CAMBRIDGE
CITY COUNCIL

HSC Final

Housing Revenue Account Business Plan and Medium Term Financial Strategy 2024/25

CAMBRIDGE
CITY COUNCIL

September 2024

2024/25 to 2053/54

Cambridge City Council

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Background and Executive Summary

Executive Summary

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

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

The HRA Medium Term Financial Strategy reviews and re-states the budget for the current year, 2024/25, 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 2025/26 to 2033/34, in the context of the 30-year plan.

This iteration of the Business Plan is constructed recognising the following key points:

- The authority has ambitions to provide significant levels of net new social and affordable housing over the next 10 years, recognising that Cambridge is a fast-growing city of economic importance to the UK, where the Council has already successfully delivered more units than other local authority providers.

- In the current economic climate of continued high interest rates and increased build costs, the Council alone is unable to finance this level of housing development in a financially sustainable way.
- To address this, the authority has developed a potential new portfolio approach to the delivery of new homes which will allow affordable housing targets to be exceeded across the city as a whole, whilst reducing the cost of development to the HRA.
- In order to deliver this ambitious programme the authority will require government grant funding in the region of £208.5 million.
- If unsuccessful in securing this level of grant, the programme will need to be revisited. In practice, this is likely to mean a significant reduction in the scale and / or pace of development, reduced build standards, and sustainability ambitions.

To deliver new homes, significant additional borrowing is required, which brings with it financial risks whilst interest rates remain high, both in terms of the initial rate that may be secured and the rates that may be available when loans require re-financing. It is unlikely that rates will revert to the all-time low borrowing rates experienced over the last decade or so.

The recent change in government introduces more uncertainty initially, with a review of many national policies anticipated. Although inflation has slowed, borrowing rates are still extremely high, and have not yet shown any real signs of reducing as was anticipated when the 2024/25 budget was approved. The recent change in government means that we are not clear which current housing related policies will remain as they are, and which may be revised or potentially replaced with completely new statutory requirements or guidelines.

To allow the delivery of new homes already approved, it is necessary for the HRA to borrow significant resource over the next few years, which brings with it significant risk in the current economic climate. It is critical that any borrowing can be fully supported and that it doesn't detriment the financial stability of the longer-term HRA Business Plan, with the inherent risks surrounding re-financing of the debt fully understood and mitigated where possible. Being able to invest in new homes is made considerably more challenging due to continued increases in development costs, borrowing costs remaining stubbornly high, maintenance costs increasing because of the need to address compliance issues and the HRA's income stream being reduced as a result of correcting the rent regulation errors identified at the end of 2023.

This iteration of the HRA Business Plan retains the aspirational option for the delivery of much needed new homes, whilst also seeking to balance investment in the existing housing portfolio to ensure decency and safety and to improve energy efficiency and reduce tenants' fuel bills. The business plan does, however, assume a significant increase in the level of grant funding that the authority would be seeking to allow the delivery of much needed new homes in the context of the current financial climate, but most notably, borrowing rates.

This assumption requires an 'ask' of government that rather than funding through Continuous Market Engagement or Strategic Partnership under the Affordable Homes Programme, a more Strategic Partnership model or a funding regime similar to that provided through the Greater London Authority should be extended to councils, so that more strategic allocations of funding can be obtained for use flexibly across development programmes.

The authority requests a move towards fewer, flexible funding allocations which amalgamate the various funding sources for investment in housing into 1 or 2 "pots", specifically addressing both investment in existing homes and new home delivery.

This approach would unlock regeneration sites in the city and on its fringes to deliver an increase in affordable homes and improve existing stock through partnership with the council, RPs and developers. Grant is needed to fund regeneration costs (buy backs and land assembly), retrofitting costs and to deliver higher sustainability standards on mixed tenure sites.

Last year Cambridge City Council, through its partnership with Hill, delivered the second largest number of direct build council homes in England and a significant majority of the affordable housing within the city. With £208.5 million grant we could accelerate a pipeline of over 1,100 new and re-provided affordable homes and over 1,100 market homes.

Recognising the level of borrowing required to deliver the existing approved programme, a full review of the HRA 30-year business plan, to include seeking external expert opinion in respect of the anticipated borrowing and the risks associated with this in the current financial climate, will be carried out during 2025, and will inform the next HRA Medium-Term Financial Strategy. If the authority is unable to secure grant at the levels assumed, it will be necessary to scale back our new build aspirations in light of the risks that exists whilst interest rates remain high, and the need to take into account the risks of re-financing at potentially higher rates when the existing loan portfolio begins to mature.

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

Future rent increases are currently unclear, with no Rent Standard published for 2025/26 and beyond at the time of drafting this report. For the purposes of this business plan update, rent increases have been assumed to continue to increase in line with CPI, with a marginal uplift, but with a 0.5% uplift in place of the previous 1% for prudency. This assumption places significant pressure on the HRA business plan, which will potentially be addressed by government in the autumn budget, and as such will need to be reviewed as part of the Budget Setting Report in January 2025, when the allowable rent increase from April 2025 should be known.

The authority committed to achieving an EPC (Energy Performance Certificate) 'C' rating across the housing portfolio by 2035 and having taken account of the latest assumptions, including the reduction in rent income resulting from correcting the rent regulation errors, this programme can now only be delivered with borrowing. There are additional risks in borrowing for this purpose, as alongside the risks of any increase in rates when the loan needs to be re-financed, the investment does not directly generate any additional income to support the interest payments. It is absolutely critical that rent income is maximised, particularly at a time when costs are still rising. It is abundantly clear that the authority is not currently in a financial position to be able to deliver any further energy efficiency improvements in the existing housing stock, without external financial support or the ability to increase rents or service charges in some way to help meet the cost of the initial investment. The new government have also indicated that they intend to extend the deadline of achieving an EPC 'C' standard in let properties by 2030, to include all social housing and have pledged to work with local authorities to achieve this. To accelerate our delivery programme without financial assistance in the form of government grant, would mean an additional £20 million of unsupported borrowing.

The introduction of the 5% flexibility on formula rents for all general social rented properties and 10% for all supported (including sheltered) properties, will generate additional income in the longer-term to support this investment. It would only be applicable at re-let, so would take many years to deliver the financial benefit in full.

Uncertainty also still exists in respect of the investment need that may arise once phase 2 of the government review of the Decent Home's Standard (Decent Homes 2) concludes, with a refreshed standard anticipated. Consultation concluded in October 2022, with the outcome still awaited.

Detailed exploration of the longer-term borrowing options will be key, to identify whether lower interest rates can be achieved by securing finance from anywhere other than the PWLB, particularly if the PWLB HRA rate is not extended from June 2025.

At the end of July 2024, government set out plans to review right to buy discounts and eligibility criteria during the autumn but increased the flexibilities for local authorities to reinvest the retained right to buy receipts for the next two years, with immediate effect. There is currently sufficient resource (borrowing, where assumed necessary) incorporated into the financial assumptions to match fund retained right to buy receipts, to avoid the need to return receipts to central government and pay penalty interest at the bank base rate plus 4%. Decisions will need to be made on a scheme basis, with retained right to buy receipts applied to schemes that are not likely to be awarded Homes England Grant.

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

Delivery, or out-performance, against some of the key assumptions is critical to the success of the housing business plan, with the assumption of rent increases of at least CPI plus 0.5%, for the next 5 years, being one of the critical assumptions included.

A key risk remains the still unquantifiable impact of the full rollout of Universal Credit, with the authority still working proactively with affected residents to mitigate the impact. Although in the region of

2,850 residents are now thought to be claiming Universal Credit, approximately 1,970 are still in receipt of Housing Benefit, although the latter will include pensionable age tenants, sheltered and temporary housing residents, who will remain on housing benefit. At the time of drafting this report, the HRA had 1,007 working age tenants still claiming Housing Benefit, providing the quantum for the number of claimants still to migrate to Universal Credit.

Recognising the additional financial pressure facing the HRA, the approach adopted last year, to include an efficiency target at 4% of controllable expenditure, with just 50% of this identified for strategic reinvestment has been reviewed and retained in order to continue to deliver net savings to the HRA.

From a broader Council perspective, the authority's transformation programme is now progressing quickly, with proposals anticipated as part of the 2025/26 budget process. Any savings achieved in relation to housing or corporate services will be profiled as appropriate across the General Fund and HRA.

With the level of borrowing that would be required to deliver not only the aspirational new build programme, but now also the energy efficiency investment in the housing stock, at a time when there is still such financial uncertainty, it is considered prudent to undertake the proposed review of the HRA Business Plan and to seek an external opinion on the risks involved with considering such an extensive investment and borrowing programme. This review may significantly alter the potential to deliver against our aspirations.

Budget Process and Timetable

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

Date	Task
2024	
17 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
10 October	Council considers HRA Medium Term Financial Strategy and approves capital aspects of the report
2025	

January 2025	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
February 2025	Council considers HRA Budget Setting Report and approves capital aspects of the report

Section 2 (Business Plan)
Local Context

Council Objectives

- Leading Cambridge's response to the climate and biodiversity emergencies and creating a net zero council by 2030
- Tackling poverty and inequality and helping people in the greatest need
- Building a new generation of council and affordable homes and reducing homelessness
- Modernising the council to lead a greener city that is fair for all

Housing Strategy

The Greater Cambridge Housing Strategy 2024 – 2029 identifies four key objectives with seven priority actions for housing in the Greater Cambridge area:

- Building the right homes in the right places that people need and can afford to live in
  1. Increasing the supply of homes, including affordable housing, contributing to healthy and sustainable communities
  2. Enabling the housing market to meet a wide range of local housing needs and to support sustainable growth

- High quality, low carbon, energy and water efficient homes
  3. Mitigating and adapting to climate change through good design and quality of new homes
  4. Improving housing conditions, management, safety and environmental sustainability of homes, and making best use of existing homes

- Settled lives
  5. Promoting health and wellbeing, tackling poverty, and promoting equality and social inclusion

6. Preventing homelessness

- Building strong partnerships

7. Working with partners to innovate and maximise resources

Housing Priorities

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

- The level of investment required to maintain decency at the latest required levels in the existing housing stock
- The need to spend on landlord services (management and maintenance)
- The need to support, and potentially set-aside for repayment of, housing debt
- The ability to identify resource for investment in new affordable housing
- The target to reduce the Council's direct emissions to net zero carbon by 2030
- The vision to reach net zero carbon in Cambridge by 2030, subject to Government, industry and regulators implementing the necessary changes to enable this
- The ability to reach EPC 'C' by 2035 in the housing stock
- The desire to invest in discretionary services (i.e. support)
- The ability to respond quickly to changes in both housing and building legislation

Housing Register

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

At the end of June 2024, the housing register recorded the following applicants by both bedroom need and priority banding:

Housing Register by Bedroom Need	Number	Percentage
1	1,618	57%
2	600	21%
3	461	17%
4 / 4+	146	5%
Total	**2,825**	**100%**

Housing Register by Priority Banding	Number	Percentage
A / Emergency	276	10%
B	714	25%
C	1,036	37%
D / D*	799	28%
Total	**2,825**	**100%**

When combined, the following housing need is identified by both bedroom size and priority banding.

Bedroom Need	Band A / Emergency	Band B	Band C	Band D	Band D*	Total
1 Bed	112	198	834	299	175	1,618
2 Bed	51	163	165	172	49	600
3 Bed	64	276	30	69	22	461
4 Bed	44	69	7	7	4	131
5 Bed	5	7	0	1	0	13
6 Bed	0	1	0	1	0	2
Total	**276**	**714**	**1,036**	**549**	**250**	**2,825**

The mix of new homes sought by the HRA has been aligned with the new Housing Strategy as approved in June 2024, seeking an average of 30% to 40% 1 bedroom, 35% to 45% 2 bedroom, 15% to 25% 3 bedroom and 0% to 10% 4 bedroom homes, with future delivery plans to be aligned to this.

Housing Stock

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

Housing Category	Actual Stock Numbers as at 1/4/2024	Estimated Stock Numbers as at 1/4/2025
General Housing – Social Rent	5,972	5,842
General Housing – Affordable Rent	903	1,025
Sheltered Housing	522	522
Supported Housing	16	16
Temporary Housing (Individual Units)	135	135
Temporary Housing (HMO's / EA)	21	21
Miscellaneous Leased Dwellings	18	18
Shared Ownership Dwellings	84	84
Total Dwellings	**7,671**	**7,663**

Property Type	Actual Stock Numbers as at 1/4/2024	Estimated Stock Numbers as at 1/4/2025
Bedsits	99	75
1 Bed	1,984	2,010
2 Bed	2,689	2,682
3 Bed	2,253	2,248
4 Bed	113	115
5 Bed	8	8
6 Bed	2	2
7 Bed	1	1
Sheltered Housing	522	522
Total Dwellings	**7,671**	**7,663**

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
2023/24	7,348	(15)	(36)	0	290	7,587
2022/23	7,155	(28)	(19)	(1)	241	7,348
2021/22	7,103	(34)	0	0	86	7,155
2020/21	7,106	(16)	(57)	0	70	7,103
2019/20	7,084	(29)	(14)	10	55	7,106
2018/19	7,103	(27)	(2)	(1)	11	7,084
2017/18	7,049	(47)	(29)	(1)	131	7,103
2016/17	7,040	(58)	(7)	(1)	75	7,049
2015/16	7,016	(42)	(4)	5	65	7,040
2014/15	7,164	(51)	(109)	(7)	19	7,016
Total		(347)	(277)	4	1,043	

Leasehold Stock

At 1st April 2024, the Council retained the freehold and directly managed the leases for 1,167 leasehold flats and had 4 leasehold flats managed by a third party management company.

Section 3 (Business Plan)
External Factors and National Policy Context

As part of this business plan report, all financial assumptions have been reviewed, including taking account of external factors outside of the authority's control. Financial projections are adjusted considering any changes or trends in these. There is an ongoing impact on the economy as a result of the cost-of-living crisis, with interest rates for borrowing also remaining high. Although inflation now appears to have broadly stabilised, contract costs remain far higher than in previous iterations of the plan. This results in continued uncertainty in the forecast of external factors in this iteration of the HRA Business Plan.

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

National Housing Policy

National Rent Policy

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

Rent increases have been limited to an increase of up to CPI (based upon CPI at the preceding September) plus 1% each year since April 2020, with the exception of 2023/24, where high inflation saw the government cap increases at 7%. The national decision to cap rent increases from April 2023 resulted in all homes previously being charged at formula rent to fall below formula. Properties below formula rent levels can currently only be increased to formula levels when they become void, with formula rents continuing to be set with reference to January 1999 property values. Government had indicated that a consultation would follow in respect of options to move rents back up to formula levels, but at the time of writing this report, this had not been published.

Affordable rent increases are subject to the same constraints as social rents, but with the ability to re-set the rent at up to 80% of market rent upon re-let, dependent upon local policy.

The Rent Standard from April 2025 has still not been published, and so future year rent increases are currently hugely uncertain. The new government has indicated that they will seek to provide rent stability for councils and housing associations, whilst also ensuring protection for existing and future tenants, with detailed plans anticipated as part of the next fiscal event. Recent press announcements indicate that increases of CPI plus 1% may be considered as part of the Chancellor's Autumn Budget. For prudency, this iteration of the business plan retains an increase at CPI plus 0.5% from April 2025 for the following 5 years, until there is certainty in this area.

With the level of CPI for July 2024 rising marginally to 2.2%, from 2% in May and June 2024, it is considered prudent to adopt the Bank of England predicted rate of 2.3% for September 2024, and as such an annual increase of 2.8% (CPI plus 0.5%) has been assumed from April 2025.

Social Housing Regulation Act

The Social Housing Regulation Act significantly enhanced the role of the Regulator of Social Housing, with new consumer standards and housing inspections, which came into force from 1 April 2024.

The key factors to note are:

- The regulator can now step in more readily where they feel intervention is proportionate.
- Both transparency and safety requirements are enhanced, with requirements for building hazards to be fixed within prescribed timescales, the organisation to have a named health and safety lead, any tenant whose safety is threatened to be offered alternative accommodation and to provide information to residents on financial performance.
- The new housing inspection regime is now underway, and the authority anticipates an inspection in the short to medium term.

- The regulator can impose unlimited fines for non-compliance, can issue performance improvement plans and has the right to undertake surveys on properties directly.
- The regulator can set competency and conduct standards, with mandatory qualification requirements for senior housing managers and executives.

The authority submitted its first set of Tenant Satisfaction Measures (TSMs), which include compliance data, under the new regime at the end of June 2024, which are available in full on the council's website at https://www.cambridge.gov.uk/tenant-satisfaction-measures

The TSM's comprise of 14 landlord reporting measures, based upon management reporting information at 31/3/2024 and 12 tenant perception measures, which are obtained through a survey of general needs and sheltered tenants, which was also reported through Open Door in July's edition.

The landlord reporting measures include compliance statistics in respect of gas safety, fire risk assessments, asbestos management, legionella testing and lift safety, alongside information on anti-social behaviour, decent homes, responsive repairs and complaints.

The Service Improvement Group has reviewed the requirements in the consumer standards and code of practice and has a number of agreed actions to ensure that the authority can demonstrate compliance. The group intend to employ an external organisation to carry out a 'critical friend' review, to highlight any areas that may need further improvement.

Right to Buy Sales

In 2023/24, 42 right to buy applications were received, compared with 62 in 2022/23. A total of 18 applications were received in the first 4 months of 2024/25, indicating continued low interest in the scheme, potentially because of continued high mortgage rates.

In 2023/24, only 15 applications proceeded to a sale completion, compared with 28 in 2022/23. In the first 4 months of 2024/25, 8 sales have completed, indicating that sales for the year may be marginally higher than in 2023/24.

On 30 July 2024, the Deputy Prime Minister wrote to local authorities confirming a commitment to review right to buy discounts, with legislative changes anticipated in the autumn and to review the scheme and eligibility more widely, with a consultation anticipated in the same timescales.

It is therefore very difficult to predict future sales, but in the short-term, it is considered prudent to reduce the assumed sales in 2024/25 to 20, based upon average activity in 2023/24 and 2024/25 to date. The assumption of 25 sales per annum has currently been retained from 2025/26 onwards, with this to be reviewed as part of the HRA Budget Setting Report in January 2025, by which time we may have the details surrounding any proposed changes in discounts or eligibility.

Right to Buy Receipts

On 31 March 2024, the authority held £5,285,000 of right to buy receipts under the retention agreement with the Ministry of Housing, Communities and Local Government (MHCLG), formerly know as the Department for Levelling Up, Housing and Communities (DLUHC).

For 2022/23 and 2023/24, MHCLG revised the retention agreement for right to buy receipts, to allow local authorities to retain the share of receipts that would otherwise be payable to them. This change resulted in the authority retaining an additional £2.3 million of right to buy receipts, part of the £5.3 million identified above.

Retained right to buy receipts must still be reinvested within 5 years. However, with immediate effect the new government have removed the cap on the percentage of replacement units delivered as acquisitions using retained right to buy receipts, which was previously set at 50% for 2024/25, 40% for 2025/26 and 30% from 2026/27, with the first 20 units of delivery in any year excluded from the cap. They have also removed the limit of 50% of a new dwelling being able to be funded using retained right to buy receipts and will allow Councils to combine receipts with Section 106 funding. These changes will be in place for two years and will then be subject to review. For the purposes of constructing this iteration of the business plan, we have assumed these changes remain in place after the review.

It remains that retained right to buy receipts can't be invested in replacement homes and the authority is unable to use capital receipts from the sale of land and other housing assets or grant funding to match fund units financed using retained right to buy receipts, and instead must re-invest these in different capital projects.

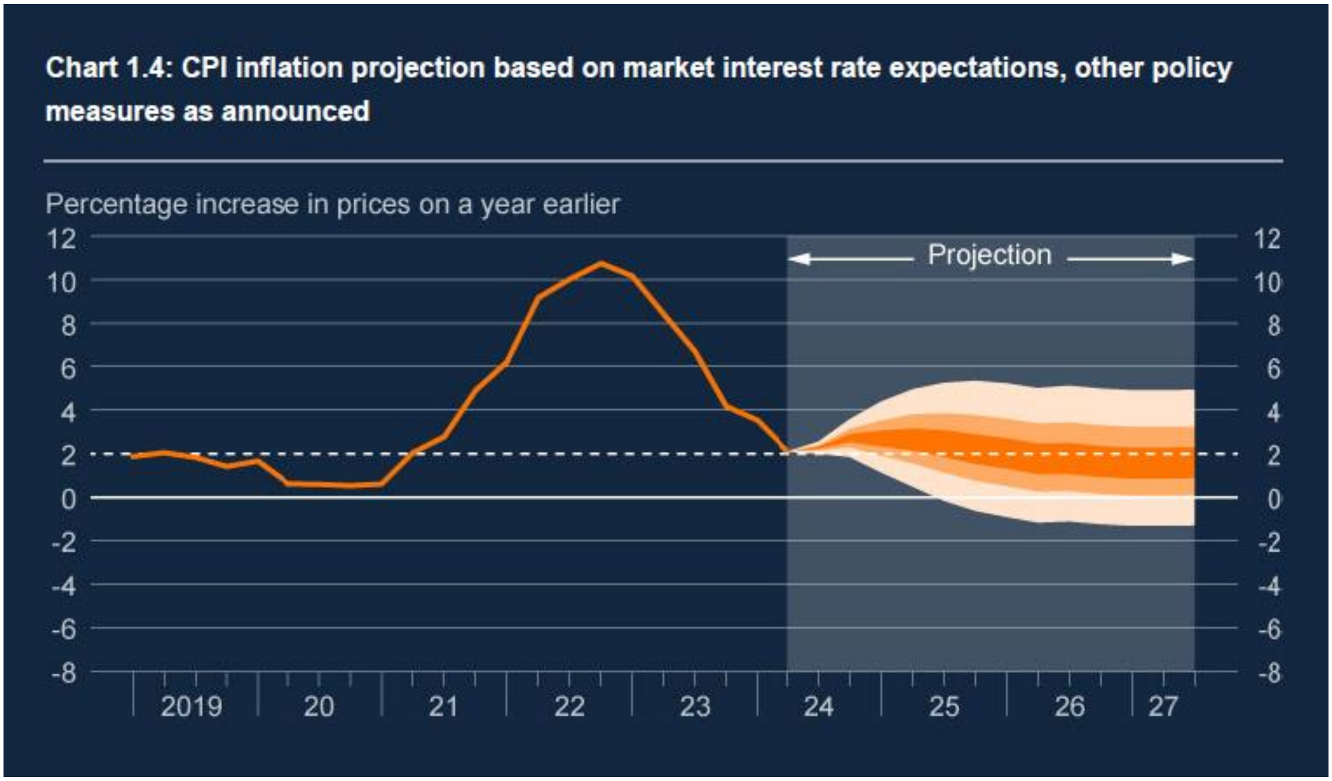
With the Bank of England base rate now at 5%, any penalty interest payable on receipts not re-invested appropriately is payable at a rate of 9%. If the authority moves into a position that receipts are being held with less than 12 months before any penalty would be incurred, decision to retain or pay over receipts is made by the Chief Finance Officer, in consultation with the Director of Communities.

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

Inflation Rates

The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is the Consumer Price Index (CPI). The last three years have been particularly volatile, with an unprecedented rise in CPI from 1.5% in April 2021 to 11.1% in October 2022, before falling to 2.0% in May 2024, and rising again marginally to 2.2% by July 2024. The last two years have seen huge inflationary increases in utility, fuel and food prices, alongside steep rises in other operating costs.

The Bank of England's Monetary Policy Report of August 2024 forecasts an average CPI of 2.5% across 2024/25 and 2.3% for 2025/26, before falling to 1.6% for 2026/27. The over-arching view is that there will be a slight increase from where we are now, before rates are expected to stabilise over the next few years. If an average is taken of the projections for the next three years, a rate of 2.13% would be applicable, supporting a view that the previous government's long-term target rate of 2.0% is still reasonable. Taking account of this, inflation rates have been incorporated into this iteration of the business plan at 2.5% by 2025/26, 2.3% for 2026/27, and at 1.7% for 2027/28 and 2028/29, before returning to the long-term assumption of 2.0%.



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

The latest projections for the BCIS Index over the next 5 years currently predict a growth rate of 2.3% for 2025/26, with forecasts of 3.6%, 3.7%, 3.7% and 3.2% over the following 4 years. Taking an average of these rates of growth for the forecast five years gives rise to an annual increase of 3.3%.

On a similar average basis, the assumptions being adopted for CPI over the same period are 2.0%, a difference of 1.3%.

Recognising the combination of planned maintenance price increases being driven by CPI and BCIS, the assumption has been made that 50% of the work programme will be subject to the BCIS indices and 50% by the rate of CPI. A blended average rate of 2.7% (average CPI plus average BCIS divided by 2) has therefore been incorporated into the business plan forecasts.

The growth rate of 4.7% previously adopted in respect of new build inflation has been reduced to 3% on an ongoing basis, based upon the latest advice of the quantity surveyor / employer's agent used most frequently by the Council. The view is that building inflation has stabilised currently, and that this assumption can be reduced in our forecasts.

There is no published forecast in respect of public sector pay increases, but these would be expected to be lower than in the private sector, with longer-term pay increases in the public sector still assumed to mirror the longer-term inflation target of 2%.

The pay award from April 2024 has not yet been agreed, but with the employer offer currently being £1,290 per annum up to spinal column point 43, and 2.5% for paygrades above this. An inflationary sum of 4% was incorporated into the financial forecast for 2024/25, which is more than sufficient to meet this pay offer. This assumption has currently been retained, as no formal agreement has yet been reached.

The headline rate of inflation has been incorporated in respect of future year cost of living pay increases, with a rate of 2.5% from April 2025 and 2.3% from April 2026 followed by 2 years at 1.6%, before returning to the longer-term assumption of 2.0%. The allowance for incremental progression has been retained at 1% per annum, recognising staff retention figures and the number of staff who are currently paid at the top of their pay scale.

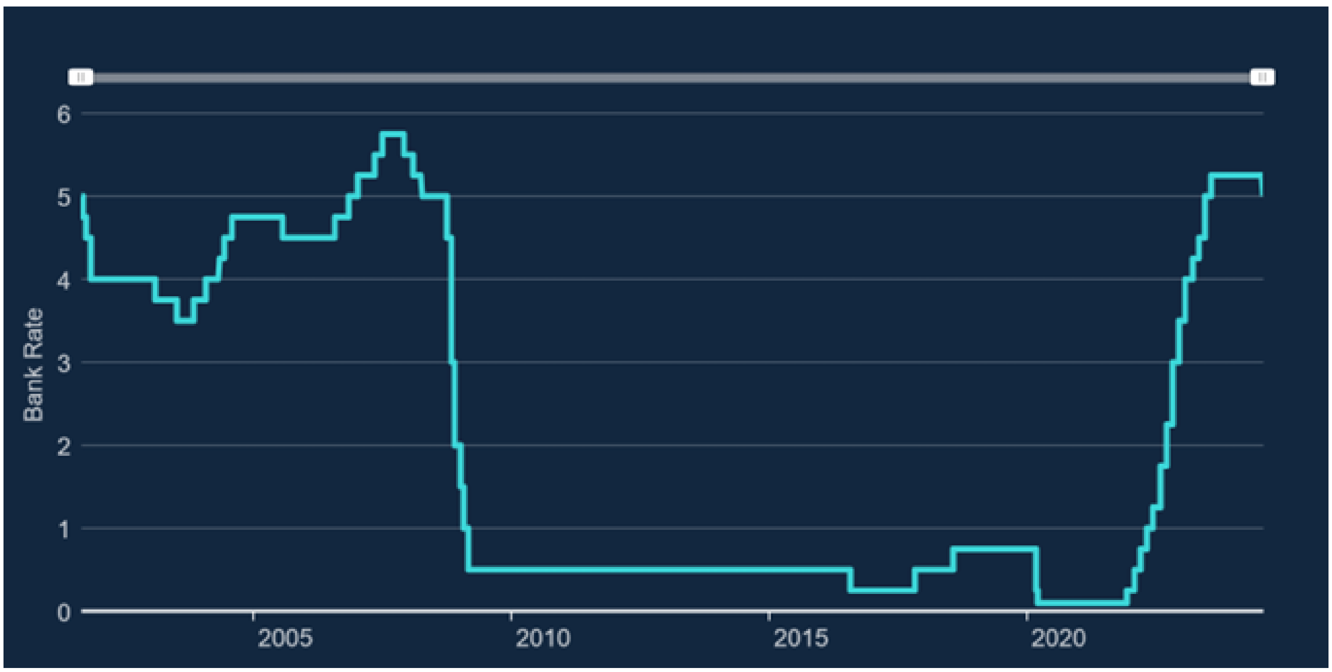
Interest Rates on Lending

The Housing Revenue Account recovers a proportion of the interest earned on cash balances invested by the authority. The rate of interest assumed for 2024/25 in the HRA Budget Setting

Report was 4.5%, 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 reduced to 5% in August 2024, which compares to a rate of 1.75% in August 2022. The current rate has just reduced by 25 basis points from the highest it had been in over 15 years. The next review is due on 19 September 2024.

Bank of England Base Rate



The actual average rate of interest earned on investments that benefited the HRA for 2023/24 was 4.87%, but rates ranged from 3.94% at the beginning of the year, up to 5.40% by February 2024. With the current Bank of England base rate being 5%, lending rates have remained relatively buoyant into 2024/25.

Recognising that the HRA benefits from the lower risk investments, the rate of 4.5% has been retained in this iteration of the business plan for 2024/25, reducing to 3.0% from 2025/26 on an ongoing basis. The interest rate assumptions are included in **Appendix C**.

Interest Rates on HRA Borrowing

In respect of existing HRA borrowing, the self-financing loan portfolio with the Public Works Loans Board of £213,572,000 remains, with rates of between 3.46% and 3.53%. The HRA also has £1,564,000 of internal borrowing from the General Fund, with a variable interest rate charged each year as part of the Item 8 Debit to the HRA.

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

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

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

The assumption is made that additional borrowing is externalised, with updated PWLB maturity loan rates for loans of a 30-year duration used. Since the last update of the HRA Business Plan, rates have not begun to reduce, as was predicted in January 2024, but have instead remained at similar rates to those available at the end of 2023. The PWLB lending rate, at the time of drafting this report, stood at around 5.60%, compared with a standard PWLB rate of 5.00% assumed during the construction of the HRA Budget Setting Report in January 2024. It should be noted that the PWLB rate is reviewed and can change twice each day.

In June 2023, the government announced a preferential rate for HRA borrowing, at 40 basis points above gilts, which is effectively a 60 basis points reduction on the standard PWLB lending rates. This rate applies until June 2025 and will then be subject to further review. This would reduce the current rate of 5.60% to 5.00%, which is higher than the rate of 4.40% (5% less 60 basis points) that was assumed in January 2024. The previous certainty rate of a 20-basis point reduction can be assumed to be ongoing currently, as long as the authority submits its spending plans as required.

To mitigate the daily rate fluctuations in PWLB rates, this iteration of the business plan considers forecasts made by Link, the Council's treasury advisors, who project that PWLB lending rates (inclusive of certainty rate) will be at an average of 4.85% for 2024/25, 4.28% for 2025/26, then 4.10% by the beginning of 2026/27.

Based upon current rates and these projections, a revised average rate of 5.00% (5.60% - 0.60%) has been incorporated into any borrowing assumptions for 2024/25, followed by 4.28% for 2025/26, then 4.10% ongoing.

It should be noted that if the authority were unable to secure grant funding at the levels incorporated into the assumptions in this iteration of the business plan, it would only take interest rates to increase marginally to 5.74%, before the HRA would be in the position that it would need to borrow just to support the ongoing operation of the business. This is not a financially sustainable position and highlights the re-financing risks associated with such significant borrowing.

Section 4 (Business Plan)
Rent and Other Income

Rent Setting

Social Rents

The Rent Standard from April 2020 came to an end after April 2024, which was the last of 5 years where rent increases of up to CPI plus 1% were allowed, The only deviation from this was in April 2023, where extremely high inflation rates saw the government intervene and apply a cap of 7%, which was further capped locally at 5%.

The Rent Standard from April 2025 has not yet been published, and a change in national government make it difficult to predict what may be allowed for rent increases from April next year. The assumption made in respect of rent increases is absolutely critical in terms of business planning, as rent is the primary source of income for the HRA, and a small variation in percentage terms makes a significant difference in monetary terms.

CPI returned to the previous government's long-term target of 2% in May 2024, before rising marginally to 2.2% in July 2024. There is no guarantee that the new Rent Standard will use CPI as the base measure for inflation in respect of rent increases or that there will be any margin above inflation allowed. There does, however, need to be recognition given to the increased costs which social housing landlords are facing, not only in respect of the cost of the provision of existing services, but also the enhanced level of investment in respect of damp and mould, disrepair claims, compliance works and energy investment, alongside the need to deliver much needed additional homes. Recent press announcements indicate that a rise of CPI plus 1% may be announced as part of the autumn budget, but this has not been formally confirmed.

The previously approved HRA business plan assumed a rent increase of CPI plus 0.5% for 5 years from April 2025 onwards, and in the absence of any confirmed national update in this area, this assumption has been retained for this iteration of the business plan. CPI for September 2024 has been assumed to be 2.3% using the Bank of England forecasts. Any ability to increase rents at a greater rate than this will need to be carefully considered, recognising the impact on the tenants, but also balancing this against both increased costs and the requirement to improve the condition and energy efficiency of council homes.

The table below summarises the financial impact on the business plan of a variety of rent increase levels (using rents as at 1/4/2024 as a base) and includes the impact for both social rents and affordable rents as they are subject to the same rent controls.

Rent Increase as at April 2025	Average Weekly Social Rent Value Increase	Average Weekly Affordable Rent Value Increase	Increase / Decrease in borrowing over the 30 Year Business Plan	Impact on Housing Delivery
2%	£2.46	£3.71	£35 million increased borrowing	Approximately 430 homes would need to be removed from the EPC 'C' programme
2.8%	£3.45	£5.19	0	No impact – base position
3%	£3.70	£5.56	£8 million reduced borrowing	£110,000 per annum available to invest elsewhere
5%	£6.16	£9.27	£85 million reduced borrowing	4 additional homes per year could be built

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, the viability of the housing business and the authority's ability to consider investment in front-line services, energy efficiency improvements of the existing housing stock and the delivery of new homes.

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

The average formula 'rent restructured' rent at the start of 2024/25 across the general housing stock was £132.57, with the average actual rent charged being £123.23. As a result of the rent increase cap in April 2023, only properties that have been re-let or introduced since April 2023 were charged at formula rent at the start of 2024/25.

The gap between actual and formula rent levels in the general housing stock now equates to an annual loss of income of approximately £3,242,000 across the HRA.

The authority can currently only close the gap between formula social rent and the actual rent being charged for a dwelling, when a property becomes void, and continues to do this.

Within the rent restructuring legislation, authorities have the ability to charge social rents at 5% above the formula rent as calculated by the rent restructuring formula (10% for supported housing). If an authority opts to apply the flexibility, it can only be applied at re-let, so does not directly affect any current tenants. Cambridge City Council do not currently apply this flexibility, but propose to re-introduce this from April 2025, recognising the significant additional investment, and associated borrowing, required across the housing stock to:

- improve the energy efficiency of the homes and reduce energy bills for residents, by achieving EPC'C' by 2035.
- meet new requirements set in legislation such as the Building Safety Act 2022 and Fire Safety Order

The 5% (10% for supported housing, including sheltered housing) flexibility will only be applied when a socially rented is re-let, and all vacant homes will be advertised on this basis so that prospective tenants know how much they will need to pay.

The tables below provides an indication of the average social rent levels that might apply from April 2025 with the 5% and 10% flexibility applied, demonstrating that general rents would still be between 35% and 46% of market rent and supported rents between 45% and 50% of market rent.

Property Size	2024/25 Average General Formula Rent	2025/26 Estimated Average Rent with CPI plus 0.5% applied	2025/26 Estimated Average Rent with CPI plus 0.5% and 5% flexibility applied	Mean Market Rent in Cambridge (September 2023)	Rent with 5% Flexibility as a percentage of Market Rent
1 Bed	114.03	117.22	123.08	270.44	46%
2 Bed	131.37	135.05	141.80	330.94	43%
3 Bed	149.57	153.76	161.45	368.22	44%
4 / 4+ Bed	174.89	179.79	188.78	540.13	35%

Property Size	2024/25 Average Supported Formula Rent	2025/26 Estimated Average Rent with CPI plus 0.5% applied	2025/26 Estimated Average Rent with CPI plus 0.5% and 10% flexibility applied	Mean Market Rent in Cambridge (September 2023)	Rent with 10% Flexibility as a percentage of Market Rent
1 Bed	116.51	119.77	131.75	270.44	49%
2 Bed	130.82	134.48	147.93	330.94	45%

Affordable Rents

In respect of affordable rented homes for existing tenants, the same inflation rates apply as 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 to 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 905 new build properties charged at the higher 'affordable rent' levels, on 1st April 2024 and 20 affordable shared ownership homes.

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

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

The table below confirms the average rent levels assumed in new build financial modelling:

	2024/25 Published LHA Rate (not adopted by CCC unless lower than a 60% rent)	Indicative Programme Average 2024/25 Rents at Social Rent	Indicative Programme Average 2024/25 Rents at 60% of Market Rent	Indicative Programme Average 2024/25 Rents at 80% of Market Rent
1 Bed	207.12	123.27	206.06	243.43
2 Bed	218.63	147.06	218.27	286.20
3 Bed	258.90	176.68	250.62	300.49
4 Bed	333.70	207.45	333.70	N/A

Rent Arrears and Bad Debt Provision

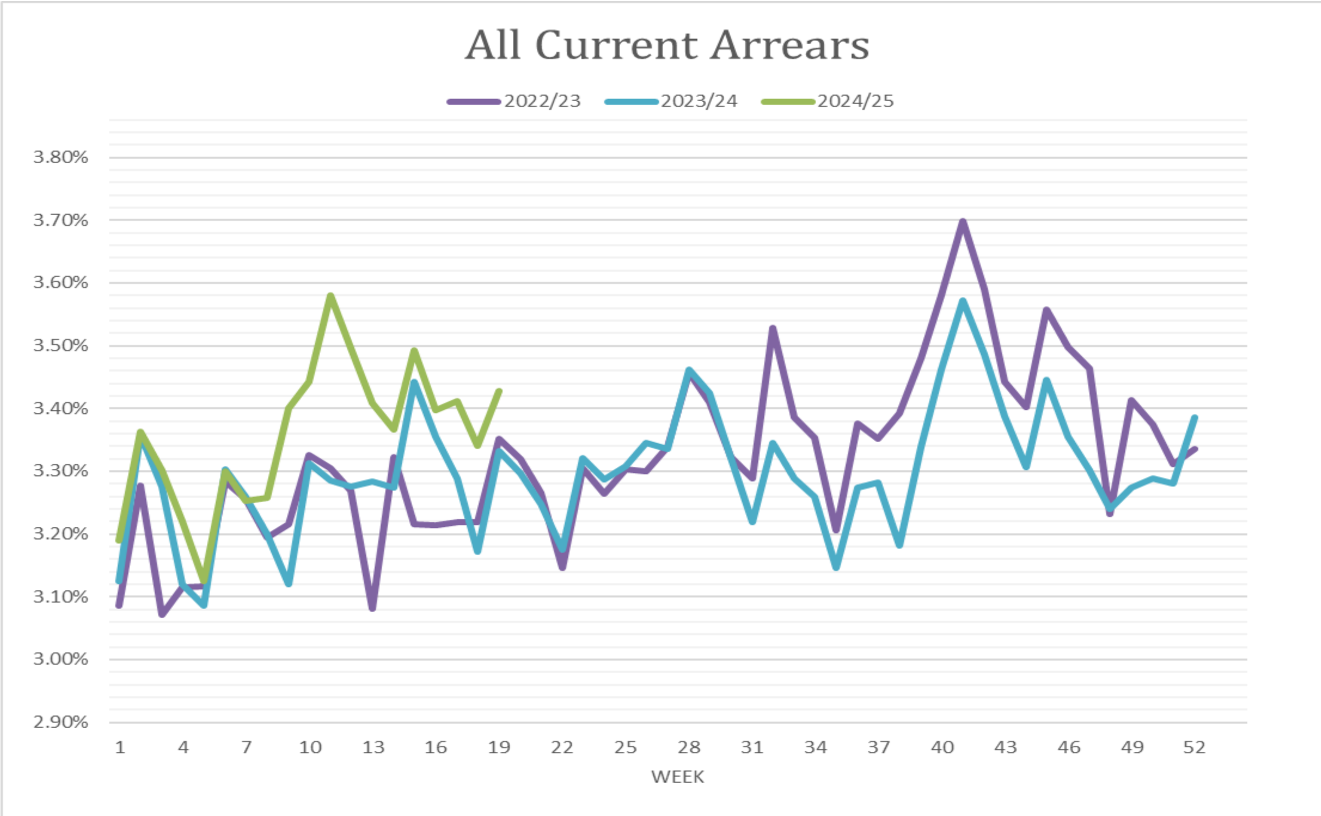
Rent collection performance was broadly maintained during 2023/24 despite the challenging economic climate, with the income collected in the year representing 98.9% of the value of rent and charges raised in year, compared with 99.2% in the previous year.

As a result of rent not collected, total arrears increased during 2023/24, with current tenant arrears of just under £1.7 million by 31 March 2024 and former tenant debt of just under £1.3 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)
31/3/2020	£1,091,161	2.70%	£915,885
31/3/2021	£1,374,167	3.30%	£925,982
31/3/2022	£1,337,622	3.14%	£1,121,082
31/3/2023	£1,490,860	3.33%	£1,020,073
31/3/2024	£1,688,582	3.37%	£1,269,270

It is concerning to see that current tenant arrears increased during 2023/24 in both value and percentage terms, from £1.49 million (3.33%) to £1.69 million (3.37%). This is possibly not surprising in the current financial climate, with the cost of living crisis continuing to impact particularly low-income households and more households having moved to claiming Universal Credit, which is paid 5 weeks in arrears.

The position in respect of current arrears has worsened in both monetary and percentage terms in 2024/25 to date, with an increase in the first 4 months of 2024/25 of a further £191,452 in arrears by July 2024.



The Income Management Team were short-staffed for the majority of 2023/24, but now have a full complement of staff again and continue to work proactively with tenants and financial support providers to mitigate the impact of the cost-of-living crisis for both the tenants themselves and the authority, ensuring that tenants are aware of all financial support available to them. The ongoing impact for residents of moving to direct payment is being actively managed, with an increase in the number of claimants transitioning to Universal Credit. In August 2024, the authority had 2,851 tenants claiming Universal Credit and 1,972 still claiming housing benefit. A significant proportion of those still claiming housing benefit will be in temporary accommodation or will be of pensionable age, and so will continue to receive housing benefit.

The team are now actively using the LIFT software, which helps to identify low income families and proactively ensure they are applying for and receiving any financial assistance to which they may be entitled.

Former tenant arrears also increased over the 12 months to 31/3/2024, going from £1 million to £1.3 million over this period. A dedicated officer is employed, focussed on recovering, or failing that, writing off, former tenant debt. Former tenant debt of £166k was collected during 2023/24 and debt of £80k was written off. Writing off obvious bad debt allows a focus on recovery of more of the doubtful debt, but this task is currently on hold pending the processing of all rent error refunds, as the authority needs to ensure that all debts are extinguished before any sums are returned to tenants.

At 31 March 2024 the total provision for bad debt stood at £2,355,820.97 representing 80% of the total debt outstanding.

The annual contribution to the bad debt provision for 2024/25, based on 1% of rent due, was set at £496,610 in the HRA budget approved in January 2024. The assumption was reviewed as part of the 2023/24 Medium Term Financial Strategy, when a reduced call on the fund in prior years resulted in the contribution being reduced to 1% per annum. The final contribution to the provision for 2023/24 was marginally higher than the 1% budgeted, but the assumption has currently been retained in this iteration of the business plan, recognising that some arrears will be reduced or removed by virtue of refunding overpaid rent resulting from the rent regulation errors. This will be reviewed again as part of the HRA Budget Setting Report in January 2025.

Void Levels

The value of rent not collected as a direct result of void dwellings in 2023/24 was £1,211,077, representing a void loss of 2.63%, compared with £1,052,081 in 2022/23, representing a void loss of 2.52%.

The value of rent lost through void dwellings during 2023/24 was higher than in 2022/23 and was higher than the increased target of 2.5% for 2023/24, recognised as part of the 2024/25 HRA Budget Setting Report of January 2024.

Some of the key contributors to the higher void levels in 2023/24 were homes vacated on approved development sites (£323,000) and units held vacant as a result of fire damage to a block of flats (£41,000). The time taken to prepare and let homes acquired for refugees and to prepare a sheltered scheme acquired in early 2023, resulted in void loss of £150,000 and the cost of letting new homes for the first time was £154,000.

If the impact of the irregular void transactions (detailed above) is removed from the statistics, the void performance in general voids for 2023/24 would have been 1.18%, which is still higher than the standard void target of 1%. Still having a backlog of void works during 2023/24 contributed to this, despite efforts to work to clear this, with externalisation of some work to facilitate this.

Void performance has deteriorated overall in the first four months of 2024/25, with a gross void rent loss of 2.89%. This does however still include the impact of our redevelopment programme, with significant units now vacated at Fanshawe Road, Princess Court and Hanover Court, and decant beginning at Stanton House. The data also includes new homes and acquisitions which have not yet been let for the first time, with large numbers of homes handed over simultaneously, creating a backlog in the lettings process into the early part of 2024/25. There are further handovers anticipated in 2024/25, but these are more spread out, so once the current backlog of new homes has been let, this issue is not expected to reoccur. With these removed the general void performance has improved in 2024/25 when compared to last year.

As a result of this, it is recommended to adjust the assumption in general voids for the current year from 1.5% to 1.1%, with the impact of the decant of homes identified for redevelopment and letting of new homes now accounted for outside of this assumption, whilst retaining the longer-term assumption of 1% in the business plan for 2025/26 and 2026/27., before reducing this to 0.8% from 2027/28 by which time the void process will have been fully reviewed and improved as part of the transformation programme.

Section 5 (Business Plan)
Capital - Funding

Direct Revenue Financing of Capital Expenditure (DRF)

DRF is the use of revenue income, which is predominantly rental income, in the HRA to finance capital expenditure. Over the next 10 years, an average of £12.7 million per annum is estimated to be available for this purpose, but this is subject to rent increases being applied as allowable and revenue expenditure being within existing assumptions. Any increase in the level of revenue spending on housing management, responsive or void repair activity, reduces the sums available to finance capital expenditure. The resource is used to fund most aspects of the housing capital programme, including decent homes, other investment in the housing stock, new build and non-dwelling investment, such as garages, commercial property and IT.

Major Repairs Reserve (MRR)

The MRR is a statutory capital reserve which is contributed to solely by the revenue depreciation charged on HRA assets each year. The funding is ring-fenced for investment in existing or new HRA assets, or for use in the repayment of debt. Over the next 10 years, an average of £14.2 million per annum is estimated to be available for this purpose, but this is subject to updated annual depreciation calculations, which are affected by any changes in asset valuations when they are revalued at the end of each financial year. The resource is used to fund many aspects of the housing capital programme, including decent homes, other investment in the housing stock and new build. It could be used to invest in other HRA assets, such as garages and commercial property, or for the repayment of housing debt.

General Right to Buy Receipts

The authority is able to retain a proportion of capital receipts in respect of the first few homes sold under right to buy each year, as a historic arrangement linked to the self-financing settlement for the HRA. This resource is shared with Treasury on a formulaic basis, but for 2022/23 and 2023/24 local authorities were able to retain 100% of the funding. From 2024/25 resource of approximately £500,000 per annum is assumed based upon the authority selling 25 homes each year under right to buy. This resource can be used to fund any legitimate capital expenditure, so is routinely utilised to meet the net cost of any general fund housing capital investment and investment in commercial or community-based assets.

Retained Right to Buy Receipts

Receipts retained by the authority under the current 1-4-1 retention agreement are approximately £3 million per annum based upon current sale assumptions. This resource carries constraints in how it can be invested, some of which have recently been relaxed, as outlined in Section 3, with the authority currently allocating these receipts to new build schemes that are either ineligible for, or unlikely to be awarded, Homes England Grant under the current arrangements. Purchases of new build homes on section 106 sites would be a key use of these resources going forward if the more flexible grant ask of government is not agreed.

Other Capital Receipts

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

Homes England Grant

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

The HRA Business Plan update made the initial assumption of grant on new and re-provided supply for all potentially eligible schemes, with a clear recognition that failure in securing the grant would require the scheme to be reconsidered, either exploring the tenure mix and / or build standards in order to be able to proceed.

This resulted in a business plan that carried too great a risk in terms of peak borrowing, borrowing costs and potential re-financing. This business plan now includes an assumption of a far greater level of grant for new homes, provided either through Homes England or direct from government. The assumption is made that the grant would be provided with far greater flexibility, allowing the funding to be extended and used for new and re-provided homes on section 106 sites and other market led sites.

Borrowing

Moving forward, the HRA will need to borrow as a key form of financing capital investment. 2024/25 is the first time the HRA expects to borrow to finance capital expenditure since the self -financing borrowing was taken out in March 2012. Exploring the most appropriate borrowing route will be key, particularly at a time when interest rates are still so high. The authority can explore internal borrowing from the General Fund, but this will be limited to the level of available reserves that the General Fund has to lend. The Public Works Loan Board (PWLB) is currently offering a reduced HRA rate (until June 2025), but this still attracts an interest rate of more than 5% at the time of writing this report. The current business plan assumes additional borrowing of £196,000,000 over the next 10 years, resulting in the HRA having a total of £410,000,000 outstanding borrowing at the end of the 10 year period, in order to deliver the new homes planned and to allow investment in energy works to the existing stock.

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

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

Stock Condition / Decent Homes

The authority holds 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 still awaited.

The housing service reported achievement of the decent homes standard in the housing stock as at 31 March 2024 at 99.9%, compared with just under 99.8% achieving the desired standard at 31 March 2023. There were 5 properties that were considered non-decent, in addition to 247 refusals, where tenants had exercised their right to decline the work being completed and where these are therefore not reported in the non-decency statistics.

Stock Investment

The HRA has a 5-Year Asset Management Strategy, which was last approved in autumn 2019. It is anticipated that it will be reviewed and presented for re-approval in the spring of 2025.

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 most external planned works to the housing stock, blocks and estates, whilst TSG Building Services deliver the majority of internal planned investment. The current contract with TSG runs for an initial 5-year period from November 2022, with the option to extend for up to a further 3 years. The contract with Fosters is in its extension period and runs until September 2025, with a new procurement process now underway. A significant amount of work is procured via one-off contracts, and this includes large structural works projects, some estate improvement projects, and energy efficiency works.

As part of the Asset Management Strategy, a programme of new initiatives and actions was identified, with the ongoing actions listed below (implementation is subject to funding bids when costs have been quantified in some cases):

Initiative / Action	Current Status
Deliver a rolling programme of stock condition surveys so properties are inspected every five years	A programme of stock condition surveys is underway and prioritises properties where there is no recent condition data. Our apprentice surveyor has been trained in this area. The inhouse team are also receiving training so that all void properties have a stock condition survey carried out. We are reviewing survey information from a range of sources (e.g. external surveys, retrofit assessments, energy assessments) so we have detailed information about the condition of our properties.
Continue the programme of structural surveys of flats blocks and implement survey programme for older flats and houses with structural concrete elements	Structural works at the Bermuda Terrace Estate are being tendered with a view to being on site in 2024/25. A programme of structural repairs to maisonettes in South Arbury will be completed in September 2024. In 2024/25 we plan to establish a framework contract for structural engineering services and establish a cyclical surveying programme to re-inspect blocks of flats where structural works have been completed. We are carrying out structural repairs to around twenty

	houses that have suffered from structural defects, some arising from dry weather in the past few years.
Implementation of "Orchard Asset" asset management software – including development of the compliance and energy modules	The Survey module is fully operational, and we are working on closing data gaps and moving information that was previously held on spreadsheets onto MRI. However, the implementation is not fully complete and staffing and resourcing issues have led to the delay of some modules. The new Energy Manager started in November 2023 and we will soon be in a position where all energy efficiency reporting can be via MRI Energy.
Develop a methodology which identifies high-cost investment properties across the stock and calculates net present values – using new software in Orchard Asset	The implementation of an "Options Appraisal" module in MRI Asset will be the final module to be implemented.
Implement a programme of estate investment projects	A street lighting replacement contract and various estate-based projects were completed in 2023/24. There is around £1.4m of the original £5m budget remaining. Projects have been identified, but the temporary Surveyor overseeing the programme has recently left the Council. There is likely to be a delay in project delivery while recruitment is arranged.
Establish a programme of re-inspection of asbestos containing materials and implement a new asbestos register based within Orchard Asset	The asbestos compliance module will be implemented in a live environment in the Asset system in 2024. The Asbestos Surveyor (Analyst) post has now been recruited to and will continue with the review of all communal re-inspections.

Implement an annual programme to inspect fire doors to flats and communal areas (including the replacement of non-compliant fire doors)	An initial fire door inspection programme has been completed. This is being used to determine if existing standard doors should be replaced with fire doors, and if existing fire doors comply with requirements. There are new fire door inspection requirements in buildings over 11m tall – including quarterly inspection of all fire doors in communal areas, and annual inspection of flat front entrance doors. Results from surveys are being used to develop programmes of planned work including new and replacement fire doors.

At Kingsway flats, fire compartmentation works are 90% complete, with officers working to gain access to the remaining properties to allow the remaining 10% to be undertaken. Work is ongoing to replace the remaining gas heating systems with electric alternatives and then all gas supplies will be removed from the building.

We are also implementing fire alarm upgrades in a number of category II sheltered housing schemes, with Ditchburn Place, Whitefriars, Stanton House and Rawlyn Court complete and 6 further schemes where work is planned.

Individual properties have regular electrical tests, and the electrical installation is upgraded every thirty years. In our blocks of flats there is usually also a landlord electrical installation (that may provide power for lights, lifts, access systems etc.) and many of these are now old and in need of upgrade or replacement. A programme of communal electrical upgrade works is now underway, with Markham Close, St Kilda Avenue and Arbury Court due to be completed in 2024/25.

In addition, in some blocks of flats, the main electrical supplies to individual flats pass through the communal areas, and sometimes through other flats. We have implemented a programme of work to survey landlord electrical installations and electrical cables supplying individual flats. Following survey work at Bermuda Terrace in 2023/24, a programme of works is now planned for these blocks. Blocks of maisonettes in the South Arbury area also require a programme of similar works, which is yet to be procured.

At the East Road flats, a project is nearing completion to replace roofs and windows to the tall blocks of flats facing East Road. This is a large project and work has been coordinated to minimise disruption to residents. Electrical works to these flats are also required but this work will be carried out separately in 2025/26.

Energy Works

The tender to deliver Social Housing Decarbonisation Fund (SHDF) grant funded external wall insulation works was awarded to Aran Insulation in December 2023. Works commenced in January 2024 and are anticipated to complete in March 2025. Progress is broadly in line within the grant funder KPIs and approximately 60 homes have been completed to date (as of July 2024).

The current HRA Business Plan assumes that the work required to move homes to an EPC 'C' standard will be completed by March 2035. The new government have responded to parliamentary questions, confirming that all landlords will need to meet the standard by 2030. They have indicated that they will work with social housing landlords to achieve this but have not given any commitment to funding these works. If the authority were to accelerate the programme without any additional funding from government, borrowing would increase by £20 million, without an income stream to support it.

Net Zero Retrofit Pilot Project

The tender for the Ross Street and Coldham's Grove area Net Zero Retrofit Pilot was awarded in March 2024 to Axis Europe. The final contract value is £6,482,964, inclusive of £411,560 contingency allowance (7.5% of construction cost). The capital budget for the works is in the approved HRA 30-year capital plan and is made up as follows:

Net Zero project allocation	£4,684,000
Energy efficiency works	£1,000,000
Other planned maintenance works to be carried out at the same time	£1,090, 000
Total	£6,774,000

The works carried out as part of the pilot include:

- External wall insulation
- Roof and chimney insulation
- Floor insulation (ground floor)
- Window replacements
- Door replacements
- Air source heat pumps (in place of existing gas boilers)
- Mechanical ventilation with heat recovery units (MVHRs)
- Solar PV panels
- Cavity wall insulation extraction and replacement (where required)
- Water efficient tap upgrades

The contract value is within the available budget and works on the first home at Ross Street started in May 2024, whilst work on the final home is anticipated to complete in Spring 2025.

The objective of the project remains unchanged, to evidence and assess feasibility and determine whether the estimated costs within the Fielden and Mawson reports are achievable. The project will provide the necessary evidence to lobby government and other bodies with support of real evidence in an attempt to secure external investment.

If the authority is successful in securing grant to deliver the 10 Year New Homes Programme at the level assumed over the next 10 years, the long-term revenue stream from these new homes will go towards supporting a modest programme of £7.2 million of net zero carbon works to begin from 2035/36 once the work to improve homes to EPC ‘C’ has concluded. However, based upon the figures supplied in the Fielden and Mawson report in 2021, which indicated the cost to improve the housing stock to net zero carbon standards would be £511,580,520, the modest programme of £7.2 million per annum would take 71 years to complete. This would still not address a further 521 non-traditional homes and hostels, which were excluded from the Fielden and Mawson projections, as the net zero carbon investment cost could not be quantified

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

Acquisition and Homes for Refugees

During 2023/24, the HRA acquired the final property it had committed to buy on the open market, to accommodate rough sleepers, partly funded using grant from Homes England, 21 properties to accommodate refugees, partly funded using MHCLG grant and 20 properties on sites where redevelopment was either approved or potentially possible.

During 2024, MHCLG have pre-awarded the authority a third round of grant funding to assist in meeting the challenges in providing move on and settled accommodation for refugees. This funding has now been confirmed and is the subject of a separate report to HSC in this committee cycle. The grant will require the acquisition of 4 further homes, with funding as follows.

- Round 3 – acquisition funding of £921,675 to be used to provide 4 homes (one for temporary housing purposes, 2 for general resettlement and one larger home for resettlement.

The grant funding will require a top up contribution of an estimated £1,094,325 from HRA resources, with the properties held in the HRA and available for wider housing purposes once they are no longer required to accommodate this cohort. Round 3 grant has to be invested within 2 years, but the authority has committed to deliver these homes by March 2025.

This investment is subject to decision at Housing Scrutiny Committee in this committee cycle.

New Build and Re-Development

Delivery Approach

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

The fees charged by the H.D.A are reviewed annually as part of the Medium Term Financial Strategy, with a fee expectation in the H.D.A budgets of £454,780 for 2024/25. The proposed level of H.D.A fees for schemes approved from September 2024 onwards are:

- HRA housing schemes delivered using CIP – 2%
- HRA housing schemes delivered by H.D.A directly – 3%
- HRA S106 or other acquisitions – 1.5%
- Optional 1% can be added to each of the above if scheme includes community or commercial aspects.

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

Future New Build

The 10 Year New Homes Program has been reviewed as part of this iteration of the business plan, in response to increasing build costs and maintenance costs, coupled with continued high interest rates. There is no confidence currently that interest rates will reduce either significantly or in a timely manner, and the authority is required to manage risk in respect of any planned borrowing, with the level of peak borrowing in the next 10 years being a critical factor.

There is still a strong commitment to deliver as many new homes as financially feasible, but the programme needs to balance delivery against the risks associated with the significant borrowing required, both in terms of the ability to afford the level of interest payments on the initial borrowing and the need to re-finance borrowing as loans mature.

To maintain the aspirational new build programme, whilst managing risk, a significant increase in government grant for the delivery of new homes has been assumed. Grant of £208,510,000 has been assumed, to facilitate the delivery of 1,182 new homes (on sites yet to be put forward for grant consideration or yet to be approved), which would be a mixture of new and re-provided homes across the city.

The key assumptions now made in respect of the funding incorporated for the 10 Year New Homes Programme are:

- 410 social rented homes delivered as part of the 10-year new homes programme over the 10 years from 2023.
- 635 affordable homes at 60% of market rent delivered as part of the 10-year new homes programme over the 10 years from 2023.
- 400 affordable homes at 80% of market rent delivered as part of the 10-year new homes programme over the 10 years from 2023.
- Delivery of the new council rented homes assumes the need to demolish 545 existing properties as part of site regeneration schemes, resulting in 900 net new homes across the programme.
- To deliver the net new council rented homes in mixed and balanced communities, market housing will also be delivered by developers on many of the identified sites.
- A range of delivery routes will be adopted, with a mix delivered via Joint Venture or Section 106, land led schemes, existing HRA sites and off the shelf purchases.
- Updated build costs using the latest information and cost data available, which assumes building to Passivhaus or equivalent performance standards where the authority has control over this, and these standards can be achieved.
- Inflation in build costs incorporated at 3% per annum for the life of this programme.

- Grant assumed for approved and pipeline schemes at an average of £176,400 per unit across all tenures, including re-provided homes, section 106 sites and affordable homes delivered as part of other market led schemes.
- Retained right to buy receipts continue to be available for re-investment at the assumed rate of approximately £3,000,000 per annum and following the relaxation of the right to buy receipt rules, are assumed to be invested directly in the delivery of new homes, with the ability to use the receipt to fund the entire cost of the dwelling if required.
- Borrowing has been assumed at the rate of 5.00% for 2024/25 (recognising the PWLB HRA rate), 4.28% for 2025/26 and 4.10% from 2026/27 ongoing, based upon Link, our treasury advisors, forecasts of the PWLB rates over the medium term.
- The Investment profile is spread across the 10-year programme based upon indicative delivery timescales, which are subject to change.
- Standard annual servicing and maintenance costs are increased by £200 per unit, recognising the need to service and maintain solar pv installations and a mechanical ventilation with heat recovery (MVHR) unit in each dwelling.
- Standard future replacement costs are increased by an average of £500 per annum to allow for the replacement of the additional components required to deliver a Passivhaus dwelling.

This requires an estimated £196,000,000 of additional borrowing in the HRA over the next 10 years of the plan, with total borrowing of £410,000,000 when combined with existing debt.

The authority has identified a pipeline of potential development sites and opportunities, which subject to grant funding and further detailed work, could be brough forward for formal approval. Sites and schemes will continue to be brought forward for consideration and approval individually as opportunities arise, on a prioritised basis.

Taking into consideration site constraints and the delivery vehicle adopted for each scheme as it is identified for inclusion in the programme, different recommendations may be made in respect of tenure mix and sustainability standards.

The programme, as incorporated, is still dependent upon securing Homes England Grant funding, currently bid for on a scheme-by-scheme basis. The authority has been successful in securing grant on a number of sites to date and have successfully secured grant in respect of replacement dwellings on existing HRA sites, which was not previously an option. Delivery of the new homes in the current 10 Year New Homes Programme is wholly dependent upon securing significant additional grant funding from government.

If unsuccessful in securing grant for new homes, the ability to replace grant with retained right to buy receipts would only help deliver a very small proportion of the planned programme. Failure to achieve grant will mean that the programme will need to be completely reviewed. At best, this will mean a significant slowing of the pace of housing delivery in order to ensure that the Council does not take on unsustainable levels of debt. Other options may include identifying alternative sources of funding, increasing the amount of market sale housing provided, reducing build standards or to reducing the number of council rented homes delivered overall.

The resources ear-marked in the business plan will be reviewed and re-profiled as the programme develops further. The need for the HRA to borrow significant sums of money over the next 10 years requires a fundamental review of borrowing options, with long-term borrowing options to be explored and decisions made as part of the HRA Budget Setting Report in January 2025. As a result of the current preferential rate offered to the HRA by the PWLB for 2024/25, any borrowing in the current year is expected to be undertaken through this route, or borrowed internally, subject to the General Fund having sufficient resource. Longer-term the authority will need to actively explore other borrowing options, including the potential for bond issuance, which may be possible in light of the significant sums required.

Schemes Completed – Devolution 500 Programme

At the time of writing this report 528 new homes had been completed as part of the Devolution 500 Programme, with a net gain of 497 council rented homes.

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage HRA 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	118	118	50%
Cromwell Road	118	118	40%
Colville Road II	67	67	100%
Meadows and Buchan	22	22	100%
Campkin Road*	75	75	100%
Clerk Maxwell	14	14	40%
Total	**528**	**497**	

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

Schemes Completed – 10 Year New Homes Programme

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

Scheme	Total Social Housing / SO Units	Gain in Social Housing Units	Percentage HRA Housing on Site
Histon Road	10	10	40%
L2	75	75	100%
Fen Road	12	12	100%
Ditton Fields	6	6	100%
Borrowdale	3	3	100%
Colville III	20	4	100%
Total	**126**	**110**	

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

Section 8 (MTFS)
Detailed Review of Revenue Budgets

2024/25 Mid-Year Budget Virements

As part of the HRA Budget Setting Report in January 2024, resource of £176,260 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 and other operational resource is only reviewed incrementally. As part of this Medium-Term Financial Strategy, the resource that has been incorporated into the business plan from 2024/25 onwards Is now being formally allocated as follows:

- Allocation of resource of £11,050 in respect of third-party management costs for new build schemes at Histon Road and Clerk Maxwell.
- Allocation of resource of £11,680 in respect of an increased contribution to corporate procurement activity, recognising an increase in activity in this area as HRA stock increases and additional contracts need to be procured.

The resource already incorporated into the HRA budget from 2024/25 onwards has been or will be vired to allow these proposals to be implemented.

Other virements that have been carried out that exceed the delegated virement rules and therefore need to be formally approved as part of this HRA Medium Term Financial Strategy Report include:

- Transfer of £154,650 for the Regeneration Manager, Regeneration Officer and Development Compliance Officer to the H.D.A, with a corresponding recharge back to the HRA to offset this, for ease of line management.

- Transfer of £546,480 from service charges to rent, following a consultation in January 2024, which resulted in rent and service charges for affordable tenancies being displayed as all-inclusive rent as was always intended for affordable rented homes.
- Transfer of £782,510 from service charges to rent, following the decision to remove gas and electrical mechanical maintenance charges, and to re-pool these into rent, as part of correcting the 2004 rent regulation error. The net reduction in income has been built into rental income assumptions in future years.
- A reduction in the electricity budget for communal areas of £111,110, with a corresponding reduction in the anticipated level of service charge income for communal electricity, recognising that forecast price rises for 2024/25 were amended significantly in January 2024.

2024/25 Mid-Year Budget Changes and Inflation Impact

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

There are changes proposed in other areas of the Housing budgets, in terms of the cost of delivery of services and recovery of income, and as a result changes incorporated for 2024/25 as part of the mid-year strategic review, including:

- Removal of the budget of £1,150,000 included as part of the 2024/25 HRA BSR to allow for refunds relating to the affordable rent error highlighted at the time. This recognises that the funding for refunds was ultimately accounted for as part of closing the 2023/24 accounts, so is now not required as a specific budget in 2024/25.

- Recognition of an increase in rental income of £156,120 for 2024/25 taking account of the latest assumptions in respect of stock numbers, timing of decant for redevelopment, new build delivery and letting of homes acquired to accommodate refugees.

- A reduction in garage rental income of £56,820, taking account of current void rates and recognising the removal of some garages for redevelopment.
- Increase of £54,000 in respect of the cost of providing services to new homes. This partially offsets the increase in rental income reported above.
- An increase of £524,000 in the budget in 2024/25 for electrical inspection certificates and associated repair works, to ensure that all properties have a valid certificate at 31 March 2025.
- Inclusion of funding of £25,360 for a 6 month post to tackle the backlog of administration surrounding disrepair, damp, condensation and mould and housing ombudsman cases
- Inclusion of additional ongoing funding of £18,640 in respect of the annual cost of the Housing Ombudsman Service, which is a statutory contribution, and increased by 45% from 2024/25.
- An increase of £12,390 in the contribution to the bad debt provision for 2024/25 and beyond, in line with the changes in rental income assumptions.
- A reduction in the level of capitalised administration costs associated with the right to buy process (£6,500), recognising the anticipated reduction in sales in 2024/25.
- An increase of £1,009,520 in the level of Direct Revenue Financing of capital expenditure, as a result of the other changes being made in the HRA in 2024/25.
- A reduction in depreciation of £134,540 based upon the latest stock projections, depreciable asset values and remaining useful lives.

- A reduction of £363,820 in the anticipated interest received on cash balances for 2024/25, recognising that additional capital reserves were utilised in financing 2023/24 capital expenditure instead of borrowing at a time when interest rates were high.

- A reduction of £367,290 in the budget for interest payable by the HRA, recognising that additional borrowing was not taken out in 2023/24.

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

Appendix G summarises the base revenue budget position for the HRA for the period between 2024/25 and 2033/34, based upon inclusion of the amended financial assumptions that form part of the update to the HRA Business Plan.

Section 9 (MTFS)
Review of Capital Budgets

Inflation

The inflation allowance built into the HRA Business Plan for 2024/25 has been allocated across individual investment workstreams or new build projects where the authority is not yet in contract. Details are provided in **Appendix F**, and the resulting summary position is displayed in **Appendix H.**

Existing Stock

Decent Homes

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

This has resulted in an increase in costs of approximately £9 million over the life of the business plan, with the revised costs having been incorporated into the financial assumptions.

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 2024.
- Re-phasing of expenditure anticipated to take place in 2023/24, into 2024/25 and beyond, as approved in June / July 2024.

- 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.
- Allocation of the 2024/25 inflation allowance and adjustment of inflation budgets to recognise that the review of the 30-year investment plan has re-based contract prices at today's price.

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

Acquisition & New Build

Acquisition

The acquisition of homes to accommodate Ukrainian and Afghan refugees with round 1 and 2 funding was complete by the deadline of 31 March 2024. Subject to approval of a separate report presented as part of this committee cycle, budget will be approved to deliver 4 additional homes as part of the Local Authority Housing Fund Round 3 funding, and the process to identify and acquire these homes will begin, with a view to completion by March 2025.

New Build Schemes On Site

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

Devolution 500 Programme

Scheme	Approved Indicative Social Housing Units	Gain in Social Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Devolution Grant	Rent Basis
Meadows and Buchan	84 (22 handed over)	84 (22 handed over)	25,929,000	(7,778,700)	(9,102,060)	60%
Total	**84**	**84**				

10 Year New Homes Programme

Scheme	Approved Indicative Social Housing Units	Gain in Social Housing Units	Latest Budget Approved / for Approval	RTB Receipt / Sales Receipt Funding	Homes England Grant / Other Grant	Rent Basis
Colville Road III	28 (20 handed over)	28 (4 handed over)	12,720,000	0	(3,424,000)	12 Social Rent / 16 80%
Aragon Close	7	7	2,455,000	0	(551,882)	80%
Sackville Close	7	7	2,589,000	0	(551,882)	80%
Aylesborough Close	70	37	19,450,000	0	(5,717,000)	41 Social Rent / 29 80%
Total	**129**	**83**				

New Build Schemes in the Pipeline

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

Devolution 500 Programme

Scheme	Approved Indicative Social Housing Units	Gain in Social Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Devolution Grant	Rent Basis
Kendal Way	1	1	565,000	(163,500)	0	60%
Total	**1**	**1**				

10 Year New Homes Programme

Scheme	Approved Indicative Social Housing Units	Gain / (Loss) in Social Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Homes England / CPCA Grant	Rent Basis
St Thomas's Road	4	4	1,963,000	0	(360,000)*	2 Social Rent / 2 80%
Paget Road	4	4	1,762,000	0	(360,000)*	2 Social Rent / 2 80%
Fanshawe Road	45	25	14,329,000	0	(1,000,000)** (770,000)*	34 60% / 11 80%
Princess and Hanover Court	82	0	30,766,000	0***	0	Social Rent
East Road	40	40	11,991,000	0	(2,576,000)*	16 Social Rent / 24 80%
Eddeva Park	32	32	8,398,000	1,257,750	0	60%
East Barnwell	120	110	52,654,000	0	(9,840,000)*	48 Social / 72 80%
Newbury Farm	60	60	16,002,000	2,399,250	0	60%
ATS, Histon Road	28	28	7,106,000	1,064,850	0	60%

Scheme	Approved Indicative Social Housing Units	Gain / (Loss) in Social Housing Units	Latest Budget for Approval	RTB Receipt and Sales Receipt Funding	Homes England / CPCA Grant	Rent Basis
Ekin Road	64	(27)	19,860,000	0	0	Social Rent
Davy Road	45	13	15,730,000	0	TBC	5 Social / 29 60% / 11 80%
Total	**528**	**293**				

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

** CPCA Grant

*** 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.

The budget for the scheme at St Thomas's Road has been reviewed and reduced in light of proposals to bring forward a smaller scheme on the site. The revised scheme will be presented to Housing Scrutiny Committee for decision, but the budget has been reduced as part of this iteration of the business to free up resource to be invested elsewhere.

Fanshawe Road was the subject of a revised report presented to Housing Scrutiny Committee in September 2023, where approval was granted for a smaller mixed tenure scheme on this site in place of the previous larger 100% affordable rented scheme, with 45 rented homes anticipated. The budget approved in September 2023 has been reviewed again, resulting in an increase in costs of £1,325,000, inclusive of inflation, taking account of the latest plans and build costs assumptions. It still also reflects the inclusion of a land receipt at an estimated £350,000 for the land upon which the market homes will be built.

Budget remains ear-marked for the cost of the redevelopment of Princess and Hanover Court, but this scheme is currently subject to review, to ensure that the best scheme is delivered in terms of tenure mix and financial viability.

The table below summarises changes to either approved budgets, and /or anticipated numbers of units, for schemes in the current programme, with inflation added to all schemes not already on site, or in contract, at the start of the year. Funding has been increased for the schemes on site at Aragon Close and Sackville Close as a result of agreed variations.

Scheme	Previous Budget Approval	Original Estimated Units	Latest Budget Approval Request	Revised Estimated Units	Justification
Kendal Way	545,000	1	565,000	1	Inflation added
Aragon Close	2,426,000	7	2,455,000	7	Budget increased
Sackville Close	2,562,000	7	2,589,000	7	Budget increased
Colville Road III	12,681,000	48	12,720,000	48	Budget increased
St Thomas's Road	3,468,000	8	1,963,000	4	Budget reduced for smaller scheme
Paget Road	1,689,000	4	1,762,000	4	Inflation added
Fanshawe Road	13,000.000	45	14,329.000	45	Budget increased
Princess and Hanover Court	29,763,000	82	30,766,000	82	Inflation added
East Road	11,466,000	40	11,991,000	40	Inflation added
Eddeva Park	8,021,000	32	8,398,000	32	Inflation added
East Barnwell	50,306,000	120	52,654,000	120	Inflation added
Newbury Farm	15,285,000	60	16,002,000	60	Inflation added
ATS, Histon Road	6,788,000	28	7,106,000	28	Inflation added

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

Scheme	Site Type	Status	Potential New Build Units
Kendal Way	In-fill	Planning approved	1

Scheme	Site Type	Status	Potential New Build Units
St Thomas's Road	Existing HRA Garages	Pre-planning	4
Paget Road	Existing HRA Garages	Planning approved	4
Fanshawe Road	Existing HRA Housing	Planning approved	45
Princess and Hanover Court	Existing HRA Housing	Pre-planning	82
East Road	Demolished HRA Garages	Pre-planning	40
Eddeva Park	Section 106	Planning approved	32
East Barnwell	Mixed Ownership Site	Planning approved	120
Newbury Farm	Section 106	Pre-planning	60
ATS, Histon Road	Section 106	Pre-planning	28
Ekin Road	Existing HRA Housing	Pre-planning	64
Davy Road	Existing HRA Housing	Pre-planning	45

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 2024.
- Re-phasing of expenditure anticipated to take place in 2023/24 into 2024/25 and beyond, as approved in June / July 2024.
- Inclusion of inflation for all schemes not in contract.
- Inclusion of a budget of £2,016,000, and the associated grant funding, for the Local Authority Housing Fund Round 3, to deliver 4 homes by March 2025.
- Increase in the budgets for Aragon and Sackville Close, of £29,000 and £27,000 respectively, recognising agreed variations on site.
- Increase in the budgets for Colville III, of £39,000, recognising agreed variations on site.

- A net reduction of £1,505,000 in the budget for St Thomas's Road recognising the intention to bring forward a smaller scheme on this site, with a report anticipated to be presented to a future Housing Scrutiny Committee.
- Increase in the budget for Fanshawe Road of £1,329,000, inclusive of inflation, recognising increasing costs and overall viability for the scheme.
- Re-allocation of new build budget of £19,860,000 between the unallocated / generic new build budget and the scheme specific budget for Ekin Road, following approval of the scheme at Housing Scrutiny Committee in June 2024.
- Inclusion of a budget of £333,000 for Stanton House, following a decision in June 2024 to secure vacant possession of the site.
- Re-allocation of new build budget of £15,730,000 between the unallocated / generic new build budget and the scheme specific budget for Davy Road, in line with a scheme specific report presented to Housing Scrutiny Committee as part of this committee cycle.
- Inclusion of the latest cost assumptions and funding in line with Homes England grant applications, in respect of the 10 Year New Homes Programme. Future right to buy receipts have not been allocated to specific schemes at this stage.

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

Section 10 (MTFS)
Risks and Reserves

Risks

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

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

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

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

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

Housing Revenue Account Reserves

Minimum Level of HRA General Reserves

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

The approach to setting both a minimum and target level of reserves for the HRA has been revisited as part of this Medium-Term Financial Strategy, taking account of the type of expenditure or income that the HRA accounts for, and balancing the value and the risk associated with each of these. This results in a new minimum level of reserves is £6,161,000, with a target level of reserves at 20% above this, £7,393,000.

The detailed calculation can be found in **Appendix I.**

Impact on HRA General Reserves in 2024/25

The impact on HRA reserves for 2023/24, and 2024/25 to date is shown in the table below:

Budgeted or Actual Use of / (Contribution to) HRA Reserves	2023/24 £'000	2024/25 £'000
Budgeted Changes in HRA Reserves		
Opening General HRA Reserves	**(10,521)**	**(7,565)**
Original Budget (Approved in January)	6,185	(654)
Carry Forwards (Approved in June)	335	563
MTFS Mid-Year Review (Approved in September)	(3,320)	263
Budget Setting Report Revised Budget (February)	(571)	-
Estimated Closing General HRA Reserves	**(7,892)**	**(7,393)**
Actual Changes in HRA Reserves		
Opening General HRA Reserves	**(10,521)**	**(7,565)**
Adjustment to 1 April 2023 reserves balance for rent regulation error	3,827	
Actual Outturn for the Year (Reported in June 2024)	(966)	-

Late adjustments to HRA post June 2024	95	-
Actual Closing General HRA Reserves	**(7,565)**	**-**

The original budget for 2024/25 approved a net contribution to general reserves of £654,150, which allowed a total revenue contribution to fund capital expenditure of £10,034,780 for the year.

This iteration of the business plan includes changes in:

- estimated dwelling and garage rental income for 2024/25
- removal of resource ear-marked for rent error refunds, recognising it was accounted for in 2023/24
- interest due for the year based upon revised cash balance assumptions
- interest paid based upon the latest borrowing assumptions
- the level of depreciation assumed to be chargeable to the HRA
- the bad debt provision required for the year, based upon the latest estimates
- the level of revenue funding of capital for the year, based upon capital projections
- allocation of resource identified to respond to an increase in stock numbers
- resource to respond to unavoidable pressures

The final general HRA reserves position reported for 31 March 2024 was £7,564,940. The revised projection of the use of general reserves in the current year (2024/25) now indicates that there is expected to be a net use of reserves of £171,550, which would leave a balance of £7,393,390 at 31st March 2025.

Earmarked Funds

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

Section 11 (MTFS)
Budget Strategy

Base Assumptions

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

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

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

HRA Budget Strategy

The Budget Process

The HRA budget for 2025/26 will incorporate any changes proposed and agreed as part of this iteration of the business plan.

Development of the Budget Strategy

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

For 2024/25 the HRA Medium Term Financial Strategy incorporates an increase in anticipated dwelling rental income for the current year as a result of moving social rented properties to formula rent at re-let and affordable rented homes to 60% of market rent at re-let, new homes being handed over more quickly than expected in some cases and also being introduced at higher rents than forecast, decant of homes for redevelopment taking longer than expected and additional homes being brought into the HRA through the Local Authority Housing Fund programme. Conversely, garage rent income is lower than anticipated as a result of the number of vacant garages and parking spaces currently held.

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 a revised new build delivery programme, with updated sums ear-marked for the 10 Year New Homes Programme to take account of the latest assumptions.

The borrowing requirement in future years in order to deliver the reduced 10 Year New Homes Programme is now an estimated £196,000,000 over the next ten years, giving total borrowing at the end of 10 years of £410,000,000. The assumption is now made that for the delivery of new council rented homes to be possible, the authority will be successful in securing significant grant funding from Homes England, in respect of both new and replacement dwellings, irrespective of tenure or the site that they are delivered upon. Failure to secure grant at this level 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 to finance a new asset, and not simply to plug a budget gap. The investment need in the existing housing stock to improve sustainability and energy efficiency has still been included in part, with resource to improve homes to EPC'C' standard, but this will still leave a significant further investment requirement to move homes to a net zero carbon standard. Borrowing is assumed in the HRA business plan relating to the investment required to bring homes up to an EPC 'C' standard, with no additional revenue generated to support this. The business plan is unable to support the level of borrowing that would be required to improve homes to net zero carbon without an additional future revenue stream, as it already needs to seek to increased income to support the borrowing currently incorporated.

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

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

The detail in terms of individual savings proposals, and the impact of reducing budgets by these values, will be presented as part of the 2025/26 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 2025/26, but with a lower level of strategic investment fund, in order to deliver net savings for the HRA to support future investment in sustainable homes, whilst retaining some capacity in future years to be able to respond to the financial challenges arising from the Social Housing Regulation Act and review of the Decent Homes Standard.

The inclusion of an efficiency savings target equivalent to 4% of controllable general management and repairs administration expenditure at £218,000 per annum is included for 2025/26 and the following four years. If this was increased to include internal recharges, the savings target would be £350,000 per annum

It is proposed that 50% is redirected into resource for strategic reinvestment in other areas of the housing service, with an annual fund of £109,000 to be created. The authority will need to review and evaluate its approach again in preparation for 2026/27 onwards, once the longer-term impacts on the economy, and its recovery, are clearer.

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

As part of the 2025/26 budget setting process, any areas of new revenue investment will therefore need to be more than offset by the identification of savings or increased income generation elsewhere across the HRA.

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

It is likely that a greater net savings position may need to be sought from 2026/27 onwards, depending upon the financial pressure in respect of enhanced decent homes and compliance investment, but by this point it is hoped that there will also be longer-term certainty over rent increases. The corporate transformation programme will also have presented more detailed recommendations for change, with the impact for the HRA identified.

Appendix A

Key Risk Analysis

Risk Area & Issue arising	Controls / Mitigation Action
Effects of Legislation / Regulation	
Implications of new legislation / regulation or changes to existing are not identified	• Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified and highlighted. Officers review any publications. • Service Improvement Team in place to respond to requirements of Social Housing Regulation from April 2024 and plan for inspection
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 and is reviewed twice each year. 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. Prudent minimum reserves are held to allow immediate investment if required. • Representation made to MHCLG and other national bodies where statutory requirements carry excessive cost.
Changes in national housing or rent policy impact the ability to support the housing debt or deliver against planned investment programmes	• The Council has processes in place ensuring early engagement in any consultation and collective representation through national housing bodies. • Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible with scenario impact quantified.
Housing 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.

Risk Area & Issue arising	Controls / Mitigation Action
	• 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.
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 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 Business plan is reviewed annually, housing stock is maintained to decency standards, with an asset management strategy in place.
Use of resources is not effectively managed	
There is ineffective use of the resources available to the HRA 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

Risk Area & Issue arising	Controls / Mitigation Action
External income / funding streams	
Undue reliance may be placed on external income streams, leading to approval of unsustainable expenditure	• Modelling over the medium and long-term is conducted for key income sources, including sensitivity analysis of potential changes • Council seeks to influence national settlements and legislative changes through response to formal consultation
Rent and service charge arrears increase, and bad debt rises, as a direct result of the Welfare Benefit Reforms or the current cost of living crisis	• Increased resources identified for income management. Performance closely monitored to allow further positive action if required. • Income Analytics and LIFT software procured to aid arrears recovery.
Rent income is under-achieved due to a major incident in the housing stock	• Asset Management Plan in place to identify and address key issues in the housing stock to minimise likelihood of widespread incidents
Changes in the economic environment cause a significant reduction in the number of right to buy sales, reducing the resource available to finance the capital investment programme	• Sensitivities modelled so potential impacts are understood • Business plan is regularly reviewed allowing reallocation of resource or consideration of borrowing if required
Changes to the right to buy rules result in an increase in the level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest	• Sensitivities modelled so potential impacts are understood • Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity • Delivery timeframe extended to 5 years, with ability to invest up to 100% of receipt into the replacement dwelling for the next two years
Volatility and competition in the property market impacts the ability to fund planned capital investment from the sale of assets	• Regular review of mix of new build delivered to ensure that assumptions around shared ownership and market sale are realistic

Appendix B

Areas of Uncertainty

Housing Revenue Account – Revenue Uncertainties
HRA Borrowing and Interest Rates
Future uncertainty exists in the borrowing route to fund the delivery of the 10-year new homes programme and the ability to manage the cashflow and service / re-pay the debt in a self-financing environment. Interest rates are currently still high, and it is difficult to predict where they will settle long-term. Rents are controlled at national level, which was never the intention of operating in a self-financing environment, and which may constrain the HRA business plan.
Right to Buy Sales
The number of sales has reduced as a result of mortgage rate rises. Indications are that interest remains relatively low, but the uncertainty in the economy, and the current increased cost of living may also impact future sales. It is impossible to predict this accurately.
Right to Buy Retention Agreement
Resource retained in respect of 1-4-1 receipts must be appropriately re-invested to avoid payment of an interest penalty, currently at the bank base rate plus 4%, so 9%. 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, but at the time of writing this report rates had reduced to around the previous government's long-term target of 2%. It is impossible to predict accurately where rates will reside longer-term.
HRA New Build
Delays in the delivery of the new build programme impact negatively upon rental income. If any individual development scheme does not proceed, the initial outlay needs to be treated as revenue expenditure, but without the anticipated payback that the capital investment would have resulted in. Until schemes are approved, in contract, and have appropriate planning permission, there are still uncertainties over final costs and dwelling numbers, which could impact the HRA in terms of anticipated rental streams.
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.
Social Housing Regulation Act
The new Consumer Standards and Housing Inspection regime came into effect from April 2024, with more detail surrounding inspection awaited. The need for a review of legislation surrounding the maintenance standards of social housing stock was also identified, and we await the details of any additional revenue investment that may be required.

Housing Revenue Account – Revenue Uncertainties

National Rent Policy

The national rent policy, which is legislative, removes local control over the setting of rent levels. The Rent Standard from April 2025 is yet to be published, resulting in significant uncertainty in what rent increases in the future will look like, although rent indications are that a 10 year arrangement with increases at CPI pus 1% may be announced in the autumn.

Housing Revenue Account - Capital Uncertainties

New Build Programme

The HRA Business Plan assumes a significant increase in the level of grant funding available for the delivery of new homes, with the funding being provided with much more flexibility than the current Homes England Grant Programme. There is a key business risk that this will not materialise as hoped, necessitating a fundamental review of the 10 Year New Homes Programme.

Energy Efficiency Works

The authority does not have sufficient resource to be able to improve homes to an EPC 'C' standard by 2030 without significant additional borrowing and has very limited capacity in years 7 to 30 to deliver any further energy improvement towards meeting net zero carbon aspirations. 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 has successfully secured some pilot grant funding and continues to explore funding mechanisms to support this investment. The ability to deliver this level of investment without financial support is limited.

Sulphate Attack

Funding of £1.2m is still incorporated into the Housing Capital Programme to tackle sulphate attack in 98 potentially affected properties. Following a historic 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 and Private Sector Housing Grants and Loans are currently fully funded by the Better Care Fund, but any top up investment by the authority would be dependent upon the generally available proportion of right to buy receipts in any year, relating to 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.

Housing Revenue Account - Capital Uncertainties

Right to Buy Sales and Retained Right to Buy Receipts

Under the agreement with MHCLG, the authority is committed to invest the receipts in new homes within 5 years of the receipt period, with this funding available to meet 100% of the cost of a dwelling for the next 2 years. The recently announced flexibilities will be reviewed at the end of this period and there is a risk that the policy may revert to allowing only 50% of a dwelling to be funded, necessitating top up resource for the HRA directly, or through borrowing. 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. Any increased cost of works required under revised regulations will need a wider review of stock investment budgets to identify resource.

Decent Homes 2

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

HRA Commercial Property

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

Appendix C

Revised Business Planning Assumptions (Highlighting Changes in Bold)

Key Area	Assumption	Comment	Status
General Inflation (CPI)	**2.5% for 2025/26, 2.3% for 2026/27, 1.6% for 2027/28 and 2028/29, then 2%**	**General inflation on expenditure included using Bank of England forecasts, recognising long-term target of 2% ongoing.**	**Amended**
Capital and Planned Repairs Inflation	**2.7% for planned maintenance and 3% for new build**	**Based upon the mix of BCIS and CPI forecasts for next 5 years, using averages over this period. Adopt 3% for new build based upon industry projections.**	**Amended**
Debt Repayment	No debt repayment assumed	Assumes surplus is re-invested in income generating assets, but with borrowing rates resulting in ability to support interest payments only.	Retained
Pay Inflation	**1% Pay Progression & Pay Inflation at 2.5% for 2025/26, 2.3% for 2026/27, 1.6% for 2027/28 and 2028/29, then 2%**	**Assume allowance for increments at 1% and cost of living pay inflation at 2.5%, 2.3%, 1.7% for 2 years, then 2% on an ongoing basis.**	**Amended**
Employee Turnover	3%	Employee budgets assume a 3% turnover, unless service area is a single employee, or is a shared service, externally recharged service or trading account.	Retained
Social Rent Review Inflation	**CPI plus 0.5% for 5 years, then CPI**	**Assume an increase of CPI plus 0.5% from 2025/26 for 5 years, then CPI. Assume CPI is 2.3% in September 2024 for 2025/26, then in line with CPI above from 2026/27.**	**Amended**
Affordable Rent Review Inflation	CPI plus 0.5% for 5 years, then CPI	Affordable rents to be reviewed annually in line with rent guidance, ensuring that re-lets do not breach the Local Housing Allowance, 60% or 80% of market rent, depending upon the tenure.	Retained

Key Area	Assumption	Comment	Status
Rent Convergence	Voids Only	Ability to move to formula rent achieved only through movement of void properties directly to formula rent.	Retained
Social Rent Re-Let	**Formula Rent plus 5% (10% for supported / sheltered)**	**Assume 5% (10% for supported and sheltered) flexibility on formula rent is applied at re-let recognising the investment required across the portfolio.**	**Amended**
Affordable Rent Re-Let	60% market rent or LHA whichever is lower or 80% market rent	Affordable rents are re-based at 60% (or current LHA if this is lower) or 80% of market rent depending upon the rent levels approved for each scheme	Retained
External Lending Interest Rate	4.5% for 2024/25, 3% from 2025/26 ongoing	Interest rates based on latest market projections, recognising that the HRA will benefit from low-risk investments only	Retained
Internal Lending Interest Rate	4.5% for 2024/25, 3% from 2025/26 ongoing	Assume the same rate as anticipated can be earned on cash balances held, so as not to detriment either the HRA or the General Fund longer-term.	Retained
External Borrowing Interest Rate	**5% for 2024/25, 4.28% for 2025/26, then 4.1% ongoing**	**Assumes additional borrowing using PWLB projected rates generated by Link, with HRA and certainty rate applied.**	**Amended**
Internal Borrowing Interest Rate	**5% for 2024/25, 4.28% for 2025/26, then 4.1% ongoing**	**Assume the same rate as external borrowing to ensure flexibility in choice of borrowing route.**	**Amended**
HRA Minimum Balances	**£6,161,000**	**Revise HRA minimum balance to £6,161,000, following a review of the prudent minimum balance for the HRA.**	**Amended**
HRA Target Balances	**£7,393,000**	**Revise HRA target balance to £7,393,000 (minimum plus 20%), following a review of the prudent minimum balance for the HRA.**	**Amended**
Right to Buy Sales	**20 in 2024/25, then 25 sales ongoing**	**Activity has remained low as a result of mortgage rates, so the assumed sales for 2024/25 have been reduced, but the previous assumption of 25 sales is retained annually from 2025/26 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**	**Amended**

Key Area	Assumption	Comment	Status
		build spend. Debt repayment proportion reinvested in new affordable homes.	
Void Rates	**1.1% for 2024/25 then 1% for 2 years, then 0.8% ongoing**	**Assume a general void rate of 1.1% for 2024/25, 1% for 2025/26 and 2026/27, then 0.8% ongoing, recognising intended improved void performance.**	**Amended**
Bad Debts	1% from 2024/25 ongoing	Bad debt of 1% ongoing reflecting the requirement to collect 100% of rent directly through Universal Credit.	Retained
Savings Target	**£218,000 (4% of general and repairs administrative expenditure)**	**Retain an efficiency target, now at £218,000 from 2025/26 for 5 years. Allows strategic reinvestment and a response to pressure from national housing policy change.**	**Amended**
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	**£109,000**	**Housing Strategic Investment Fund included from 2025/26 for 5 years at 50% of the value of the savings target for the full 5 year period to deliver a net reduction in costs**	**Amended**

Appendix D

Business Plan Key Sensitivity Analysis

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact	Business Plan Impact
Rent Increases	Assumed at 2.8% for 2025/26, then CPI plus 0.5% for 4 years, then CPI	No guarantee that there will be the ability to return to previously assumed rent increases under any new Rent Standard from 2025/26, so assume CPI only from 2025/26.	Borrowing increases by £96 million during the life of the plan and interest payments by £37 million.	1,130 of the 1,700 homes are unable to be improved to EPC 'C'.
Rent Increases	Assumed at 2.8% for 2025/26, then CPI plus 0.5% for 4 years, then CPI	Assume a cap on rent increases at 2% for 2025/26	Borrowing increases by £35 million and interest payments by £14 million.	430 of the 1,700 homes are unable to be improved to EPC 'C'.
Rent Increases	Assumed at 2.8% for 2025/26, then CPI plus 0.5% for 4 years, then CPI	Assume the ability to set rent increase at 3% for 2025/26	Borrowing reduces by £8 million and interest payments by £4 million.	£110k per annum is available for investment in services.
Rent Increases	Assumed at 2.8% for 2025/26, then CPI plus 0.5% for 4 years, then CPI	Assume the ability to set rent increase at 5% for 2025/26	Borrowing reduces by £85 million and interest payments by £37 million.	An additional 4 new homes could be built each year – 120 across the life of the business plan.
General Inflation	CPI assumed to be 2.5% for 2025/26, 2.3% for 2026/27, 1.6% for 2027/28 and 2028/29, then 2% ongoing from 2029/30	Assume that inflation does not dip as forecast across the next 4 years and stays at 2.5% for 4 years before returning to 2% ongoing.	Borrowing reduces by £51 million during the life of the plan.	An additional 2.5 new homes could be built each year – 75 across the life of the business plan.
Direct Payments (Universal Credit)	Bad Debts at 1%	Evidence from the pilot authorities for direct payment indicated that collection rates may fall from 99% to 95%. Assume bad debts at 5% from 2025/26.	Borrowing increases by £138 million during the life of the plan, with £77 million bad debt and £58 million in additional interest payments.	No further homes could be improved to EPC 'C'.

Topic	Business Plan Assumption	Key Sensitivity Modelled	Financial Impact	Business Plan Impact
Cost of HRA New Build Programme	Homes England Grant assumed for all tenures at a significantly higher rate than previously assumed, with £206.5 million across the 10 Year Programme	Assume Homes England Grant received at current levels for eligible affordable tenures only.	Borrowing increases by £563 million during the life of the plan and interest payments increase by £374 million. The HRA has to borrow significantly in order to deliver its core functions.	All energy investment would need to be ceased and the 10 Year New Homes Programme would need to be scaled down significantly.
Cost of Borrowing	Borrowing is assumed at 5% for 2024/25, 4.28% for 2025/26, then 4.1% ongoing	Assume that the long-term borrowing rate does not fall to a low as 4.1%, but instead stabilises at 4.5%	Borrowing increases by £30 million during the life of the plan and interest payments increase by £31 million.	360 of the 1,700 homes are unable to be improved to EPC 'C'.
Cost of Borrowing	Borrowing is assumed at 5% for 2024/25, 4.28% for 2025/26, then 4.1% ongoing	Assume that the current reduced HRA rate is the best we can expect in the long-term, so assume borrowing at 5% ongoing	Borrowing increases by £74 million during the life of the plan and interest payments increase by £77 million.	830 of the 1,700 homes are unable to be improved to EPC 'C'.
Net Zero Carbon	A small programme of homes is assumed to be improved to net zero carbon standards	Assume the need to meet net zero carbon across the stock by 2050 (excluding 521 non-trad homes and hostels)	Borrowing increases by £967 million during the life of the plan and interest payments increase by £77 million. The HRA is not financially viable.	The HRA is not financially viable with this assumption incorporated.

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

Appendix E

2024/25 HRA Mid-Year Revenue Budget Adjustments

Area of Income / Expenditure	Description	Budget Amendment in 2024/25 Budget (£)	Budget Amendment in 2025/26 Budget (£)	Comment
Budgeted use of / (contribution to) HRA Reserves pre MTFS		**(91,550)**		
HRA General and Special Management				
Increased cost of service provision in new homes	Increased cost of the provision of services to communal areas in respect of new homes	54,000	54,000	Built into base for future years
Increased cost of Housing Ombudsman	The statutory subscription to the Housing Ombudsman Service has increased above inflation again from 2024/25	18,640	18,640	Built into base for future years
Abortive HRA development fess	One-off additional funding to allow the next phase of the programme to be progressed	0	300,000	One-Off
Total HRA General and Special Management		**72,640**		
HRA Repairs				
Responsive Repairs	Budget to increase staffing capacity on a temporary basis for DCM, compliance and complaint administration	25,360		One-Off
Risk and Compliance	Increased budget for electrical inspections and associated repairs	524,000		One-Off
Total HRA Repairs		**549,360**		
HRA Summary Account				
Bad Debt Provision	Increase in bad debt provision based on latest assumptions	12,390	Incorporated into base assumptions	Built into base for future years

Area of Income / Expenditure	Description	Budget Amendment in 2024/25 Budget (£)	Budget Amendment in 2025/26 Budget (£)	Comment
Rent Income	Increase in rental income for 2024/25 due to a higher number of let properties than anticipated	(156,120)	Incorporated into base assumptions	Built into base for future years
Rent Error Refunds	Removal of affordable rent error refund budget as accounted for in 2023/24	(1,150,000)	0	One-Off
Garage Rent Income	Reduced garage rental income as a result of additional void lets in 2024/25	56,820	Incorporated into base assumptions	Built into base for future years
Dwelling Depreciation	Reduction in the estimated level of depreciation based upon the latest stock projections	(134,540)	Incorporated into base assumptions	Built into base for future years
RTB capitalisation	The sum that can be capitalised in respect of administrative costs will be lower due to a reduction in sales	6,500	Incorporated into base assumptions	Built into base for future years
Interest earned on HRA Balances	The HRA will receive a reduced interest receipt as a result of utilising cash reserves in 2023/24 in place of borrowing	363,820	Incorporated into base assumptions	Built into base for future years
Interest paid on Borrowing	Reduction in interest paid, with assumed borrowing in 2023/24 not taken out	(367,290)	Incorporated into base assumptions	Built into base for future years
Direct Revenue Financing (DRF) of capital	A reduction in DRF recognising a review of target and minimum HRA balances	1,009,520	0	One-Off
Total HRA Summary		**(358,900)**		
Revised use of / (contribution to) HRA Reserves post MTFS		**171,550**		

Appendix F

2024/25 Mid-Year HRA Capital Budget Amendments

Area of Expenditure And Change	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**
Total Housing Capital Plan Expenditure pre HRA MTFS	**108,823**	**100,424**	**85,096**	**83,574**	**112,555**
General Fund Housing					
No changes	0	0	0	0	0
Decent Homes and Other HRA Stock Investment					
Allocate 2024/25 inflation and backlog funding and re-profile decent homes and other stock investment budgets based upon latest stock numbers, contract prices and stock condition data					
Kitchens	416	205	(392)	141	(1,208)
Bathrooms	616	6	(195)	(253)	(498)
Central Heating / Boilers	57	(54)	(9)	(498)	(881)
Insulation / Energy Efficiency / Wall Finishes	13	4	2	14	302
Energy Efficiency Pilot / Retrofit / EPC 'C'	354	108	108	108	108
External Doors	1,006	(71)	34	2	(76)
PVCU Windows	1,537	(15)	7	0	126
Wall Structure	63	13	1	37	(709)
External Painting	10	10	10	(163)	(340)
Roof Structure	15	(12)	(12)	(12)	(12)
Roof Covering (including chimneys)	592	(25)	45	97	(192)
Electrical / Wiring	610	(125)	0	(240)	(822)
Sulphate Attacks	3	3	3	3	3
HHSRS Contingency	18	(56)	3	3	3
Other Health and Safety Works	3	1	1	1	1
Capitalised Officer Fees - Decent Homes	14	14	14	14	14
Decent Homes Backlog	(5,025)	417	417	467	1,092
Associated change in Other Planned Maintenance Contractor Overheads	545	(8)	(50)	(95)	(473)
Adjust Decent Homes New Build Allocation based upon the latest handover dates for new homes	34	(171)	22	156	278
Garage Improvements	3	3	3	3	3
Asbestos Removal	1	1	1	1	1
Disabled Adaptations	22	22	22	22	22
Communal Areas Uplift	3	3	3	3	3

Area of Expenditure And Change	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Communal Electrical Installations / Fire Systems / Communal Lighting	23	0	0	0	0
Communal Entrance / Enclosure Doors + Glazing	9	(25)	(126)	0	0
Fire Prevention / Fire Safety Works	12	126	0	0	0
Hard surfacing on HRA Land - Health and Safety Works	6	6	6	6	6
Communal Areas Floor Coverings	3	3	(42)	(42)	3
Lifts and Door Entry Systems	5	(71)	4	2	20
Estate Investment Scheme	40	0	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	3	3	3	3	3
Associated changes in Other Spend on HRA Stock Planned Maintenance Contractor Overheads	20	3	(19)	(1)	7
New Build					
Include inflation for Kendal Way	20	0	0	0	0
Increase budget for Colville III as a result of variations	39	0	0	0	0
Increase budget for Aragon Close as a result of variations	29	0	0	0	0
Increase budget for Sackville Close as a result of variations	27	0	0	0	0
Amend budget for St Thomas's Road to reflect anticipated reduced scheme size	74	(1,579)	0	0	0
Allocate inflation to Paget Road	32	41	0	0	0
Allocate inflation to Fanshawe Road and increase budget	1,163	166	0	0	0
Allocate inflation to Princess and Hanover	207	484	306	6	0
Allocate inflation to East Road (Incl. demolition)	71	392	62	0	0
Allocate inflation to Eddeva Park	171	190	16	0	0
Allocate inflation to East Barnwell	146	691	432	791	288
Allocate inflation to Newbury Farm	393	205	119	0	0
Allocate inflation to ATS, Histon Road	186	122	10	0	0
Include scheme specific budget for Ekin Road	1,019	5,707	5,235	4,208	3,691
Include budget for land assembly at Stanton House	333	0	0	0	0
Include scheme specific budget for Davy Road	1,416	2,831	4,876	3,933	2,674
Allocate inflation to acquisitions budget	49	0	0	0	0
Include budget for LAHF Round 3	2,016	0	0	0	0
Re-allocation of 10 Year New Homes budget in line with changes to scheme specific approvals and update of sums for latest programme assumptions	(4,897)	(10,209)	11,452	36,871	7,578
Sheltered Housing					
No changes	0	0	0	0	0

Area of Expenditure And Change	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Other HRA Spend					
Allocate inflation to Corporate IT Investment	2	1	1	1	1
Allocate inflation to Commercial and Administrative Property	3	1	1	1	1
Inflation Allowance					
Adjust inflation allowed to reflect 2024/25 allocation and re-phased capital programme	(3,602)	(5,139)	(3,845)	(1,670)	(7,728)
Total Housing Capital Plan Expenditure post HRA MTFS	**108,751**	**94,646**	**103,625**	**127,494**	**115,844**

Appendix G

HRA 10 Year Summary Forecast 2024/25 to 2033/34

Description	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Rental Income (Dwellings)	(50,627)	(52,371)	(55,197)	(60,243)	(63,748)	(68,786)	(71,995)	(75,224)	(77,052)	(78,916)
Rental Income (Other)	(1,346)	(1,379)	(1,411)	(1,559)	(1,584)	(1,616)	(1,648)	(1,682)	(1,714)	(1,749)
Service Charges	(3,106)	(3,179)	(3,247)	(3,296)	(3,346)	(3,409)	(3,477)	(3,547)	(3,618)	(3,690)
Contribution towards Expenditure	(640)	(656)	(671)	(681)	(692)	(706)	(720)	(735)	(749)	(764)
Other Income	(544)	(564)	(577)	(586)	(595)	(607)	(619)	(632)	(644)	(657)
Total Income	(56,263)	(58,149)	(61,103)	(66,365)	(69,965)	(75,124)	(78,459)	(81,820)	(83,777)	(85,776)
Expenditure										
Supervision & Management - General	6,344	6,635	6,551	7,147	7,491	8,110	8,544	8,961	9,217	9,479
Supervision & Management - Special	5,005	5,124	5,256	5,355	5,456	5,581	5,708	5,839	5,973	6,110
Repairs & Maintenance	12,538	12,223	13,038	13,607	14,327	15,032	15,640	16,085	16,541	17,010
Depreciation – to Major Repairs Res.	11,922	12,424	12,710	13,411	13,937	14,581	15,167	15,645	15,949	16,259
Debt Management Expenditure	0	0	0	0	0	0	0	0	0	0
Other Expenditure	1,357	1,123	1,062	1,019	961	921	962	1,004	1,032	1,060
Total Expenditure	37,166	37,529	38,617	40,539	42,172	44,225	46,021	47,534	48,712	49,918
Net Cost of HRA Services	(19,097)	(20,620)	(22,486)	(25,826)	(27,793)	(30,899)	(32,438)	(34,286)	(35,065)	(35,858)
HRA Share of operating income and expenditure included in Whole Authority I&E Account										
Interest Receivable	(1,062)	(676)	(726)	(768)	(771)	(896)	(1,036)	(1,085)	(1,177)	(1,275)
(Surplus) / Deficit on the HRA for the Year	(20,159)	(21,296)	(23,212)	(26,594)	(28,564)	(31,795)	(33,474)	(35,371)	(36,242)	(37,133)
Items not in the HRA Income and Expenditure Account but included in the movement on HRA balance										

Loan Interest	9,287	11,418	11,858	13,153	15,326	16,235	16,234	16,235	16,235	16,235
Housing Set Aside	0	0	0	0	0	0	0	0	0	0
Appropriation from Ear-Marked Reserve	0	0	0	0	0	0	0	0	0	0
Direct Revenue Financing of Capital	11,044	9,328	11,558	12,099	13,498	6,914	14,741	14,080	16,062	17,187
(Surplus) / Deficit for Year	172	(550)	204	(1,342)	260	(8,646)	(2,499)	(5,056)	(3,945)	(3,711)
Balance b/f	(7,565)	(7,393)	(7,945)	(7,740)	(9,083)	(8,825)	(17,469)	(19,966)	(25,020)	(28,966)
Total Balance c/f	(7,393)	(7,943)	(7,741)	(9,082)	(8,823)	(17,471)	(19,968)	(25,022)	(28,965)	(32,677)

Appendix H

Housing Capital Investment Plan (10 Year Detailed Investment Plan)

Description	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing Capital Spend										
Disabled Facilities Grants	808	808	808	808	808	808	808	808	808	808
Private Sector Housing Grants and Loans	195	195	195	195	195	195	195	195	195	195
Total General Fund Housing Capital Spend	**1,003**	**1,003**	**1,003**	**1,003**	**1,003**	**1,003**	**1,003**	**1,003**	**1,003**	**1,003**
HRA Capital Spend										
Decent Homes										
Kitchens	996	1,435	703	1,311	1,174	2,977	2,977	2,977	2,977	2,977
Bathrooms	1,199	668	182	112	343	459	459	459	459	459
Central Heating / Boilers	2,174	1,597	2,309	1,333	1,657	2,693	2,693	2,693	2,693	2,693
Insulation / Energy Efficiency / Wall Finishes	484	257	834	72	1,034	570	570	570	570	570
Energy Efficiency Pilot / Retrofit	13,565	3,897	3,897	3,897	3,897	3,897	3,897	3,897	3,897	3,897
External Doors	1,242	76	72	17	83	188	188	188	188	188
PVCU Windows	2,923	930	380	316	1,092	999	999	999	999	999
Wall Structure	2,399	334	119	564	782	1,000	1,000	1,000	1,000	1,000
External Painting	382	382	382	382	382	382	382	382	382	382
Roof Structure	577	300	300	300	300	300	300	300	300	300
Roof Covering (including chimneys)	2,158	1,315	699	1,037	770	704	704	704	704	704
Electrical / Wiring	990	167	258	4	19	882	882	882	882	882

Description	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sulphate Attacks	109	109	109	109	109	109	109	109	109	109
HHSRS Contingency	693	107	107	107	107	107	107	107	107	107
Other Health and Safety Works	107	53	53	53	53	53	53	53	53	53
Capitalised Officer Fees - Decent Homes	540	540	540	540	540	540	540	389	389	389
Decent Homes Backlog	84	5,526	5,526	5,526	5,526	5,526	5,526	0	0	0
Decent Homes Planned Maintenance Contractor Overheads	2,069	833	699	629	870	1,257	1,257	1,257	1,257	1,257
Decent Homes New Build Allocation	1,127	1,304	2,193	2,763	3,422	3,874	4,296	4,443	4,593	4,746
Total Decent Homes	**33,818**	**19,830**	**19,362**	**19,072**	**22,160**	**26,517**	**26,939**	**21,409**	**21,559**	**21,712**
Other Spend on HRA Stock										
Garage Improvements	107	107	107	107	107	107	107	107	107	107
Asbestos Removal	53	53	53	53	53	53	53	53	53	53
Disabled Adaptations	830	830	830	830	830	830	830	830	830	830
Communal Areas Uplift	108	103	103	103	103	103	103	103	103	103
Communal Electrical Installations / Fire Systems / Communal Lighting	889	156	156	156	156	156	156	156	156	156
Communal Entrance / Enclosure Doors + Glazing	344	126	126	126	126	126	126	126	126	126
Fire Prevention / Fire Safety Works	444	855	52	52	52	52	52	52	52	52
Hard surfacing on HRA Land - Health and Safety Works	239	231	231	231	231	231	231	231	231	231
Communal Areas Floor Coverings	107	107	107	107	107	107	107	107	107	107
Lifts and Door Entry Systems	206	4	4	2	59	39	39	39	39	39
Estate Investment Scheme	1,519	0	0	0	0	0	0	0	0	0
Capitalised Officer Fees - Other HRA Stock Spend	122	122	122	122	122	122	122	122	122	122

Description	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Spend on HRA Stock Planned Maintenance Contractor Overheads	476	204	190	194	201	198	198	198	198	198
Total Other Spend on HRA stock	**5,444**	**2,898**	**2,081**	**2,083**	**2,147**	**2,124**	**2,124**	**2,124**	**2,124**	**2,124**
HRA New Build / Re-Development										
Kendal Way	452	0	0	0	0	0	0	0	0	0
Colville Road Phase II	820	0	0	0	0	0	0	0	0	0
Meadows and Buchan Street	7,877	0	0	0	0	0	0	0	0	0
Colville Road Phase III	3,432	0	0	0	0	0	0	0	0	0
Aragon Close	1,525	0	0	0	0	0	0	0	0	0
Sackville Close	1,617	0	0	0	0	0	0	0	0	0
Aylesborough Close	11,092	3,599	0	0	0	0	0	0	0	0
St Thomas's Road	1,649	82	0	0	0	0	0	0	0	0
Paget Road	720	907	0	0	0	0	0	0	0	0
Fanshawe Road	6,672	3,698	0	0	0	0	0	0	0	0
Princess and Hanover	4,611	10,785	6,826	124	0	0	0	0	0	0
East Road	1,584	8,723	1,383	0	0	0	0	0	0	0
Eddeva Park	3,805	4,228	352	0	0	0	0	0	0	0
East Barnwell	3,257	15,394	9,617	17,631	6,424	0	0	0	0	0
Newbury Farm	8,763	4,571	2,661	0	0	0	0	0	0	0
ATS, Histon Road	4,153	2,715	231	0	0	0	0	0	0	0
Ekin Road	1,019	5,707	5,235	4,208	3,691	0	0	0	0	0
Stanton House	333	0	0	0	0	0	0	0	0	0
Davy Road	1,416	2,831	4,876	3,933	2,674	0	0	0	0	0
Hills Avenue POD Homes	5	0	0	0	0	0	0	0	0	0
Acquisition (Incl. for New Build)	1,096	0	0	0	0	0	0	0	0	0

Description	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000
Local Authority Housing Fund Acquisitions	2,016	0	0	0	0	0	0	0	0	0
10 Year New Homes Programme (Unallocated)	0	4,864	44,328	69,125	65,762	11,846	8,750	8,750	8,750	8,750
Total HRA New Build / Re-Development / Acquisition	**67,914**	**68,104**	**75,509**	**95,021**	**78,551**	**11,846**	**8,750**	**8,750**	**8,750**	**8,750**
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	74	0	0	0	0	0	0	0	0	0
Corporate IT Investment	76	24	24	24	24	24	24	24	24	24
Shared Ownership Repurchase	300	300	300	300	300	300	300	300	300	300
Commercial and Administrative Property	122	32	32	32	32	32	32	32	32	32
Total Other HRA Capital Spend	**572**	**356**	**356**	**356**	**356**	**356**	**356**	**356**	**356**	**356**
Total HRA Capital Spend	**107,748**	**91,188**	**97,308**	**116,532**	**103,214**	**40,843**	**38,169**	**32,639**	**32,789**	**32,942**
Total Housing Capital Spend at Base Year Prices	**108,751**	**92,191**	**98,311**	**117,535**	**104,217**	**41,846**	**39,172**	**33,642**	**33,792**	**33,945**
Inflation Allowance and Stock Reduction Adjustment for Future Years	0	2,455	5,314	9,959	11,627	4,462	5,015	4,925	5,844	6,788
Total Inflated Housing Capital Spend	**108,751**	**94,646**	**103,625**	**127,494**	**115,844**	**46,308**	**44,187**	**38,567**	**39,636**	**40,733**
Housing Capital Resources										
Right to Buy Receipts	(488)	(493)	(498)	(503)	(508)	(513)	(518)	(523)	(529)	(534)

Description	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Capital Receipts (Land & Dwellings)	(350)	(1,000)	(1,023)	(1,040)	(3,098)	(9,479)	(1,099)	(1,121)	(1,143)	(1,166)
Major Repairs Reserve	(11,922)	(12,423)	(12,708)	(13,411)	(13,937)	(14,581)	(15,167)	(15,646)	(15,948)	(16,259)
Direct Revenue Financing of Capital	(11,044)	(9,328)	(11,558)	(12,100)	(13,498)	(6,914)	(14,741)	(14,080)	(16,062)	(17,187)
Homes England Grant (assumed) / MHCLG Grant	(6,676)	(50,031)	(72,604)	(32,912)	(36,627)	(10,384)	(5,533)	0	0	0
Disabled Facilities Grant	(808)	(808)	(808)	(808)	(808)	(808)	(808)	(808)	(808)	(808)
Other Capital Resources (Grants / Shared Ownership Re-Sale / R&R Funding)	(1,692)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Retained Right to Buy Receipts	(5,179)	(1,727)	(486)	(3,200)	(3,264)	(3,329)	(6,021)	(6,089)	(4,846)	(4,479)
Prudential Borrowing	(69,744)	(17,688)	(2,791)	(62,372)	(42,956)	0	0	0	0	0
Total Housing Capital Resources	**(107,903)**	**(93,798)**	**(102,776)**	**(126,646)**	**(114,996)**	**(46,308)**	**(44,187)**	**(38,567)**	**(39,636)**	**(40,733)**
Net (Surplus) / Deficit of Resources	848	848	849	848	848	0	0	0	0	0
Capital Balances b/f	**(5,959)**	**(5,111)**	**(4,264)**	**(3,416)**	**(2,568)**	**(1,720)**	**(1,720)**	**(1,720)**	**(1,720)**	**(1,720)**
Use of / (Contribution to) Balances in Year	848	848	848	848	848	0	0	0	0	0
Capital Balances c/f	**(5,111)**	**(4,264)**	**(3,416)**	**(2,568)**	**(1,720)**	**(1,720)**	**(1,720)**	**(1,720)**	**(1,720)**	**(1,720)**
Other Capital Balances (Opening Balance 1/4/2024)										
Major Repairs Reserve	0	Utilised in full in 2023/24								
Retained 1-4-1 Right to Buy Receipts	(5,285)	Utilised in 2024/25 and 2025/26 above								

Description	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Right to Buy Receipts for Debt Redemption	(4,484)	Utilised in part in 2023/24, with balance retained for future debt repayment								
Total Other Capital Balances	**(9,769)**									

Appendix I

Minimum Level of HRA General Reserves

Estimate of Prudent Level of HRA Reserves from 2024/25

Description	Level of risk	Amount at risk	Risk
		£	£
Employee costs	*Medium*	6,094,910	27,427
Premises costs	*High*	11,220,210	897,617
Transport costs	*Low*	38,420	77
Supplies and services	*Medium*	2,932,900	8,799
Grants and transfers	*High*	144,090	5,764
Grant income	*Low*	0	0
Other income	*High*	54,773,490	547,735
Support Services	*Medium*	5,474,520	24,635
Total one year operational risk			1,512,053
Allowing three years cover on operational risk			**4,536,000**

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

Prudent Minimum Balance (PMB)	**6,161,000**
Target (PMB + 20%)	**7,393,000**

Appendix J

HRA Earmarked & Specific Revenue Funds (£'000)

Repairs & Renewals

	Opening Balance	Contributions	Expenditure to June	Current Balance
General Management	(805.6)	(73.1)	0.0	(878.7)
Special Services	(1,299.5)	(156.1)	23.3	(1,432.3)
Repairs and Maintenance	(666.1)	(40.4)	0.0	(706.5)
Total	**(2,771.2)**	**(269.6)**	**23.3**	**(3,017.5)**

Tenants Survey

	Opening Balance	Contributions	Expenditure to June	Current Balance
Tenants Survey	(12.0)	0.0	0.0	(12.0)

Tenant Satisfaction New Burdens

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

Debt Set-Aside (Revenue)

	Opening Balance	Contributions	Expenditure to June	Current Balance
Debt Set-Aside	0.00	0.0	0.0	0.00

HRA Earmarked & Specific Capital Funds (£'000)

Debt Set-Aside (Capital)

	Opening Balance	Contributions	Expenditure to June	Current Balance
Debt Set-Aside	(4,483.9)	0.0	0.0	(4,483.9)

Major Repairs Reserve

	Opening Balance	Contributions	Expenditure to June	Current Balance
MRR	0.00	0.0	0.0	0.00