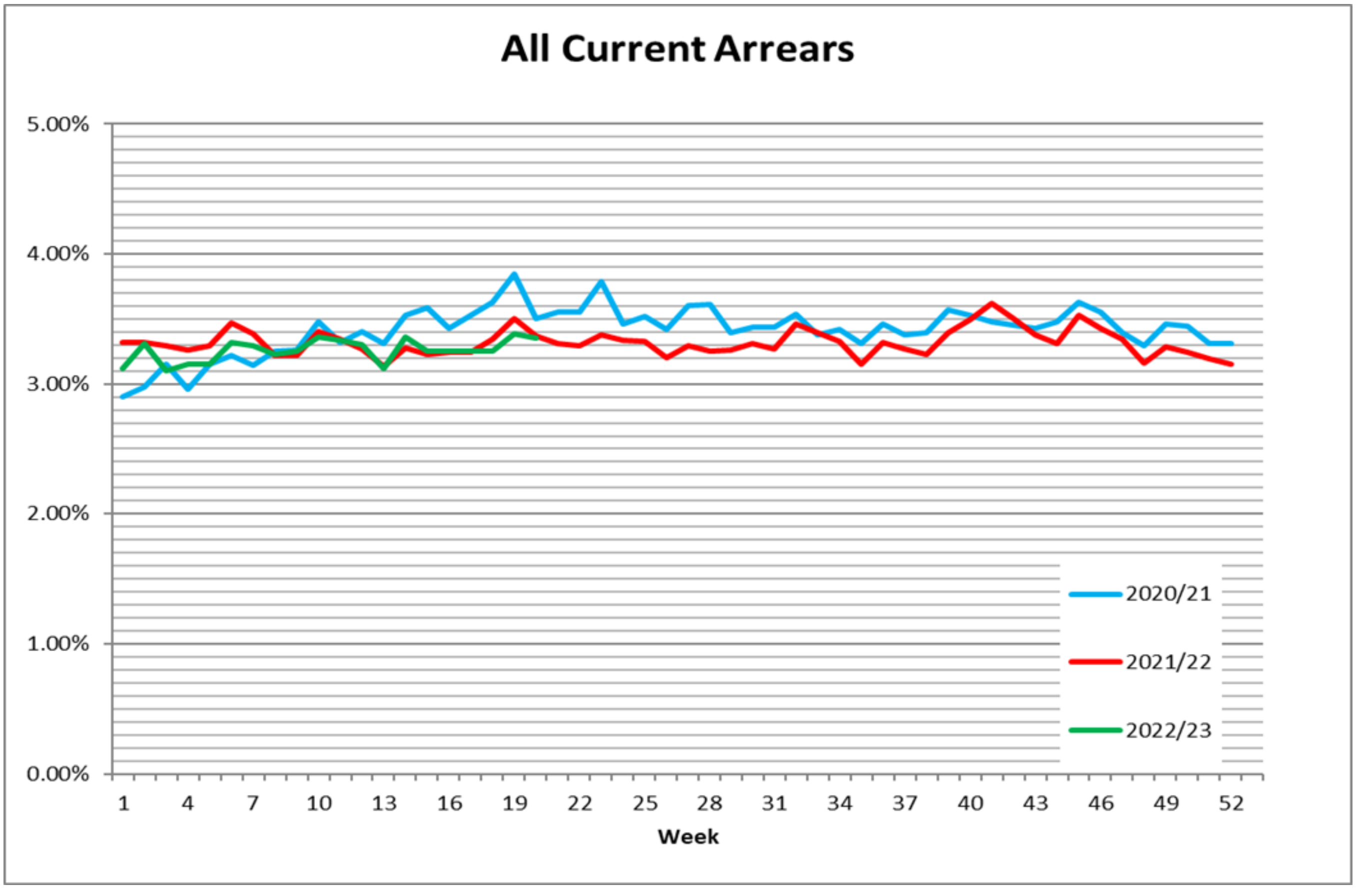
Rent collection performance was more than maintained during 2021/22 despite the challenging economic climate, with 99.5% of the value of rent raised in year, collected in the year, compared with 98.9% in the previous year.

As a result of rent not collected however, arrears overall still increased during 2021/22, with current tenant arrears of just over £1.3 million by 31 March 2022 and former tenant debt of just over £1.1 million. The year-end position in respect of rent debt is summarised in the table below:

Financial Year End	Value of Year End Arrears in Accounts (Current Tenants)	Current Tenant Arrears as a Percentage of Gross Debit Raised in the Year	Value of Year End Arrears in Accounts (Former Tenants)
31/3/2018	£779,904	1.96%	£871,620
31/3/2019	£776,961	1.93%	£932,156
31/3/2020	£1,091,161	2.70%	£915,885
31/3/2021	£1,374,167	3.30%	£925,982
31/3/2022	£1,337,622	3.14%	£1,121,082

It is positive to see that current tenant arrears reduced marginally during 2021/22, from £1.37 million to £1.34 million, despite the challenging financial circumstances that many of our tenants are facing.

The position in respect of current arrears has however, seen a small increase in the first 5 months of 2022/23, with an increase of £122,151 in arrears by August 2022, equivalent in percentage terms to 3.3% of rent due. If the monetary increase were to continue along the same trajectory throughout the year, an increase of £289,000 could be experienced by March 2023.



The Income Management Team continue to work proactively with tenants and financial support providers to mitigate the impact of the current economic situation for both the tenants themselves and the authority, ensuring that tenants are aware of all financial support available to them. The ongoing impact for residents of moving to direct payment is being actively managed, with an Increase in the number of claimants transitioning over the past 12 months as a result of changes in circumstances.

Former tenant arrears increased significantly over the 12 months to 31/3/2022, with former arrears totalling £1.1 million at the end of this period. An officer was employed on a 12 month fixed term contract from April 2022, dedicated to recovering, or failing that, writing off, former tenant debt. The officer is now proactively chasing and writing off former tenant debt dependent upon the circumstances, with more debt considered for write off in the first 3 months of 2022/23 than the whole of 2021/22. Writing off obvious bad debt then allows a focus on recovery of more of the doubtful debt.

At 31 March 2022 the total provision for bad debt stood at £1,965,939.96 representing 81% of the total debt outstanding.

The annual contribution to the bad debt provision for 2022/23, based on 1.5% of rent due, was set at £622,920 in the HRA budget approved in January 2022. The assumption has been reviewed as part of this iteration of the business plan taking account of the current economic situation and 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 2022/23 and beyond. This will be reviewed again as part of the HRA Budget setting Report in January 2023.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2021/22 was £656,205, representing a void loss of 1.67%, compared with £613,999 in 2020/21, representing a void loss of 1.58%.

The value of rent lost through void dwellings during 2021/22 was marginally higher than in 2020/21 and was higher than the 1.32% target for 2021/22, recognised as part of the 2022/23 HRA Budget Setting Report of January 2022.

Some of the key contributors to the higher void levels in 2021/22 were refurbished units at Ditchburn Place, where the coronavirus pandemic halted occupation due to the vulnerable nature of the client group (£11,000), homes vacated on approved development sites (£63,000), 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 (£14,000), homes acquired for rough sleepers, which required works prior to first let (£17,000) and units held vacant as a result of fire damage to a block of flats (£36,000).

If the impact of the irregular void transactions (detailed above) are removed from the statistics, the void performance in general voids for 2021/22 would have been 1.31%, which is higher than anticipated. A backlog of void works during 2021/22 contributed to this, with a decision to externalise some of the work to facilitate catching up, taking some time to mobilise.

Void performance deteriorated in the first quarter of 2022/23, with a gross void loss of 2.65%. This does however still include the impact of our redevelopment programme, with units being vacated at Aylesborough Close, Princess and Hanover Court and Fanshawe Road. General voids are however also proving problematic, with properties being returned in very poor condition, resulting in both increased costs and prolonged void periods, which also results in loss of rental income. As a result of this, it is recommended to adjust the assumption in general voids for the current year to 2%, assuming some recovery during the year in our general voids performance, whilst retaining the longer-term assumption of 1% in the business plan from 2023/24 onwards.

Rent Setting

Social Rents

Local authority social 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 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 moved to a position where rents could be increased by up to a maximum of inflation plus 1%, using the Consumer Price Index (CPI) at the preceding September as the measure of inflation. However, with the marked increase in

CPI during the last 6 months, government intend to intervene and have issued a consultation on the introduction of a rent ceiling, as outlined earlier in this report.

The consultation seeks views on 3%, 5% and 7% increases for 2023/24, with a 3% increase currently incorporated into the base assumptions of the HRA business plan for prudency. The table below summarises the financial impact on the business plan of a variety of rent increase levels and includes the impact for both social rents and affordable rents as they are subject to the same rent controls.

Rent Increase	Average Weekly Social Rent Value Increase	Average Weekly Affordable Rent Value Increase	Borrowing Required over the 30 Year Business Plan
0%	£0.00	£0.00	£804 million
3%	£3.22	£4.69	£699 million
5%	£5.36	£7.82	£630 million
7%	£7.50	£10.95	£566 million
11.1% (CPI plus 1%)	£11.90	£17.36	£469 million

It is evident from the table above that a single year decision on the level of rent increase makes a significant difference to the level of borrowing required, and therefore the authority's ability to deliver new homes or consider any future investment in retrofit of the existing housing stock.

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 2022/23 across the general housing stock was £110.44, with the average actual rent charged being £107.15. By April 2022, 35.5% of the social rented housing stock was being charged at target rent levels, compared with 31.3% 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 £1,145,000 across the HRA, compared with the income assumption in the HRA Self-Financing Debt Settlement of 2012, where convergence was assumed.

Affordable Rents

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

There were 479 new build properties charged at the higher 'affordable rent' levels, on 1st April 2022 and 22 affordable shared ownership homes.

Following a decision at Housing Scrutiny Committee in June 2022, the authority will now operate 3 levels of affordable rent.

The earlier delivered affordable rented housing was based on the Local Housing Allowance, but under local policy has been capped at below this level since the Local Housing Allowance was subject to a second annual increase in response to the coronavirus pandemic in March 2020, with an inflated version of the pre-COVID rates adopted to maintain affordability.

For newer schemes, affordable rents will be set at 60% (or the Local Housing Allowance level if this is lower) or 80% of market rent depending upon the nature of the scheme and the proportion of affordable housing being delivered on the site. For schemes with approval, the new rent levels to be charged were confirmed in the report presented to Housing Scrutiny Committee in June 2022. When future schemes are brought forward for approval, the proposed rent levels will be set out within each report, or a delegation to officers will be sought to set them if details are not known.

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

Property Size	2022/23 Published LHA Rate (not adopted by CCC unless lower than a 60% rent)	2020/21 Pre-COVID LHA rate inflated by 1.5% and 4.1% Used by CCC for 2022/23	Indicative Programme Average 2022/23 Rents at 60% of Market Rent	Indicative Programme Average 2022/23 Rents at 80% of Market Rent
Shared Room	97.00	86.53	N/A	N/A
1 Bed	178.36	143.69	159.46	214.81
2 Bed	195.62	165.26	18128	247.67
3 Bed	218.63	192.04	205.89	281.44
4 Bed	299.18	256.16	246.33	336.16

The HRA Rent Setting Policy, updated for the changes agreed at Housing Scrutiny Committee in June 2022, is appended to this report at **Appendix L.**

Section 5
Detailed Review of Revenue Budgets and Reserves Impact

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 or the conflict in the Ukraine.

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, devolution funding and Homes England Grant can't be used for this purpose.

The impact on HRA reserves for 2021/22, and 2022/23 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2021/22 £'000	2022/23 £'000
Budgeted Changes in HRA Reserves		
Opening General HRA Reserves	**(18,420)**	**(19,590)**
Original Budget (Approved in February)	6,397	1,029
Carry Forwards (Approved in June)	7,598	12,562
MTFS Mid-Year Review (Approved in September)	367	(117)
Budget Setting Report Revised Budget (February)	(263)	-
Estimated Closing General HRA Reserves	**(4,321)**	**(6,116)**

Actual Changes in HRA Reserves		
Opening General HRA Reserves	**(18,420)**	**(19,590)**
Prior Year Audit Adjustment	0	-
Actual Outturn variance for the Year (Reported in June 2022)	(1,170)	-
Contribution from Ear-Marked Reserves	0	-
Actual Closing General HRA Reserves	**(19,590)**	**-**

The original budget for 2022/23 approved a net call on general reserves of £1,029,530, and also incorporated use of £4,941,510 previously set-aside for potential debt repayment or re-investment, to allow a total revenue contribution to fund capital expenditure of £14,610,590 for the year. After approval of carry forwards, the use of sums previously set aside for potential debt repayment or re-investment rises to £14,704,510, with a total revenue contribution to fund capital expenditure of £35,541,190.

This iteration of the business plan includes changes in:

- estimated dwelling and garage rental income for 2022/23
- interest due for the year based upon revised cash balance assumptions
- interest paid based upon the latest borrowing assumptions
- the level of depreciation assumed to be chargeable to the HRA
- the bad debt provision required for the year, based upon the latest estimates
- the level of revenue funding of capital for the year, based upon capital projections
- reallocation of resource identified to respond to an increase in stock numbers
- resource to respond to unavoidable pressures
- budgets to recognise an increase in inflation

The final general HRA reserves position reported for 31 March 2022 was £19,590,023. The revised projection of the use of general reserves in the current year (2022/23) now indicates that there is expected to be a net call on reserves of £13,474,180, which would leave a balance of £6,115,843 at 31st March 2023.

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.

2022/23 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 and operational resource as property numbers increase. Although new homes are taken handover of throughout each year, the increase required in staffing resource is only reviewed incrementally. As part of this Medium-Term Financial Strategy, the resource that has been incorporated into the business plan from 2022/23 onwards Is now being formally allocated as follows:

- £50,000 increase in the void repair budget recognising the increased turnover in the existing housing stock which delivering of new homes generates
- Asbestos Surveyor (Estates and Facilities) 37 hours per week £54,440 – to allow continuation of what has previously been a fixed term post
- Assistant Housing Officer (Temporary Housing) 37 hours per week £40,520 – to respond to the significant increase in the number of temporary housing unts held in the HRA
- Temporary Housing Service Charges – an increase in service charges of £25,440 would partially offset the costs of the additional Assistant Housing Officer

The resource already incorporated into the HRA budget from 2022/23 onwards will be vired to allow these proposals to be implemented.

2022/23 Mid-Year Budget Changes and Inflation Impact

As part of the HRA Medium Term Financial Strategy, there is not any formal mid-year review of service delivery or operational budgets, but there is an opportunity to review the HRA position for the current year from a strategic perspective, allowing incorporation of any unavoidable items, or any major in-year changes in expenditure, income or financing arrangements as a direct result of changes in the capital programme. This year, consideration has also been given to the unprecedented rise in inflation and the impact which this is expected to have for the HRA.

An element of funding (£155,640) was ear-marked in the HRA from 2022/23 to meet the increased cost of inflation. This has been reviewed as part of the HRA Medium Term Financial Strategy process, taking into account up to date assumptions for the increases in gas, electricity and fuel prices, and to recognise the current pay offer from the employer. The anticipated ongoing financial impact of these increases is £318,710 per annum. As a result, an additional sum of £163,070 has been incorporated into the HRA budget from 2023/24 onwards as part of this report, with the full impact for 2022/23 mitigated by anticipated underspending elsewhere.

There are 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 2022/23 as part of the mid-year strategic review include:

- Recognition of a reduction in rental income of £834,730 due to delays in the handover of new homes, a far quicker decant of tenanted homes at Princess and Hanover Court than anticipated with little opportunity to use the homes for temporary housing and an increase in general voids across the city, with the condition of homes being far poorer than experienced previously.

- A reduction of £3,270 in the contribution to the bad debt provision for 2022/23.

- Recognition of an unavoidable increase of £18,800 in the cost of the Housing Ombudsman Service from 2022/23 onwards.

- Recognition that reduced income of £42,900 in respect of garages will be realised from 2022/23 due to demolition of the garages in East Road following storm damage. The loss is partially offset by some occupants relocating and new garages and parking spaces being added to stock when new homes are handed over to the Council.

- Extension of the Tenancy Auditor post until the end of March 2023, recognising that a report will be presented to January 2023 Housing Scrutiny Committee with recommendations for this role for the future, and if continuation is proposed, a bid will be incorporated into the 2023/24 budget process. The cost of the contract extension (£3,800) can be met within existing budgets in 2022/23.

- An increase in the level of capitalised administration costs associated with the right to buy process (£44,530), based upon the cost capitalised in 2021/22 and recognising the anticipated increase in sales in 2022/23.

- Inclusion of a second Regeneration and Decant Support Officer in the establishment (£23,270 in 2022/23, rising to £46,540 for a full year from 2023/24), recognising the increase in re-development schemes being brought forward. This cost will be offset by a reduction in the level of H.D.A capital fees charged against the schemes in question, from 2% to 1.5%.

- Increase of £16,250 in the budget for revenue property valuations, recognising the need to obtain market valuations to be able to both set, and annually review 60% and 80% market rents.

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

- Transfer of £150,000 of Estate Investment Scheme funding from capital to revenue to allow funding of revenue related estate-based projects.

- A reduction of £150,000 in the level of Direct Revenue Financing of capital expenditure in recognition of the changes to the Estate Investment Scheme funding above.

- A reduction in depreciation of £674,450 based upon the latest stock projections and depreciable asset values and remaining useful lives.

- An increase of £79,020 in the anticipated interest received on cash balances for 2022/23, with balances held higher due to underspending in 2021/22 combined with early receipt of the Devolution Grant funding from DLUHC and the Combined Authority.

- A reduction of £251,790 in the budget for interest payable by the HRA, recognising a reduced need to borrow as a result of capital re-phasing.

These changes are detailed in **Appendix 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, with an ongoing programme of inspections carried out to increase the breadth and quality of this data to help inform strategic decision making.

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

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2022 at just under 98%, compared with 96% achieving the desired standard at 31 March 2021. There were 158 properties that were considered to be non-decent, in addition to 1,405 refusals, where tenants had exercised their right to decline the work being completed and where these are therefore not reported in the statistics.

Stock Investment

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

From a delivery perspective, around 60% of planned maintenance investment is currently broadly split between two main contractors. Foster Property Maintenance are responsible for the delivery of the majority of external planned works to the housing stock, blocks and estates, whilst TSG Building Services deliver the majority of internal planned investment. The contract with TSG has been extended to November 2022, with approval given at Housing Scrutiny Committee in June 2021 to re-tender this contract after that time. This procurement exercise is underway with tenders having been evaluated and award of the contract now taking place. The initial period of the contract with Fosters runs until September 2022, with an option to extend for a further 3 years currently in the process of being agreed, with an end date of September 2025. A significant amount of work, around 40%, is procured via one-off contracts, and this includes large structural works projects, some estate improvement projects, and energy efficiency works.

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

Initiative / Action	Current Status
Implement a new rolling programme of stock condition surveys so properties are inspected every five years	This commenced in 2019/20 but was on hold for much of 2020/21 due to COVID-19. Surveys resumed in July 2021, and we continue to deliver the programme that takes account of footpath surveys, void properties 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 were being carried out in a number of areas. Some of the schemes have been deferred or amended as a result of pending decisions about the long-term future of the sites – Hanover and Princess Court and Davy Road have been removed from the current tender for Structural & Associated Works. Tenders are being assessed and moderated over the next two weeks. Then the details of the winning contractor and the tender costs will be passed to Home Ownership to issue the S20 Notice. It is anticipated that works will start on site

	by late September and hope to complete by Christmas. A brief for works at Bermuda Terrace flats is being developed. Balcony and brickwork repairs at Nicholson Way, Walker Court and Hanson Court are designed and will start on site in 2022/23.
Reduce the electrical inspection cycle to five years in line with best practice	All properties are to be inspected on a 5 year cycle and arrangements have been put in place to achieve this over the next 24 months.
Implementation of "Orchard Asset" asset management software – including development of the compliance and energy modules	Implementation project in progress with target completion by December 2022.
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	The Risk and Compliance team now lead in this area, The asbestos compliance module is still being implemented with assistance from Housing IT Team. Asbestos Analyst is to start 01/08/2022 and will start the review of all communal re-inspections
Implement an annual programme to inspect fire doors to flats and communal areas (including the replacement of non-compliant fire doors)	A fire door inspection programme has been re-procured, with new contractor Ventro (Passive Fire Protection Specialists) appointed in February 2022. 919 doors inspected to date across the Council. HRA properties completed include all temporary

	and sheltered accommodation. General needs purpose-built blocks of flats has started and will continue to be the focus for the remainder of the programme.
Review maintenance requirements for flat roofs and sheds replacement and repair	A programme has been identified and implemented from April 2021. There are 88 shed roof replacements and 10 flat roof replacements to houses / flats on the 2022/23 programme for Foster this year.
Develop a replacement programme 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. A full survey of communal lighting is underway with a plan to replace all communal lighting with LED lighting, starting in 2022/23.

Following changes to fire risk regulations, dwellings continue to have heat and smoke detection upgrades during 2022/23. We are still experiencing access issues to complete this work. Where there is "no access" work will be added to future planned work programmes.

Following receipt of structural surveys and fire risk reports in respect of the blocks of flats at Kingsway, Princess and Hanover Court, a decision was taken to remove all gas supplied to these blocks, replacing both heating and cooking sources where gas was previously utilised by a small number of the residents, both tenants and leaseholders. The cookers have now been replaced by new electric cookers for all residents who had gas cookers. Detection and solenoid shut off valves have been installed where there are still gas heating systems. Replacement of these heating systems had been placed on hold while decisions on the longer term future of the blocks are made.

Following consultation with residents, a decision was taken in January 2022 to begin the decant of the blocks at Princess and Hanover Court, with a more detailed options appraisal to be presented to Housing Scrutiny Committee as part of this committee cycle. The options appraisal has explored options to either refurbish or demolish and re-develop the scheme.

Following this, and the associated decision to continue to let the block at Kingsway, £1,200,000 was retained in 2022/23 to undertake required fire compartmentalisation works at Kingsway, with £650,000 deferred until 2025/26 for further fire safety works there if required. The fire alarm installation works at Kingsway are commencing in August 2022 and the compartmentation trial works at Kingsway have been programmed to commence at the beginning of September. Once the trials have been completed the results will be assessed with the compartmentation works to the remaining flats at Kingsway being undertaken during the latter part of 2022/23.

Following a programme of structural surveys of flat blocks in 2021/22, some work has been completed at Hazelwood an Molewood Close, and further work will be delivered in South Arbury and Coleridge between September 2022 and January 2023, once a current procurement process has concluded and contracts have been awarded. We are procuring a structural engineer consultancy framework which will be utilised to undertake structural monitoring of blocks where structural works have been completed.

The Council remains 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.

Net Zero Retrofit Pilot Project

Following approval last year of £5,000,000 for a net zero pilot project and receipt of the final Fielden and Mawson Report in 2021, a Net Zero Retrofit Project Officer has recently been appointed. Due to delays in recruiting a permanent member of staff to deliver the project, design works have been delayed and we expect works to start on site in 2023. Initial resident engagement commenced in July 2022 and property selection is now underway. A detailed design has been produced on an example property in Ross Street (where the pilot project is likely to take place) and we are in the process of tendering for an architect to fully design the project for the 50 Council homes.

The objectives for this funding are to allow the authority to prove whether the estimated costs in the Fielden and Mawson report are achievable, to allow time to lobby government and

other bodies, backed by real evidence, in an attempt to secure external investment and to allow further exploration of the potential to use the 5% flexibility in the rent restructuring formula and / or to introduce a 'comfort' charge for tenants. There is also a skills shortage in this industry currently, and the approach should also allow local providers to upskill their workforce.
Whilst we are unlikely to have procured the works contractor before summer 2023, market research is currently being conducted to determine the costs for different measures and we are conducting trials of the measures that are likely to form part of the final design. More informed pricing for individual measures is expected to be available in early 2023.

Therefore, expenditure of £500,000 is anticipated this financial year in undertaking full design works and trials, with the balance of £4,500,000 now being required in 2023/24 when the construction phase is now due to start. Budget has been re-phased as part of this HRA Medium Financial Strategy Report.

Energy Works

Offices are in the process of appointing a contractor to deliver energy efficiency works under the planned works programme and expect to deliver 80 properties with external wall insulation and solar pv, where suitable, in 2022/23. In addition, we will continue with loft insulation upgrades and cavity wall insulation, extraction and re-fill, to other properties.

Despite being unsuccessful in Wave 1, the authority is intending to apply for Social Housing Decarbonisation Fund Wave 2 grant funding, with applications due to open in late August 2022. The value of the grant bid will not be quantified until the bid process is opened, and the criteria is clear. If successful these funds will be available to deliver energy efficiency works (cavity wall insulation, external wall insulation and low carbon heating) to HRA properties from March 2023.

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 2022.
- Re-phasing of expenditure anticipated to take place in 2021/22, into 2022/23 and beyond, as approved in June / July 2022.
- Update of the 30-year investment plan required to meet decent homes and allow other planned investment in the housing stock, based upon the current stock numbers and contract prices.
- Review of decent homes backlog funding, following update of the 30-year investment plan, and allocation of the 2022/23 sum to specific workstreams.
- Remove the budget of £679,000 ear-marked in 2022/23 for decent homes works to new build dwellings and adjust the sums held in future years, recognising that all properties bult up to 1/4/2022 have now been incorporated into the asset management 30-year investment plan review above.
- Re-phasing of £4,500,000 of resource from 2022/23 into 2023/24 to allow delivery of the pilot programme of 50 full house retrofits to Net Zero Carbon or as near as can be achieved.
- Adjust inflation budgets to recognise that the review of the 30-year investment plan has re-based contract prices at today's price.

These, and other changes, are summarised in **Appendix 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 is 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 2021/22, the HRA acquired nine properties on the open market to accommodate rough sleepers, partly funded using grant from Homes England, and seven properties on sites where redevelopment was either approved or potentially possible.

Acquisitions or disposals in 2022/23 to date include:

Acquisition / Disposal	Comment	Status
1 Bed Flat *	Purchase of a 1 bed flat in Kings Hedges ward for rough sleepers	Complete
1 Bed Flat *	Purchase of a 1 bed flat in Abbey ward for rough sleepers	Complete
1 Bed Flat *	Purchase of a 1 bed flat in Petersfield ward for rough sleepers	Complete
3 Bed House	Purchase of a 3 bed house in the Abbey ward for potential future development	Complete
2 further existing market dwellings *	Purchase of a further two 1 bed homes on the open market to house rough sleepers as part of the DLUHC Next Steps Programme, with grant funding awarded.	Grant awarded and acquisitions in progress
8 x 1 Bed Flats	Purchase of 8 self-contained flats for use as sheltered housing	In progress

* The authority was awarded Rough Sleeper Accommodation Programme grant funding of £1,730,000 in 2021/22, which required the use of £1,901,000 of HRA resource to acquire a minimum of 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 acquisition programme has slipped in part into 2022/23, with 2 homes now left to acquire.

New Build

Delivery Approach

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

The Devolution 500 Programme is now well progressed and is being followed by a commitment to delivering a net 1,000 new homes in the period from 2022 to 2032, subject to receipt of Homes England grant funding. Bids to Homes England are being submitted on a scheme-by-scheme basis, as part of the continuous market engagement process.

The fees charged by the H.D.A are reviewed annually as part of the Medium-Term Financial Strategy, with a fee expectation in the H.D.A budgets of £373,920 for 2022/23. The proposed level of H.D.A fees for schemes approved from September 2022 onwards are:

- HRA housing schemes delivered using CIP – 2% (1.5% if fee reduced to fund Decant Officer)
- HRA housing schemes delivered by H.D.A directly – 3%
- HRA S106 or other acquisitions – 1.5%
- Optional 1% can be added to each of the above if scheme includes re-development, community or commercial aspects

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

Future New Build

Funding to deliver the 1,000 new council rented homes programme has previously been incorporated into the financial forecasts, using a number of key assumptions. This iteration of the HRA Business Plan updates these assumptions in line with the latest site feasibility work and cost information,

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

- 1,011 net additional council rented (social rent and 60% of market rent) homes delivered over the 10 years from 2022
- 427 affordable rented homes at 80% of market rent, replacing the previous proposal to deliver rent to buy and shared ownership housing
- Delivery of the target net new council rented homes assumes the need to demolish and re-provide 337 existing properties as part of site regeneration schemes
- To deliver the net new council rented homes in mixed and balanced communities, 769 market homes will also be delivered by developers on the identified sites
- A range of delivery routes will be adopted, with a mix delivered via Joint Venture or Section 106, land led schemes, existing HRA sites and potentially off the shelf purchases.
- A build cost of £3,290 per square metre, which assumes building to Passivhaus or equivalent performance standards informed by up to date valuations, This assumes that building to Passivhaus standard or similar may be deliverable on all sites

- Inflation in build costs incorporated at 4.7% per annum for the life of the programme
- Homes England grant of £64,517 per unit across all affordable tenures, recognising that not all units will be eligible for grant, particularly where a larger proportion of market sale or replacement units are proposed.
- Retained right to buy receipts continue to be available for re-investment at the assumed rate of approximately £3,500,000 per annum but can't be appropriately reinvested in addition to Homes England Grant, and instead will be utilised for some sites which are ineligible for grant or where grant is not awarded. This sum assumes continued sales at the rate of 25 per annum to generate this resource.
- Borrowing has been assumed at the higher rate of 3.46%, based upon the PWLB rate at the time of writing this report and projections made by Link, our treasury advisors.
- Investment profile is spread across the 10-year programme based upon indicative delivery timescales, which are subject to change
- 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 £508,000,000 of borrowing in the HRA over the next 10 years of the plan.

Work is still ongoing to identify and explore potential HRA sites and land acquisition opportunities that could be included within the 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 using Passivhaus principles 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, recognising that the level of grant funding of £100,000 per unit previously assumed, is not feasible for Homes England. The ability to replace grant with retained right to buy receipts would only help deliver a very small proportion of the planned programme. Failure to achieve grant will mean that the programme will need to be reviewed to identify alternative sources of funding, to increase the amount of market sale housing provided, to reduce build standards or to reduce the number of council rented homes delivered overall. The authority is investigating opportunities for additional infrastructure funding to aid delivery of the programme.

The need for the HRA to borrow significant sums of money over the next 10 years will require a review of borrowing options. Currently, the PWLB still offers a marginally reduced rate for lending to local authorities, but this rate may change significantly before the end of the 10-year programme. The authority now needs to actively explore 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 external borrowing is currently anticipated is now 2023/24.

New Build Schemes Completed – Devolution 500 Programme

At the time of writing this report 197 new homes had been completed as part of the Devolution 500 Programme, with a net gain of 166 council rented homes.

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

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage Social Housing on Site
Uphall Road	2	2	100%
Nuns Way/Cameron Road	7	7	100%
Wiles Close	3	3	100%
Ditchburn Place	2	2	100%
Queensmeadow	2	2	100%
Anstey Way	56	29	100%
Colville Road Garages	3	3	100%
Gunhild Way	2	2	100%
Wulfstan Way	3	3	100%
Markham Close	5	5	100%
Ventress Close	15	13	100%
Akeman Street	14	12	100%
Mill Road	55	55	50%
Cromwell Road	28	28	40%
Total	**197**	**166**	

New Build Schemes On Site

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

Devolution 500 Programme

Scheme	Approved Indicative Social Housing Units	Gain in Affordable Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Devolution Grant / S106 Funding	Rent Basis
Mill Road	63 (55 taken)	63 (55 taken)	24,965,630	(7,489,690)	(17,475,940)	Inflated Old LHA
Cromwell Road	90 (28 taken)	90 (28 taken)	24,865,800	(5,997,920)	(17,141,400)	Inflated Old LHA
Colville Road II	67	47	14,467,580	(2,743,430)	(6,343,880)	Inflated Old LHA
Meadows and Buchan	106	106	25,929,000	(7,778,700)	(8,626,120)	Inflated Old LHA
Campkin Road	75	50	18,063,260	(3,243,930)	(7,949,970)	Inflated Old LHA
Clerk Maxwell	14	14	3,046,760	(914,030)	(2,132,730)	Inflated Old LHA
Total	**415**	**370**				

New 1,000 Homes Programme

Scheme	Approved Indicative Social Housing Units	Gain in Affordable Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Homes England Grant	Rent Basis
Histon Road	10	10	1,978,000	(224,680)	0	60%
L2	75	75	17,727,000	0	(4,830,000)	30 Social Rent / 45 80%
Fen Road	12	12	4,015,000	0	(1,077,000)	Social Rent
Total	**97**	**97**				

New Build Schemes in the Pipeline

There are a number of sites which have scheme specific approval, but at the time of writing this report, were not on site.

The tables below 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.

Devolution 500 Programme

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Devolution Grant / Section 106 Funding	Rent Basis
Tedder Way	1	1	506,000	(151,800)	0	60%
Kendal Way	1	1	524,000	(157,200)	0	60%
Total	**2**	**2**				

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 Grant	Rent Basis
Colville Road III	48	32	12,681,000	0	(2,144,000)	32 Social Rent / 16 80%
Ditton Fields	6	6	1,944,000	0	(534,000)	Social Rent
Aragon Close	7	7	2,103,000	0	(413,000)*	80%
Sackville Close	7	7	2,121,000	0	(413,000)*	80%
Borrowdale	3	3	1,044,000	0	(258,000)	Social Rent
Aylesborough Close	70	37	19,030,000	0	(2,100,000)*	41 Social Rent / 29 80%

Scheme	Approved / Indicative Affordable Housing Units	Gain in Affordable Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Homes England Grant	Rent Basis
St Thomas's Road	8	8	2,953,000	(614,000)	(560,000)*	60%
Paget Road	4	4	1,421,000	0	(300,000)*	2 Social Rent / 2 80%
Fanshawe Road	93	71	28,587.000	0	(5,509,000)*	44 Social Rent / 49 80%
Princess and Hanover Court	82	0	28,610,000	0**	0	Social Rent
Total	**328**	**175**				

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

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

Grant from the European Regional Development Fund (ERDF) through Eastern New Energy was previously assumed for the net zero carbon pilot schemes at St Thomas's Road and Paget Road. Unfortunately, a decision has been taken by Eastern New Energy to place hold on any grant awards for their own business reasons, and as a result of this, no funding will be available to Cambridge City Council. The schemes will instead be targeted for delivery to Passivhaus to standards.

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

The table below summarises changes to either approved budgets, and or anticipated numbers of units, for schemes in the current programme, with the funding for L2 increased recognising that the HRA will now acquire all 75 unts, the budget at Colville III being increased as a result of an increase in labour and materials costs and the budgets for Fen Road, Ditton

Fields, Borrowdale, Aragon Close and Sackville Close being adjusted to reflect the latest cost estimates as approved for 3 of these sites at Housing Scrutiny Committee in June 2022. The budgets for St Thomas's Road and Paget Road have been reviewed recognising a recommendation to reduce the number of units at Paget Road, and to acquire, modify and sell on an adjacent dwelling at St Thomas's Road, providing appropriate access to the proposed development. The revised cost for Paget Road also considers building to net zero carbon standards using the latest tendered costs, and the assumption of receiving ERDF grant has been removed from both schemes. The budget for Fanshawe Road has been adjusted to reflect updated cost for buying out the leasehold flats on the site, which was understated initially.

Scheme	Previous Budget Approval	Original Estimated Units	Latest Budget Approval Request	Revised Estimated Units
L2	6,207,000	30	17,727,000	75
Colville Road III	12,649,000	48	12,681,000	48
Fen Road	3,931,000	12	4,015,000	12
Ditton Fields	2,061,000	6	1,944,000	6
Borrowdale	914,000	3	1,044,000	3
Aragon Close	1,988,000	7	2,103,000	7
Sackville Close	1,988,000	7	2,121,000	7
St Thomas's Road	2,105,000	8	2,953,000	8
Paget Road	1,842,000	7	1,421,000	4
Fanshawe Road	27,937,000	93	28,587,000	93

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

Scheme	Site Type	Status	Potential New Build Units
Tedder Way	In-fill	Planning submitted	1
Kendal Way	In-fill	Planning approved	1
Colville Road III	Existing HRA Housing	Planning approved	48
Ditton Fields	Land Acquisition	Planning approved	6
Aragon Close	Existing HRA Garages	Planning submitted	7
Sackville Close	Existing HRA Garages	Planning submitted	7
Borrowdale	Existing HRA Garages	Planning approved	3
Aylesborough Close	Existing HRA Housing	Planning submitted	70
St Thomas's Road	Existing HRA Garages	Pre-planning	8
Paget Road	Existing HRA Garages	Pre-planning	4
Fanshawe Road	Existing HRA Housing	Pre-planning	93
Princess and Hanover Court	Existing HRA Housing	Options appraisal in progress	82

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, with a decision expected in October 2022.

Kendal Way

This scheme will deliver a large, mobility adapted 3 bedroom house to meet an identified need on the housing register. Start on site is anticipated by January 2023.

Colville Road III

This site comprised 16 HRA properties, 2 leasehold flats and 4 shops. The development will deliver 48 new or replacement homes alongside the reprovision of the commercial space.

Vacant possession has been secured and the temporary commercial provision is now in place.

The commercial property 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. Costs have increased significantly since the original budgets were approved, with increased materials and labour prices as a result of exit from the European Union and the Russia / Ukraine conflict. Both the commercial and residential budgets need to be amended as part of the Medium-Term Strategy process.

Ditton Fields

This site was acquired by the HRA in 2020/21 and is a garden in-fill site. The scheme will provide 6 new homes. Planning approval has been granted and start on site is anticipated in September 2022.

Aragon and Sackville Close

The two sites at Aragon and Sackville Close comprise existing HRA garage and parking bay provision, with an anticipated 12 new homes to be provided across both sites. Both schemes await planning approval, with decisions anticipated in October 2022.

Borrowdale

This former council garage site will deliver 3 two bedroom homes, following granting of planning approval. Garage tenants are currently being relocated and start on site is anticipated in October 2022.

Aylesborough Close

This scheme comprises the redevelopment of 33 existing tenanted and 3 leasehold properties, to deliver an anticipated 70 new homes. Submission has been made to seek planning approval for a pilot Passivhaus flatted development, with a decision anticipated in October 2022. At the time of writing this report, 7 tenants remain to be relocated and 1 leasehold property is still to be re-acquired.

St Thomas's Road

This is an existing HRA garage and in-fill site, which involves the demolition of 20 garages. The original proposals indicated the delivery of 8 homes, but this is currently being reviewed as part of the design work. This scheme was originally anticipated to be delivered to net zero carbon standards, with grant funding from the European Regional Development Fund (ERDF). Unfortunately, the funding was not secured by our identified partner, and as a result the budget for the scheme will also need to be reviewed. At this stage the budget has only been amended to reflect the need to acquire, modify and sell on an adjacent dwelling to secure appropriate access for the development. Further amendment may be required following the scheme review and detailed design work.

Paget Road

This is an existing HRA garage and in-fill site, which involves the demolition of 34 garages. While the original proposals indicated the delivery of 7 homes, design work now indicates that 4 larger family homes can be provided on the site. This scheme was originally anticipated to be delivered to net zero carbon standards, with grant funding from the European Regional development Fund (ERDF). Unfortunately, the funding was not secured by our identified partner, and as a result the budget for the scheme is being reviewed as part of this report, recognising both the change in scheme composition and the increase in both material and labour prices.

Fanshawe Road

This is an existing HRA site, which involves the demolition of 32 properties (22 tenanted and 10 leasehold) and 39 garages, with a view to delivering 93 new homes. It is anticipated that planning submission will be made in December 2022, with relocation of tenants and buy out of leasehold flats taking place currently. At the time of writing this report, 3 tenanted homes had been vacated, but no leasehold flats had been bought back, although 2 were in process.

Princess and Hanover Court

Resource of £14,552,000 was approved in January 2022 to allow the relocation of tenants and the buy back of leasehold flats at both Princess Court and Hanover Court in anticipation of a detailed options appraisal for the site. A detailed options appraisal is in process, and whilst the appraisal is being concluded, funds have been ear-marked in the Housing Capital Investment Programme, to allow for the highest cost option, which would be redevelopment, with the HRA securing a replacement 82 unts at social rent, and the balance of units delivered being for market sale. The HRA would receive a capital receipt for the land upon which the market units would be built, which has been netted off against the anticipated costs of the social housing. A report will be presented to a future Housing Scrutiny Committee with final recommendations. At the time of writing this report, 22 tenant relocations had taken place and 2 leasehold flats had been bought back.

General Fund Sites

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

The Housing Capital Investment Plan, an updated version of which is attached at **Appendix H**, incorporates the cost for the net 1,000 new homes in line with the latest cost assumptions and funding in line with anticipated Homes England grant applications. Future right to buy receipts have not been allocated to specific schemes at this stage but are anticipated to be utilised where grant bids are unsuccessful or new homes are on sites not eligible for grant.
Updated expenditure and funding sources, on a cashflow basis, for all new build schemes are detailed at **Appendix F.**

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 2022.
- Re-phasing of expenditure anticipated to take place in 2021/22 into 2022/23 and beyond, as approved in June / July 2022.
- Increase of £11,520,000 in the budget for the purchase of homes on the development site at L2, recognising that the HRA will now acquire all 75 homes on the site, as approved at Housing Scrutiny Committee in June 2022.
- Increase in the budgets for Fen Road and Borrowdale and a reduction in the budget for Ditton Fields, based upon the latest cost assumptions, as approved at Housing Scrutiny Committee in June 2022, and resulting in a net increase of £97,000.
- Re-allocation of new build budget of £28,587,000 between the unallocated / generic new build budget and the scheme specific budget for Fanshawe Road, following approval of the scheme at Housing Scrutiny Committee in June 2022, but also recognising an increase of £650,000 in respect of the cost of buy backs, which was previously understated.
- Increase of £32,000 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.
- Revision of the budgets for Aragon Close and Sackville Close, with increase of £115,000 and £133,000 respectively, recognising both increased labour and material prices.
- Revision of the budgets for St Thomas's Road and Paget Road, with an increase of £848,000 in respect of St Thomas's Road recognising the need to acquire an adjacent dwelling which will be modified to allow site access and then sold on. The budget for Paget Road is reduced by £421,000, recognising an increase in

costs, but also a reduction in the number of units to be delivered on the site. Neither scheme will now benefit from ERDF grant.

- Reallocation of the budget of £14,552,000 for securing vacant possession at Princes and Hanover Court from the acquisitions budget, and a further net £14,058,000 from the 1,000 homes programme budget to allow redevelopment if this is the recommended option.
- Update to the resource incorporated to facilitate the 1,000 New Homes Programme, in line with the latest cost and grant assumptions.
- An increase of £1,416,000 in the acquisition budget to allow for the acquisition of an existing building which would provide 8 self-contained sheltered housing units.
- Adjust inflation budgets to recognise that the individual scheme budgets have been adjusted for any in year cost increases.
- 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, and borrowing requirements.

Section 8
Summary and Conclusions

Base Assumptions

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

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

Appendix G summarises the base revenue budget position for the HRA for the period between 2022/23 and 2031/32, 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 Budget Strategy

The Budget Process

The HRA budget for 2023/24 will incorporate any changes proposed and agreed as part of this iteration of the business plan. The Council recently commissioned an independent review of the budget process and associated governance issues, and Strategy and Resources approved a number of recommendations in July 2022, following this review.

The recommendations include:

- consider moving to a more typical budget setting process, aligning processes and decision making for the General Fund and HRA where possible
- review current political management arrangements
- clarify roles of government, members and officers
- provide a wider context for members of the local government sector
- review and simplify delegation and virement rules and produce a summary for budget holders
- review the timeline and process for reports to formal member meetings to reduce time taken
- limit officer input into the opposition budget process to a high level assessment of feasibility, lawfulness and accuracy
- review the budget bid process to exclude bids not generated by the leading group or to set a minimum value
- develop an annual communication strategy to underpin the budget process

Some changes will be implemented for the 2023/24 budget process, but others need a review of the constitution and governance arrangement and so will not be implement until the following year.

Development of the Budget Strategy

The HRA faces significant challenges, with inflation in costs expected to far outweigh increases in income and interest rates in respect of borrowing having increased significantly over recent months. Increased investment is anticipated in the existing housing stock in respect of both health and safety and fire safety works, and the commitment to significantly improve the sustainability of the dwellings by 2030 is an area where additional resource will be required.

For 2022/23 the HRA Medium Term Financial Strategy incorporates changes in the anticipated dwelling and garage rental income for the current year as a result of increased voids, decants for redevelopment and delays in the delivery of new homes and in the case of garages, demolition of a number to for safety reasons or facilitate development. The update also includes changes in the contribution to the bad debt provision, anticipated interest earned in year from a revenue perspective, anticipated interest paid on borrowing and in depreciation of the housing stock, alongside some changes in operational budgets.

Changes have been incorporated in the Housing Capital Programme, recognising delays in both the new build delivery programme and in investment in the existing housing stock, but also updating the sums ear-marked for the 1,000 homes programme to take account of updated assumptions.

Updating the assumptions for the HRA business plan for future years has resulted in a significantly poorer outlook than in previous years, The changes in assumptions include an increase in inflation causing an increase in all costs both revenue and capital, a significant increase in the rate of interest for borrowing, an anticipated cap on rent increases for 2023/34, and a reduction in the level of grant funding we might receive from Homes England for the delivery of new homes,

The borrowing requirement in future years in order to deliver the 1,000 new council rented homes has increased significantly, with an estimated £508,000,000 required over the next ten years and £699,000,000 over the life of the plan. 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, but at a lower level than previously assumed. Failure to secure grant will require a significant review of both the proposed development programme and the HRA business plan.

The HRA needs to be able to clearly demonstrate that it can support any borrowing, with borrowing undertaken in order to finance a new asset, and not simply to plug a budget gap. The investment need in the existing housing stock in order to improve sustainability and energy efficiency has still been excluded currently, as the business plan is unable to support the level of borrowing that would be required without an additional future revenue stream.

As borrowing is required, borrowing routes need to explored in detail. If the HRA is to deliver the 1,000 net new council rented homes, taking account of the latest changes in assumptions, there will no longer be the ability to set-aside resource to repay any of the self-financing debt and all borrowing will need to be re-financed at maturity, materially impacting the financial forecasts for the HRA and driving the need to identify savings in future iterations of the business plan.

With the current pressure on the HRA finances, and the aspiration to deliver a net 1,000 new council rented homes, this report proposes retention of a budget strategy where efficiency savings are sought at a level to create a strategic investment fund to meet the cost of any unavoidable revenue pressures or bids for resource in new areas. This will ensue that the HRA doesn't increase its base costs at a time when there is so much financial uncertainty.

The alternative option would be to set an efficiency savings target at a level above the proposed strategic investment fund, to generate net ongoing savings in the HRA, to reduce the overall need to borrow. This approach is not proposed for 2023/24 as there are a number of key areas of the HRA that are facing pressure currently, in terms of the need to meet updated statutory, health and safety, compliance and regulatory requirements. The outcome of the corporate transformation programme, and its impact for the HRA is also an uncertainty at this stage.

The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2023/24 budget bids and savings process, to ensure that these can be weighed up against any strategic re-investment proposed.

Approach to HRA Savings

In line with the budget strategy outlined, it is recommended that an efficiency target is retained for 2023/24 as in previous years, with a corresponding strategic investment fund.

The continued inclusion of an efficiency savings target equivalent to 4% of general management and repairs administration expenditure (now £180,000 per annum) efficiency target is retained. This allows resource to be identified for strategic reinvestment in other areas of the housing service. The authority will need to review and evaluate its position again for

2024/25 onwards, once the longer-term impacts on the economy, and any potential recovery are clearer.

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

As part of the 2023/24 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.

The position for the HRA will be reviewed again as part of the January 2023 HRA Budget Setting Report, with a view to continuing to maximise investment in new homes, maintaining service delivery in key statutory areas and protecting services for the most vulnerable, whilst also ensuring that the existing housing stock is maintained to the latest standards, with the aspiration to improve levels of energy efficiency being key.

It is likely that a net savings position may need to be sought from 2024/25 onwards, but by this point it is hoped that the economic outlook will be clearer, and the corporate transformation programme will have presented recommendations for change.

HRA MTFS Conclusions

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

As a result of high cost inflation estimates In the medium-term, costs are predicted to increase at significantly higher rates than rent income is expected to go up by, with rent increases being imposed at a time when tenants are facing multiple cost of living increases. It is also clear that if the authority is to deliver 1,000 net new council rented homes, significantly more borrowing will be required, and at a higher interest rate than previously anticipated.

Although the HRA can just about support the interest payments on this borrowing, there will be absolutely no ability to set-aside any resource for the repayment of the principal sums of this, or the original self-financing, borrowing, with a requirement to-re-finance all borrowing at maturity. The HRA will also be susceptible to any adverse changes in other business planning assumptions, further inflationary increases, interest rate increases, increases in rent arrears and bad debts, increases in statutory expenditure, such as decent homes.

Detailed exploration of the borrowing options is key, to identify whether lower interest rates can be achieved by securing finance from anywhere other than the PWLB.

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 phase 2 of the government review of the decent home's standard (Decent Homes 2) concludes later this year, with a refreshed standard anticipated.

There is currently sufficient resource (borrowing) incorporated into the financial assumptions to match fund retained right to buy receipts with the 60% of additional investment required, to avoid the need to return receipts to central government, with payment of penalty interest at CPI plus 4%. Decisions will need to be made on a scheme by scheme basis, with retained right to buy receipts applied to schemes that are less likely to be awarded Homes England grant.

One of the biggest challenges the authority faces, is demonstrating financial viability of new build schemes, with grant rates being lower than previously hoped, particularly when coupled with the significant increase in borrowing rates.

Delivery against some of the key assumptions is critical to the success of the housing business plan, with the assumption of continued rent increases at CPI plus 1% for 2024/25, followed by increases at CPI plus 0.5%, being one of the critical assumptions included. The rent increase for 2023/24 has currently been assumed to be capped by government, with an assumed increase of 3% incorporated currently for prudency. The ceiling on rent increases for 2023/24 is currently subject to consultation and the level at which rents are finally set for the coming year will have a material effect on the future of the HRA business plan and the authority's ability to invest in new homes or to consider retrofit of any of the exiting housing stock.

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 2,050 residents are now thought to be claiming Universal Credit, approximately 2,300 are still in receipt of Housing Benefit, although the latter will include pensionable age tenants, sheltered and temporary housing residents.

The inclusion of an efficiency target, offset by a corresponding strategic reinvestment fund is still considered to be a prudent approach for 2023/24 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.

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 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 level of borrowing anticipated can just be supported with the current assumptions being made, but not redeemed in any way, and any net savings would help to mitigate this position. With the degree of uncertainty in the economy currently, the anticipated changes that will come through the Social Housing Charter and Decent Homes 2 and the stage at which the corporate transformation project is at, seeking significant net savings for 2023/24 is not considered an appropriate approach. This will, however. be reviewed going forward once commitments are clearer.

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 Leaders 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 DLUHC and other national bodies where statutory requirements carry excessive cost.
Changes in national housing or rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies. • Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible with scenario impact quantified.
Housing 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 with, and to provide cover against unforeseen events / pressures.

Risk Area & Issue arising	Controls / Mitigation Action
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 Business plan assumption that all borrowing is re-financed at the end each borrowing term can't be supported	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 review of key parameters whist the long-term impact of the coronavirus pandemic is still uncertain. Business plan revenue is reviewed annually, housing stock is maintained to decent standards, with an asset management strategy in place.
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA Failure to deliver Major Housing / Development Projects, i.e. return on capital investment, project on time etc. Value for money in terms of investment in new build homes is challenged	• Council employs robust business planning processes for the HRA • Council has adopted a standard project management framework • 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 • 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
Rent and service charge arrears increase, and bad debt rises, as a direct result of the Welfare Benefit Reforms or the Coronavirus pandemic	• Council seeks to influence national settlements and legislative changes through response to formal consultation • 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)	**9.4% for 2023/24, returning to 2% from 2024/25**	**General inflation on expenditure included at 9.4% for 2023/24, with 2% ongoing per Bank of England and OBR forecasts.**	**Amended**
Capital and Planned Repairs Inflation	**3.95% for 5 years, then revert to CPI. 4.7% for new build**	**Based upon the mix of BCIS and CPI forecasts for next 5 years, using averages over this period. Reverts to CPI after 5 years. Adopt 4.7% for new build based upon industry projections.**	**Amended**
Debt Repayment	**No debt repayment assumed**	**Assumes surplus is re-invested in income generating assets, but with borrowing rates resulting in ability to support interest payments only.**	**Amended**
Pay Inflation	**1% Pay Progression & Pay Inflation at £1,925 for 2022/23, 3%, then 2%**	**Assume allowance for increments at 1% and cost of living pay inflation at £1,925 for 2022/23, 3% for 2023/24, 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	**3% for 2023/24, then CPI plus 1% for 1 year from 2024/25, then CPI plus 0.5% for 5 years**	**Assume a cap at 3% for 2023/24, then rent increases of up to CPI plus 1% for 1 final year in 2024/25, reverting to inflation plus 0.5% for 5 years after this, then CPI. Assume CPI in preceding September is as above, but recognising cap for 2023/24.**	**Amended**
Affordable Rent Review Inflation	**3% for 2023/24, then CPI plus 1% for 1 year from 2024/25, then CPI**	**Affordable rents to be reviewed annually in line with rent guidance, ensuring that they do not breach the Local Housing Allowance, 60% or 80% of market rent, depending upon the tenure.**	**Amended**
Rent Convergence	Voids Only	Ability to move to target rent achieved only through movement of void properties directly to target rent.	Retained

Key Area	Assumption	Comment	Status
External Lending Interest Rate	**0.69% for 2022/23, then 0.75%**	**Interest rates based on latest market projections, recognising that the HRA will benefit from low risk investments only**	**Amended**
Internal Lending Interest Rate	**0.69% for 2022/23, then 0.75%**	**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	**3.46%**	**Assumes additional borrowing using PWLB projected rates generated by Link, with certainty rate applied.**	**Amended**
Internal Borrowing Interest Rate	**3.46%**	**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	**32 in 2022/23, then 25 sales ongoing**	**Activity has begun to recover, increase assumption for 2022/23, but retain previous assumption of 25 sales annually from 2023/24 ongoing.**	**Amended**
Right to Buy Receipts	Settlement right to buy and assumed one-for-one receipts included	Debt settlement receipts included, assuming the receipts utilised partly for general fund housing purposes. Anticipated one-for one receipts included, and ear-marked for direct new build spend. Debt repayment proportion assumed to be set-aside.	Retained
Void Rates	**2% for 2022/23, then 1% ongoing**	**Assume increased general void rate of 2% for 2022/23, then ongoing void rate of 1% from 2023/24, recognising current void performance.**	**Amended**
Bad Debts	1.5% from 2022/23 ongoing	Bad debt 1.5% ongoing reflecting the requirement to collect 100% of rent directly through Universal Credit.	Retained
Savings Target	£180,000 (4% of general and repairs administrative expenditure)	Retain an efficiency target, now at £180,000 from 2022/23 for 5 years. Allows strategic reinvestment or alternatively a response to pressure from national housing policy change.	Retained

Key Area	Assumption	Comment	Status
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	£180,000	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

Year End Date for Receipt	Retained 1-4-1 Receipt Value (Per Annum)	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)	Further New Build Spend Required by Deadline (Cumulative)	Retained 1-4-1 Receipt Extinguished (Cumulative) receipts	Balance of Retained 1-4-1 Receipts to be Spent or Paid to CLG (Cumulative)
31/03/2017	6,772,295.12	19,908,434.35	66,361,447.83	31/03/2022	109,235,760.54	0.00	37,058,159.43	-
31/03/2018	6,701,883.54	26,610,317.89	83,116,156.68	31/03/2023		0.00		-
31/03/2019	3,535,325.69	30,145,643.58	91,954,470.91	31/03/2024		0.00		-
31/03/2020	3,345,892.15	33,491,535.73	100,319,201.28	31/03/2025		0.00		-
31/03/2021	2,457,228.82	35,948,764.55	106,462,273.33	31/03/2026		0.00		-
31/03/2022	4,065,708.84	40,014,473.39	116,626,545.43	31/03/2027		7,390,784.89		2,956,313.96

Based upon current projections, the existing balance of retained right to buy receipts is forecast to be re-invested in full by the end of 2023/24, well before the deadline of 31/3/2027 (see Appendix F).

Appendix D

2022/23 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2022/23 Budget (£)	Budget Amendment in 2023/24 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		**13,591,290**		
HRA General and Special Management				
Increased staffing in Temporary Housing	Employment of an additional Assistant Housing Officer, recognising the increase in stock numbers	0	0	Funding already incorporated into the HRA business plan
Increased cost of Housing Ombudsman	The statutory subscription to the Housing Ombudsman Service has increased significantly from 2022/23	18,800	18,800	Built into base for future years
Increased property valuations	To set and review rents at 60% and 80% of market rent, regular valuations will be required	16,250	16,250	Built into base for future years
		23,270	46.540	
Total HRA General and Special Management		**58,320**		
HRA Repairs				
Increase staffing in Estates and Facilities	Continued employment of the Asbestos Surveyor, where this post has previously been fixed term	0	0	Funding already incorporated into the HRA business plan
Increased void costs	An increase in both the volume and complexity of voids will require additional resource in 2022/23, but with the assumption this can be managed for future years	0	0	Funding already incorporated into the HRA business plan
Estate Investment Scheme	Transfer of funding from the capital budget of the EIS Scheme to revenue to allow funding of revenue-related projects	150,000	0	
Total HRA Repairs		**150,000**		
HRA Summary Account				

Area of Income / Expenditure	Description	Budget Amendment in 2022/23 Budget (£)	Budget Amendment in 2023/24 Budget (£)	Comment
Bad Debt Provision	Reduction in bad debt provision based on latest assumptions	(3,270)	0	One-off additional contribution
Rent Income	Reduction in rental income for 2022/23 due to delays in new build handover, increased voids and accelerated decants	834,730	Incorporated into base assumptions	Built into base for future years
Service Charge Income	Increased income in temporary housing die to increased units	0	0	Income already incorporated into the HRA business plan
Garage Rent	Reduction in garage rent recognising garages demolished in 2021/22 for redevelopment and in early 2022/23 for structural reasons	42,900	Incorporated into base assumptions	Built into base for future years
Dwelling Depreciation	Reduction in the estimated level of depreciation based upon a review of remaining useful asset lives	(674,450)	Incorporated into base assumptions	Built into base for future years
RTB capitalisation	The sum that can be capitalised in respect of administrative costs will be higher due to an increase in sales and an increase in the fixed sts element of the calculation	(44,530)	Incorporated into base assumptions	Built into base for future years
Interest earned on HRA Balances	The HRA will receive a higher interest receipt as a result of higher cash balances due to underspending in 2021/22.	(79,020)	One-off loss	Impact built into base for future years
Interest paid on Borrowing	Reduction in interest paid, with assumed borrowing in 2022/23 now at a higher interest rate, but with a lower level of borrowing need	(251,790)	Incorporated into base assumptions	Built into base for future years
Direct Revenue Financing (DRF) of capital	A reduction in DRF recognising the transfer of Este Investment Scheme funding from capital to revenue	(150,000)	0	One-Off
Increased Inflation	Following a review of the inflation held centrally in the HRA from 2022/23, an increase is required from	0	163,070	Built into base for future years

Area of Income / Expenditure	Description	Budget Amendment in 2022/23 Budget (£)	Budget Amendment in 2023/24 Budget (£)	Comment
	2023/24 to meet cost increases in year			
Total HRA Summary		**(325,430)**		
Revised use of / (contribution to) HRA Reserves post MTFS		**13,474,180**		

Appendix E

2022/23 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Total Housing Capital Plan Expenditure pre HRA MTFS	**116,391**	**71,105**	**151,617**	**196,782**	**238,446**
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	600	(55)	143	628	(724)
Bathrooms	624	12	400	(26)	(477)
Central Heating / Boilers	0	(350)	423	(429)	(375)
Insulation / Energy Efficiency / Wall Finishes	0	(67)	(114)	(211)	522
Energy Efficiency Pilot / Retrofit	0	0	0	0	0
External Doors	600	14	72	(16)	(27)
PVCU Windows	0	546	219	407	(576)
Wall Structure	2,600	(880)	(17)	263	(178)
Roof Covering (including chimneys)	0	29	1,311	(405)	(635)
Electrical / Wiring	0	26	58	(216)	53
Other Health and Safety Works	0	0	50	0	(3)
Decent Homes Backlog	(4,424)	903	903	903	903
Decent Homes Planned Maintenance Contractor Overheads	0	30	279	(1)	(265)
Transfer Estate Investment Scheme funding to revenue	(150)	0	0	0	0
Re-phase retrofit pilot energy works funding	(4,500)	4,500	0	0	0
Decent Homes New Build Allocation	(679)	(126)	(22)	105	15
Re-profile other investment in HRA stock budget based upon latest stock numbers, contract prices and stock condition data:					
Communal Electrical Installations / Fire Systems / Communal Lighting	0	(57)	0	0	0
Communal Entrance / Enclosure Doors + Glazing	0	0	0	24	(24)
Communal Areas Floor Coverings	0	(77)	0	0	0
Lifts and Door Entry Systems	0	47	(10)	47	(75)
Estate Investment Scheme	0	(199)	199	0	0

Area of Expenditure And Change	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	0	27	20	7	(11)
New Build					
Re-phase budget for Tedder Way	(278)	278	0	0	0
Re-phase budget for Kendal Way	(297)	297	0	0	0
Rephase budget for Colville Road II	(283)	78	205	0	0
Re-phase budget for Meadows and Buchan	(2,534)	1,162	1,372	0	0
Re-phase budget for Campkin Road	(759)	759	0	0	0
Increase budget for L2 per HSC decision to acquire the entire scheme	5,071	6,449	0	0	0
Rephase and increase budget for Colville Road III	(2,350)	2,014	368	0	0
Increase budget for Fen Road	0	84	0	0	0
Reduce budget for Ditton Fields	0	(117)	0	0	0
Re-phase and increase budget for Aragon Close	(420)	535	0	0	0
Re-phase nd increase budget for Sackville Close	(473)	606	0	0	0
Increase budget for Borrowdale	0	130	0	0	0
Re-phase budget for Aylesborough Close	(2,982)	186	2,796	0	0
Re-phase and increase budget for St Thomas's Road	848	0	0	0	0
Re-phase ad reduce budget for Paget Road	(576)	155	0	0	0
Allocate budget for Fanshawe Road from 1,000 homes budget allowing increased decant costs	3,825	6,788	7,764	7,764	2,446
Allocate budget for buy backs and decant at Princess and Hanover Court from general acquisitions budget and for redevelopment from the 1,000 homes programme budget	5,548	9,968	1,914	6,658	4,409
Reallocate ear-marked funds for Princess and Hanover to specific scheme budget	(8,888)	(5,664)	0	0	0
Increase in acquisitions budget to allow a strategic acquisition	1,416	0	0	0	0
Re-allocation of 1,000 homes budget in line with changes to scheme specific approvals and update of sums for latest programme assumptions	(12,573)	(832)	(81,254)	(119,491)	(143,793)
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	(601)	2,721	1,834	190	(2,274)
Total Housing Capital Plan Expenditure post HRA MTFS	**94,756**	**101,025**	**90,530**	**92,983**	**97,357**

Appendix F

New Build Investment Cashflow

New Build / Re-Development Scheme	2022/23 £'0000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000
New Build / Acquisition / Re-Development Cash Expenditure										
Anstey Way	63	0	0	0	0	0	0	0	0	0
Tedder Way	154	319	0	0	0	0	0	0	0	0
Kendal Way	145	338	0	0	0	0	0	0	0	0
Akeman Street	62	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	2,258	0	0	0	0	0	0	0	0	0
Cromwell Road	3,213	378	0	0	0	0	0	0	0	0
Colville Road II	5,669	194	205	0	0	0	0	0	0	0
Meadows and Buchan Street	8,020	10,055	4,397	0	0	0	0	0	0	0
Clerk Maxwell Road	2,717	0	0	0	0	0	0	0	0	0
Campkin Road	7,537	1,760	0	0	0	0	0	0	0	0
L2	8,279	7,563	0	0	0	0	0	0	0	0
Colville Road III	4,421	6,925	613	0	0	0	0	0	0	0
Histon Road	1,674	0	0	0	0	0	0	0	0	0
Fen Road	2,693	1,077	0	0	0	0	0	0	0	0
Ditton Walk	1,335	531	0	0	0	0	0	0	0	0
Aragon Close	574	1,475	0	0	0	0	0	0	0	0
Sackville Close	580	1,546	0	0	0	0	0	0	0	0
Borrowdale	505	475	0	0	0	0	0	0	0	0
Aylesborough Close	1,650	10,910	6,166	0	0	0	0	0	0	0
St Thomas's Road	1,587	1,333	0	0	0	0	0	0	0	0

New Build / Re-Development Scheme	2022/23 £'0000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000
Paget Road	70	1,321	0	0	0	0	0	0	0	0
Fanshawe Road	3,825	6,788	7,764	7,764	2,446	0	0	0	0	0
Princess and Hanover	5,548	9,968	1,914	6,658	4,409	113	0	0	0	0
Acquisition or New Build (Unallocated)	2,444	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	1,735	11,275	41,632	46,836	56,376	45,101	41,632	46,836	39,897	15,612
Rough Sleeper Acquisitions	1,550	0	0	0	0	0	0	0	0	0
Total New Build/ Re-Development Expenditure	**68,308**	**74,231**	**62,691**	**61,258**	**63,231**	**45,214**	**41,632**	**46,836**	**39,897**	**15,612**
New Build Devolution Grant Funding / DLUHC Rough Sleeper Next Steps Grant Funding / Assumed Homes England Grant										
Anstey Way	(23)	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(1,581)	0	0	0	0	0	0	0	0	0
Cromwell Road	(2,249)	0	0	0	0	0	0	0	0	0
Colville Road II	(2,784)	(95)	0	0	0	0	0	0	0	0
Meadows and Buchan Street	(4,474)	(1,400)	0	0	0	0	0	0	0	0
Clerk Maxwell Road	(1,902)	0	0	0	0	0	0	0	0	0
Campkin Road	(3,464)	(770)	0	0	0	0	0	0	0	0
L2	(2,415)	(2,415)	0	0	0	0	0	0	0	0
Colville Road III	(1,072)	(1,072)	0	0	0	0	0	0	0	0
Fen Road	(539)	(539)	0	0	0	0	0	0	0	0
Ditton Walk	(267)	(267)	0	0	0	0	0	0	0	0
Aragon Close	(207)	(207)	0	0	0	0	0	0	0	0
Sackville Close	(207)	(207)	0	0	0	0	0	0	0	0
Borrowdale	(129)	(129)	0	0	0	0	0	0	0	0
Aylesborough Close	(1,050)	0	(1,050)	0	0	0	0	0	0	0
St Thomas's Road	(280)	0	(280)	0	0	0	0	0	0	0
Paget Road	(150)	(150)	0	0	0	0	0	0	0	0
Fanshawe Road	0	(2,754)	0	(2,754)	0	0	0	0	0	0

New Build / Re-Development Scheme	2022/23 £'0000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000
Rough Sleeper Acquisitions	(704)	0	0	0	0	0	0	0	0	0
1,000 New Build Programme	0	(2,439)	(2,439)	(2,439)	(2,439)	(2,439)	(2,439)	(2,439)	(2,439)	(2,439)
Total New Build / Re-Development Funding	**(23,495)**	**(12,443)**	**(3,769)**	**(5,193)**	**(2,439)**	**(2,439)**	**(2,439)**	**(2,439)**	**(2,439)**	**(2,439)**
Use of Retained Right to Buy Funding										
Anstey Way	(10)	0	0	0	0	0	0	0	0	0
Tedder Way	(46)	(96)	0	0	0	0	0	0	0	0
Kendal Way	(44)	(101)	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	(677)	0	0	0	0	0	0	0	0	0
Cromwell Road	(321)	(38)	0	0	0	0	0	0	0	0
Colville Road II	(1,193)	(41)	(43)	0	0	0	0	0	0	0
Meadows and Buchan Street	(2,406)	(3,017)	(1,319)	0	0	0	0	0	0	0
Clerk Maxwell Road	(815)	0	0	0	0	0	0	0	0	0
Campkin Road	(1,484)	(352)	0	0	0	0	0	0	0	0
Histon Road	(167)	0	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	(3,396)	(3,464)	(3,533)	(3,604)	(3,676)	(3,749)	(3,824)
Total Use of Retained Right to Buy Funding	**(7,164)**	**(3,644)**	**(1,362)**	**(3,396)**	**(3,464)**	**(3,533)**	**(3,604)**	**(3,676)**	**(3,749)**	**(3,824)**
Total to be funded from HRA Resources (DRF & MRR) and Sales Receipts	**37,649**	**(1,910)**	**(6,221)**	**(9,337)**	**(11,235)**	**(10,296)**	**(14,914)**	**(22,736)**	**(30,723)**	**(5,471)**
Total HRA Borrowing	**0**	**60,054**	**63,781**	**62,006**	**68,563**	**49,539**	**50,503**	**63,457**	**64,432**	**14,820**

Appendix G (1)

HRA Summary Forecast 2022/23 to 2026/27

Description	2022/23 £0	2023/24 £0	2024/25 £0	2025/26 £0	2026/27 £0
Income					
Rental Income (Dwellings)	(40,479,190)	(44,133,950)	(47,205,080)	(50,660,570)	(53,325,470)
Rental Income (Other)	(1,303,520)	(1,329,590)	(1,356,180)	(1,383,310)	(1,410,970)
Service Charges	(3,389,820)	(3,690,750)	(3,760,800)	(3,832,250)	(3,905,130)
Contribution towards Expenditure	(566,360)	(619,600)	(631,980)	(644,630)	(657,520)
Other Income	(508,540)	(546,390)	(557,320)	(568,460)	(579,830)
Total Income	**(46,247,430)**	**(50,320,280)**	**(53,511,360)**	**(57,089,220)**	**(59,878,920)**
Expenditure					
Supervision & Management - General	5,505,390	5,919,190	6,142,630	6,397,040	6,600,220
Supervision & Management - Special	3,673,550	3,980,220	4,071,860	4,165,680	4,261,750
Repairs & Maintenance	9,414,360	8,959,800	9,425,880	9,904,180	10,316,640
Depreciation – t/f to Major Repairs Res.	10,469,290	11,986,170	12,660,170	13,570,300	14,327,140
Debt Management Expenditure	0	0	0	0	0
Other Expenditure	2,794,180	2,986,220	3,090,100	3,201,130	3,301,840
Total Expenditure	**31,856,770**	**33,831,600**	**35,390,640**	**37,238,330**	**38,807,590**
Net Cost of HRA Services	**(14,390,660)**	**(16,488,680)**	**(18,120,720)**	**(19,850,890)**	**(21,071,330)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account					
Interest Receivable	(300,270)	(146,940)	(145,400)	(153,070)	(152,140)
HRA (Surplus) / Deficit for the Year	**(14,690,930)**	**(16,635,620)**	**(18,266,120)**	**(20,003,960)**	**(21,223,470)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance					
Loan Interest	7,478,430	8,545,250	10,688,420	12,859,750	15,122,940
Housing Set Aside	0	0	0	0	0
Appropriation from Ear-Marked Reserve	(14,704,510)	0	0	0	0
Direct Revenue Financing of Capital	35,391,190	10,210,690	7,453,830	7,205,570	6,953,420
(Surplus) / Deficit for Year	**13,474,180**	**2,120,320**	**(123,870)**	**61,360**	**852,890**
Balance b/f	(19,590,023)	(6,115,843)	(3,995,523)	(4,119,393)	(4,058,033)
Total Balance c/f	**(6,115,843)**	**(3,995,523)**	**(4,119,393)**	**(4,058,033)**	**(3,205,143)**

Appendix G (2)

HRA 10 Year Summary Forecast 2022/23 to 2031/32

Description	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	2031/32 £'000
Income										
Rental Income (Dwellings)	(40,479)	(44,134)	(47,205)	(50,661)	(53,325)	(56,230)	(59,228)	(61,968)	(64,585)	(67,281)
Rental Income (Other)	(1,304)	(1,329)	(1,356)	(1,383)	(1,411)	(1,439)	(1,468)	(1,498)	(1,527)	(1,558)
Service Charges	(3,390)	(3,691)	(3,761)	(3,832)	(3,905)	(3,979)	(4,059)	(4,140)	(4,223)	(4,308)
Contribution towards Expenditure	(566)	(620)	(632)	(645)	(658)	(671)	(684)	(698)	(712)	(726)
Other Income	(509)	(546)	(557)	(568)	(580)	(591)	(603)	(615)	(628)	(640)
Total Income	**(46,248)**	**(50,320)**	**(53,511)**	**(57,089)**	**(59,879)**	**(62,910)**	**(66,042)**	**(68,919)**	**(71,675)**	**(74,513)**
Expenditure										
Supervision & Management - General	5,505	5,919	6,143	6,397	6,600	6,835	7,051	7,273	7,501	7,735
Supervision & Management - Special	3,674	3,980	4,072	4,166	4,262	4,360	4,461	4,564	4,670	4,778
Repairs & Maintenance	9,415	8,960	9,426	9,904	10,317	10,963	11,192	11,709	12,210	12,686
Depreciation – to Major Repairs Res.	10,469	11,986	12,660	13,570	14,327	14,779	15,409	15,904	16,421	16,951
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	2,794	2,986	3,090	3,201	3,302	3,408	3,516	3,623	3,729	3,838
Total Expenditure	**31,857**	**33,831**	**35,391**	**37,238**	**38,808**	**40,345**	**41,629**	**43,073**	**44,531**	**45,988**
Net Cost of HRA Services	**(14,391)**	**(16,489)**	**(18,120)**	**(19,851)**	**(21,071)**	**(22,565)**	**(24,413)**	**(25,846)**	**(27,144)**	**(28,525)**
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(300)	(147)	(145)	(153)	(152)	(152)	(154)	(157)	(160)	(163)
(Surplus) / Deficit on the HRA for the Year	**(14,691)**	**(16,636)**	**(18,265)**	**(20,004)**	**(21,223)**	**(22,717)**	**(24,567)**	**(26,003)**	**(27,304)**	**(28,688)**
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										
Loan Interest	7,478	8,545	10,688	12,860	15,123	17,184	18,915	20,874	23,080	24,490

Housing Set Aside	0	0	0	0	0	0	0	0	0	0
Appropriation from Ear-Marked Reserve	(14,704)	0	0	0	0	0	0	0	0	0
Direct Revenue Financing of Capital	35,391	10,211	7,454	7,205	6,953	5,530	5,587	5,028	4,158	4,281
(Surplus) / Deficit for Year	**13,474**	**2,120**	**(123)**	**61**	**853**	**(3)**	**(65)**	**(101)**	**(66)**	**83**
Balance b/f	(19,590)	(6,116)	(3,996)	(4,119)	(4,058)	(3,205)	(3,208)	(3,273)	(3,374)	(3,440)
Total Balance c/f	**(6,116)**	**(3,996)**	**(4,119)**	**(4,058)**	**(3,205)**	**(3,208)**	**(3,273)**	**(3,374)**	**(3,440)**	**(3,357)**

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	705	705	705	705	705	705	705	705	705	705
Private Sector Housing Grants and Loans	195	195	195	195	195	195	195	195	195	195
Total General Fund Housing Capital Spend	**900**	**900**	**900**	**900**	**900**	**900**	**900**	**900**	**900**	**900**
HRA Capital Spend										
Decent Homes										
Kitchens	865	528	682	1,350	659	1,300	1,187	1,553	3,127	1,341
Bathrooms	800	138	560	586	132	53	328	964	823	53
Central Heating / Boilers	2,912	1,730	2,265	1,750	2,337	1,456	1,641	3,015	2,946	2,955
Insulation / Energy Efficiency / Wall Finishes	2,039	620	541	357	946	176	1,126	725	798	959
Energy Efficiency Pilot / Retrofit	1,500	4,500	0	0	0	0	0	0	0	0
External Doors	1,058	24	94	80	49	18	66	242	289	51
PVCU Windows	1,021	783	987	945	373	316	1,099	772	885	787
Wall Structure	2,824	19	2	266	92	529	687	1,177	965	557
External Painting	371	357	357	357	357	357	707	357	357	357
Roof Structure	425	300	300	300	300	300	300	300	300	300
Roof Covering (including chimneys)	1,079	676	1,993	1,582	1,010	1,120	879	432	1,747	561
Electrical / Wiring	255	334	392	179	258	4	19	399	2,823	118

Description	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Sulphate Attacks	102	102	102	102	102	102	102	102	102	102
HHSRS Contingency	278	500	300	100	100	100	100	100	100	100
Other Health and Safety Works	50	50	50	0	0	0	0	0	0	0
Capitalised Officer Fees - Decent Homes	505	505	505	505	505	505	505	505	505	360
Decent Homes Backlog	0	5,327	5,327	5,327	5,327	4,593	4,593	4,593	4,593	0
Decent Homes Planned Maintenance Contractor Overheads	1,853	678	948	875	739	641	910	1,119	1,683	906
Decent Homes New Build Allocation	0	1,101	1,787	2,355	2,723	3,305	3,705	4,121	4,551	4,997
Total Decent Homes	**17,937**	**18,272**	**17,192**	**17,016**	**16,009**	**14,875**	**17,954**	**20,476**	**26,594**	**14,504**
Other Spend on HRA Stock										
Garage Improvements	167	100	100	100	100	100	100	100	100	100
Asbestos Removal	23	50	50	50	50	50	50	50	50	50
Disabled Adaptations	1,008	808	808	808	808	808	808	808	808	808
Communal Areas Uplift	100	100	100	100	100	100	100	100	100	100
Communal Electrical Installations / Fire Systems / Communal Lighting	350	150	150	150	150	150	150	150	150	150
Communal Entrance / Enclosure Doors + Glazing	521	121	121	145	121	121	121	121	152	121
Fire Prevention / Fire Safety Works	2,122	50	50	700	50	50	50	50	50	50
Hard surfacing on HRA Land - Health and Safety Works	262	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	49	47	28	75	0	0	0	0	28	0
Estate Investment Scheme	1,850	1,000	199	0	0	0	0	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	141	114	114	114	114	114	114	114	114	114

Description	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	380	303	212	198	187	187	188	188	194	187
Total Other Spend on HRA stock	**7,073**	**3,168**	**2,257**	**2,765**	**2,005**	**2,005**	**2,006**	**2,006**	**2,071**	**2,005**
HRA New Build / Re-Development										
Anstey Way	63	0	0	0	0	0	0	0	0	0
Tedder Way	154	319	0	0	0	0	0	0	0	0
Kendal Way	145	338	0	0	0	0	0	0	0	0
Akeman Street	62	0	0	0	0	0	0	0	0	0
Mill Road (Phase I and II)	2,258	0	0	0	0	0	0	0	0	0
Cromwell Road	3,213	378	0	0	0	0	0	0	0	0
Colville Road Phase II	5,669	194	205	0	0	0	0	0	0	0
Meadows and Buchan Street	8,020	10,055	4,397	0	0	0	0	0	0	0
Clerk Maxwell Road	2,717	0	0	0	0	0	0	0	0	0
Campkin Road	7,537	1,760	0	0	0	0	0	0	0	0
Histon Road	1,674	0	0	0	0	0	0	0	0	0
L2	8,279	7,563	0	0	0	0	0	0	0	0
Colville Road Phase III	4,421	6,925	613	0	0	0	0	0	0	0
Fen Road	2,693	1,077	0	0	0	0	0	0	0	0
Ditton Fields	1,335	531	0	0	0	0	0	0	0	0
Aragon Close	574	1,475	0	0	0	0	0	0	0	0
Sackville Close	580	1,546	0	0	0	0	0	0	0	0
Borrowdale	505	475	0	0	0	0	0	0	0	0
Aylesborough Close	1,650	10,910	6,166	0	0	0	0	0	0	0
St Thomas's Road	1,587	1,333	0	0	0	0	0	0	0	0
Paget Road	70	1,321	0	0	0	0	0	0	0	0

Description	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fanshawe Road	3,825	6,788	7,764	7,764	2,446	0	0	0	0	0
Princess and Hanover	5,548	9,968	1,914	6,658	4,409	113	0	0	0	0
Acquisition and Decant (Incl. for New Build)	2,444	0	0	0	0	0	0	0	0	0
1,000 New Build Programme (Unallocated)	1,735	11,275	41,632	46,836	56,376	45,101	41,632	46,836	39,897	15,612
Rough Sleeper Acquisitions	1,550	0	0	0	0	0	0	0	0	0
Total HRA New Build	**68,308**	**74,231**	**62,691**	**61,258**	**63,231**	**45,214**	**41,632**	**46,836**	**39,897**	**15,612**
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	119	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	69	30	30	30	30	30	30	30	30	30
Estate Service Van	50	0	0	0	0	0	0	0	0	0
Total Other HRA Capital Spend	**538**	**330**	**330**	**330**	**330**	**330**	**330**	**330**	**330**	**330**
Total HRA Capital Spend	**93,856**	**96,001**	**82,470**	**81,369**	**81,575**	**62,424**	**61,922**	**69,648**	**68,892**	**32,451**
Total Housing Capital Spend at Base Year Prices	**94,756**	**96,901**	**83,370**	**82,269**	**82,475**	**63,324**	**62,822**	**70,548**	**69,792**	**33,351**
Inflation Allowance and Stock Reduction Adjustment for Future Years	0	4,124	7,160	10,714	14,882	14,163	16,443	21,739	23,248	10,866
Total Inflated Housing Capital Spend	**94,756**	**101,025**	**90,530**	**92,983**	**97,357**	**77,487**	**79,265**	**92,287**	**93,040**	**44,217**

Description	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Capital Resources										
Right to Buy Receipts	(488)	(493)	(498)	(503)	(508)	(513)	(518)	(523)	(529)	(534)
Other Capital Receipts (Land & Dwellings, incl. Market, Rent to Buy and SO Sales)	0	(614)	0	(104)	(98)	(149)	(201)	(254)	(308)	(363)
Major Repairs Reserve	(21,435)	(12,562)	(12,660)	(13,570)	(14,327)	(14,779)	(15,409)	(15,904)	(16,421)	(16,951)
Direct Revenue Financing of Capital	(35,391)	(10,211)	(7,454)	(7,206)	(6,953)	(5,530)	(5,587)	(5,028)	(4,158)	(4,280)
Devolution Grant / Homes England Grant (assumed)	(23,495)	(12,443)	(3,769)	(5,193)	(2,439)	(2,439)	(2,439)	(2,439)	(2,439)	(2,439)
Disabled Facilities Grant	(705)	(705)	(705)	(705)	(705)	(705)	(705)	(705)	(705)	(705)
Other Capital Resources (Grants / Shared Ownership Re-Sale / R&R Funding)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Retained Right to Buy Receipts	(7,164)	(3,644)	(1,362)	(3,396)	(3,464)	(3,533)	(3,604)	(3,676)	(3,749)	(3,824)
Prudential Borrowing	0	(60,053)	(63,782)	(62,006)	(68,563)	(49,539)	(50,502)	(63,458)	(64,431)	(14,821)
Total Housing Capital Resources	**(88,978)**	**(101,025)**	**(90,530)**	**(92,983)**	**(97,357)**	**(77,487)**	**(79,265)**	**(92,287)**	**(93,040)**	**(44,217)**
Net (Surplus) / Deficit of Resources	5,778	0	0	0	0	0	0	0	0	0
Capital Balances b/f	**(6,346)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**
Use of / (Contribution to) Balances in Year	5,777	0	0	0	0	0	0	0	0	0
Capital Balances c/f	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**	**(569)**
Other Capital Balances (Opening Balance 1/4/2022)										

Description	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Major Repairs Reserve	(11,541)	Utilised in future years to fund investment in the housing stock								
Retained 1-4-1 Right to Buy Receipts	(7,244)	Utilised in 2022/23 above								
Right to Buy Receipts for Debt Redemption	(11,215)	Retained for future debt repayment								
Devolution Grant	(18,742)	Utilised in 2022/23 and 2023/24 above								
Total Other Capital Balances	**(48,742)**									

Appendix I

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to June	Current Balance
General Management	(702.1)	(71.1)	0.0	(773.2)
Special Services	(1,323.8)	(150.3)	19.6	(1,454.5)
Repairs and Maintenance	(586.2)	(49.3)	0.0	(635.5)
Total	**(2,612.1)**	**(270.7)**	**19.6**	**(2,863.2)**

Tenants Survey

	Opening Balance	Contributions	Expenditure to June	Current Balance
Tenants Survey	(34.7)	(6.5)	0.0	(41.2)

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to June	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 June	Current Balance
Debt Set-Aside	(11,215.4)	0.0)	0.0	(11,215.4)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to June	Current Balance
MRR	(11,540.7)	0.0	0.0	(11,540.7)

Appendix J

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact
Rents Inflation	Capped at 3% for 2023/24, then CPI plus 1% for 1 further year from 2024/25, followed by CPI plus 0.5% for 5 years, then CPI	No confirmation from government, for the 2023/24 rent review, but also 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 £52 million during the life of the plan and interest payments by £20 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 2023/24.	Borrowing increases by £93 million during the life of the plan, with £58 million bad debt and £41 million in additional interest payments.
Cost of HRA New Build 1,000 Programme	Homes England Grant assumed for all eligible affordable tenures	Assume that the authority fails to secure Homes England Grant to support the delivery of new homes	Borrowing increases by £78 million during the life of the plan and interest payments increase by £48 million.
General Inflation	CPI assumed to be 9.4% for 2023/24, then 2% ongoing from 2024/25	Assume that the current high levels of inflation do not return to 2% within 12 months, with CPI at 7% and 4% before returning to 2% from 2026/27.	Borrowing increases by £40 million during the life of the plan.
Extend new build	1,000 net council rented homes delivered over 10 years	Assume delivery is far slower and is spread over a 20 year period	Borrowing increases by £78 million during the life of the plan and interest payments increase by £35 million.

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 and Interest Rates
Future uncertainty exists in the borrowing route 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. Interest rates are currently rising, and it is difficult to predict where they will settle. 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 begun to recover, following a reduction in activity in 2020/21 as a result of the coronavirus pandemic. Indications are that renewed interest is being sustained but uncertainty in the economy, and particularly the current increased cost of living, may impact future sales. It is impossible to predict this accurately.
Right to Buy Retention Agreement
Resource retained in respect of 1-4-1 receipts must be appropriately re-invested to avoid payment of an interest penalty, currently at the rate CPI pls 4%, so 13.4%. At present, sufficient investment is incorporated into the HRA financial model to avoid penalty in the medium-term, so no interest payments are assumed in the business plan.
Inflation
It is difficult to predict the longer-term position in respect of inflation, which is currently incredibly high. The longer-term impact of the conflict In Ukraine in respect of both fuel and utility prices is also unclear at this time. The government is committed to bringing down inflation levels, but it is impossible to predict how long this will take and how effective any measures introduced to achieve this will be.
HRA New Build
Delays in the delivery of the new build programme impact negatively upon rental income. If any individual development scheme does not proceed, the initial outlay needs to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of anticipated rental streams. Delays on site are still being experienced as a result of labour and materials shortages.
Welfare Reforms
The ongoing impact for the authority of the full local rollout of Universal Credit is still uncertain, but with expectations that we may see a significant increase in arrears levels.

Housing Revenue Account – Revenue Uncertainties

Housing White Paper and Repairs Legislation

The Social Housing Charter is anticipated to result in law being passed within the next 12 months, with the introduction of an inspection regime. The need for a review of legislation surrounding the decency and maintenance standards of social housing stock was identified as part of the charter, and we await the details of additional works that may e required.

National Rent Policy

The national rent policy, with what was previously rent guidance, now being legislation, removes local control over the setting of rent levels. Although the rent standard states increase of up to CPI plus 1% for two further years, it is anticipated that a cap may be imposed for 2023/24 due to the unprecedented level of inflation currently. There is also no indication what will be imposed from April 2025.

Housing Revenue Account - Capital Uncertainties

Sulphate Attack

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

Disabled Facilities Grants and Private Sector Housing Grants and Loans

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

Right to Buy Sales and Retained Right to Buy Receipts

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

Fire Safety Act and Works in Flatted Accommodation

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

Decent Homes 2

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. The need to evidence that these costs are robust is being addressed by carrying out pilot programmes locally and the authority is exploring funding mechanisms to support this investment. The ability to deliver this level of investment without financial support is limited.

HRA Commercial Property

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

Housing Revenue Account Appendix L

Rent Setting Policy

1 Introduction

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

2 Policy Statement

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

The Council will set rents following consideration of the Regulator of Social Housing's 'Rent Standard', in the context of both local housing demand and Cambridge's pressured housing market.

Rents are set at a level that ensures that the Council can meet its landlord obligations to tenants and maintain stock to a minimum of the Decent Homes Standard, considering sustainability whilst also delivering a financially viable Housing Revenue Account over the longer term, facilitating investment in the delivery of new homes.

3 Policy Objectives

The objectives of the rent setting policy are:

- To consider, and respond locally, to Government guidance and Regulator of Social Housing requirements on setting rents for social housing
- To identify how Cambridge City Council will set rents for general, sheltered and supported housing properties, both social rented ad affordable rented
- To identify how Cambridge City Council will set rents for shared ownership properties
- To identify how Cambridge City Council will set rents for new build properties
- To identify how Cambridge City Council will set rents for garages and parking spaces

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

4 Background

Rent restructuring was introduced with effect from April 2002, with the aim of introducing consistency in the calculation of social rent across local authorities and other Registered Providers (RP's), ensuring that social rents were more affordable, fairer and less confusing for all tenants.

The Government rent restructuring policy requires rents to be set based upon a formula driven by a combination of relative county earnings and relative property values, weighted for the number of bedrooms that a property has.

Alternatively, registered providers can deliver affordable rented homes, with rents set at up to 80% of market rent, but with the need to 'pay due regard' to the Local Housing Allowance.

The Government 'Policy statement on rents for social housing' document and the Regulator of Social Housing's 'Rent Standard' set outs the approach to calculating both social and affordable rent.

The Greater Cambridge Housing Strategy and associated Affordable Rents Policy set out local expectations for setting rents for social housing.

5 Detailed Implementation

Social Rent

In line with the rent restructuring policy, Cambridge City Council calculates a 'target' rent for all existing, and any new socially rented properties, based on the Government's 'target' rent formula as set out below:

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

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

- An additional ‘weighting’ based on the number bedrooms in the property.
- A weekly rent cap based upon the number of bedrooms in the property.

Historic low rents will be moved to target rent restructured rents only when a property becomes void unless the Regulator of Social Housing introduces further flexibility in the rent standard.

Consideration will be given to properties set at affordable rent levels that remain unlet for an extensive period of time to be reduced to social rents where any funding conditions allow this.

Affordable Rent

Government guidelines requires Cambridge City Council to consider rent levels of up to a maximum of 80% of market rent (inclusive of service charges) for any new affordable rented properties.

The Greater Cambridge Housing Strategy and associated Affordable Rents Policy requires affordable rents, inclusive of eligible property related service charges, in Cambridge to be set at 60% of market rent or the prevailing Local Housing Allowance rate, whichever is the lower.

Exceptions to this exist in specific circumstances, ie; where the up-front investment in the dwelling is higher due to sustainable build standards, but where for the tenant 'the overall affordability of the home, in terms of issues such as fuel costs and repair & maintenance of heating systems will be sufficiently reduced so that it is cost neutral to tenants.

The Council will comply with the Greater Cambridge Housing Strategy Affordable Rent Setting Policy in respect of the delivery of policy compliant housing (ie; 25% affordable housing on sites of 11 to 14 units and 40% affordable housing on sites of 15 units or more) when setting rents in the Housing Revenue Account stock, unless such an exception can clearly be demonstrated.

6 Annual Rent Review and Re-Let

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

Annual rent increases (or decreases) will comprise, in line with the Rent Standard, an adjustment to reflect the change in prices between one year and the next, with up to inflation plus 1.0%

applied across all properties (based on the consumer price index (CPI) inflation rate for the preceding September). This is applicable from April 2020, for at least 5 years, unless otherwise directed by government or the Regulator of Social Housing.

Where the rent charged for a property is below the target rent for the dwelling, no additional increase will be applied to move towards rent convergence whilst the property is occupied by the existing tenant unless national guidelines allow this.

Rent will be due on each Monday during the rent year, raised on rent accounts across 52 or 53 weeks depending upon the number of Mondays in the rent year.

Where homes are re-let during the year, social rented homes will routinely be re-let at target rent restructured rent plus service charges. Affordable rented homes are required to be re-let at no more than 80% of market rent (60% to ensure continued compliance with the local rent setting policy), with the need to demonstrate this either through separate 'red book' valuation or by using a desktop review of market rent levels where sufficient market comparables are held by the authority.

7 General Needs, Sheltered and Supported Housing

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

Rents in respect of all void properties will be set at target rent levels before the property is re-let. This will not apply in the case of mutual exchanges, where there is no formal void period and therefore rents will remain as they do in respect of existing tenants.

8 Shared Ownership Housing

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

Social Rented Shared Ownership

For social rented shared ownership properties, target rents will be discounted by 20%, in line with the terms of the shared ownership lease, to reflect the tenant's liability for repairs to the property.

Rents will be increased (or decreased) in line with the Rent Standard as far as possible within the terms of the lease, with a maximum increase of inflation (CPI at the preceding September) plus 1.0% for a minimum of 5 years from April 2020, unless otherwise directed by government or the Regulator of Social Housing.

In the event that the authority re-acquires the whole shared ownership dwelling, rents in respect of void properties will be set at target rent levels before the property is re-sold or let as rented accommodation.

Affordable Rent Shared Ownership

Shared ownership properties built since 2012 have been sold using a Homes England Shared Ownership Model Lease, where the 20% discount for the repair liability does not apply.

The initial rent charge will not exceed 3% of the capital value of the unsold equity, with providers encouraged to set rents at no more than 2.75% on average. The resident will have purchased a proportion of the property, and pays rent based upon the percentage of the property still owned by the Council.

Rents will be increased (or decreased) in line with the terms of the lease, with a maximum increase of inflation (RPI for a month specified in the lease) plus 0.5%

Rents in respect of properties that change ownership will remain at the rent level of the property prior to the acquisition transaction and will still be subject to any rent review that may fall due.

In the event that the authority re-acquires the whole shared ownership dwelling, rents in respect of void properties will be set to not exceed 3% of the capital value of the unsold equity, with providers encouraged to set rents at no more than 2.75%. If converted to rented accommodation, rents will be set at 60% of market rent or the Local Housing Allowance, whichever is lower.

Any shared ownership homes built using grant funding from the 2021-26 Homes England Grant Programme will be sold using the new Homes England Shared Ownership Model Lease, which includes, amongst other things, the repair liability falling to the lessor for the first 10 years of ownership.

9 New Build Affordable Housing

In respect of new build housing, consideration will be given to rent levels in the context of the financial viability of the initial investment, with both social rents and affordable rents considered, where applicable.

Where new homes are delivered at social rents, the authority will obtain a market value for the property, discounted back to January 1999 levels, to allow the calculation of a social rent using the rent restructuring formula. The rent restructured target rent will be applied, with any service charges then added to this. The 5% flexibility may be applied if considered appropriate, and if approved for the scheme in question.

Where homes are delivered at affordable rents, with funding through either Homes England Grant or Retained Right to Buy Receipts currently making this possible, a market rental valuation will be sought. Rents will then be set at 60% of market rent, or the prevailing Local Housing Allowance level if this is lower, for planning policy compliant housing delivery. Rents can be set at 80% of market rent if unts are being delivered above the planning requirement. This rent is inclusive of eligible service charges.

This policy allows for planning compliant new build homes to be routinely delivered with rents at up to 60% of market rent levels, but recognises that there may be exceptions, dependent upon scheme cost, sustainability levels of the build and scheme viability, where there may be a case to set rents higher, and at up to 80% of market rent inclusive of service charge. Any exceptions will be clearly articulated throughout the scheme approval process.

10 Garages and Parking Spaces

Rent levels for garages and parking spaces will be in line with each year's Garage Charging Structure which will be reviewed annually as part of the budget process and set according to demand.

A variable charging structure will apply, with higher rents payable for garages or parking spaces located within a high demand or high value area. Any new garages or parking spaces will be assessed by the Strategic Director who has delegated authority to designate a standard or high demand / value area.

An additional premium for non-city residents / commuters and business / commercial lets may be added in line with the charging structure approved.

VAT will be applied to all private garages, ie; garages or parking spaces let to those who are either not housing tenants of Cambridge City Council or are tenants where the garage is being used for storage under a previous charging structure.

11 Monitoring

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

12 Review of the Rent Setting Policy

The Rent Setting Policy will be reviewed by officers every 3 to 5 years, or as otherwise required to allow for changes to national or other local policy, with any changes being presented to Housing Scrutiny Committee for debate, and then approval by the Executive Councillor for Housing.

Policy Date September 2022

Review Date January 2025